2005

Fulfilling Our Obligation: Perspectives on Teaching Business Ethics

Sheb L. True

Linda Ferrell

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Kennesaw State UNIVERSITY
Kennesaw State University Press ™

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CONTENTS

SECTION I: Challenges in Business Ethics Education

SECTION II: Perspectives on Teaching Business Ethics from the Philosophy Department

SECTION III: Industry Executives Address Business Ethics Education

SECTION IV: Approaches and Techniques for Teaching Business Ethics

SECTION V: Additional Thoughts on Business Ethics
and Higher Education

FOREWORD

Well before the courts began handing down sentences to the miscreants of Enron, WorldCom, and other now-notorious companies, many observers were wondering aloud if the nation's business schools should share a measure of blame for the crisis that had caused a staggering loss of public confidence in corporate America.

The Wall Street Journal, remarking on the skill with which some executives misled investors, could not help but ask, "How did they learn to think that way?" Other headlines reading "Oxymoron 101" (*Forbes*), "When It Comes to Ethics, B-Schools Get an F" (*The Washington Post*), and "Ethics Lacking in Business School Curriculum . . ." (*The New York Times*) were more direct. Even three years after news of the major accounting scandals broke, *The Economist* featured a critical review of business schools beneath the banner "Bad for Business?"

Some suggested that business schools might be part of the problem. The Aspen Institute conducted a survey at a dozen top-tier universities and found that roughly half of MBA students believed that MBA programs—including the way ethics is taught—might have contributed to the corporate scandals. One in five students reported they he or she had not received any ethics training whatsoever in the business curriculum (Aspen Institution 2003).

Perhaps the strongest indictment came from the late Sumantra Ghoshal of the London Business School, who argued in his last journal article that business faculty "need to own up to our own role in creating Enrons. Our theories and ideas have done much to strengthen the management practices that we are all now so loudly condemning" (2005). In other words, the need

is not simply to teach more ethics, but to teach less of other things, including theories that shrink the rich complexity of business life to a dehumanized, purely quantitative science.

Many business deans have joined those seeking change; but even these leaders admit that change will be difficult. To encourage an exchange of ideas and best practices, The Southern Institute for Business and Professional Ethics convened deans and other leaders from 12 universities for a series of gatherings known as the Southeast Consortium on Business Ethics Education. In their final meeting, the deans heard three business leaders, all of whom run multibillion-dollar companies, deliver an unequivocal message: employers need more workers evidencing ethical judgment and leadership skills, but neither quality is paid sufficient attention in today's business curriculum.

New Ways of Thinking about Ethics Education

The volume you are holding represents an important step forward in addressing these and other concerns. Editors Sheb L. True, Linda Ferrell, and O. C. Ferrell have assembled a collection of timely essays offering practical, experience-based insights to those seeking a more prominent place for ethics in business education. The authors of these essays address a diversity of topics yet are unanimous in calling for change (even if they occasionally disagree on the best means of accomplishing it). Following are some of the important themes this volume addresses.

The Purposes of Ethics Education

George Washington University's Amitai Etzioni has written, "Many business school professors choose to steer clear of teaching morality, pointing out with some justification, that while it is relatively clear what economics dictate and even what the law dictates, what is 'ethical' is far from obvious. What appears ethical to one person is not to another, they say, and what is ethical under some conditions is not under others" (2002). This statement underscores a principal reason for which ethics often occupies an uncertain position in the business curriculum. The idea of "teaching morality" is off-putting to some and abhorrent to others. "The sleazeball population is far less malleable than is assumed" declared Dan Seligman in a *Forbes* article (2002). And in the words of one CEO I met recently, "You can't teach ethics to a grownup. If they haven't got it by then, it's too late."

The idea that ethics instruction is about reshaping the moral character of "sleazeballs" is a common misperception. In response to such thinking, Thomas I. White points out that the "character education" model is neither appropriate nor productive for ethics education in business schools. He advocates, rather, a "more cognitive and philosophical approach that is more consistent with the general character of the modern university and the technical expertise of business school faculty." He explains how it is possible, through such an approach, to cultivate capacities for ethical reasoning that are especially likely to lead to ethical business decisions.

Eugene Heath makes a similar case, acknowledging that business ethics instruction might well improve the character of individuals and even society, but concluding that this should not be its main objective. "As a pedagogical enterprise, business ethics should not seek to make students into better persons; rather, its purpose is to assist them in thinking carefully about moral matters

relating to commerce." The result, he suggests, can be enhanced moral perception, greater competence in "sifting" ideas, and more deliberative reasoning about principles and practices.

O. C. and Linda Ferrell also contend that a strong "business case" can be made if the purpose of teaching ethics is understood properly. "By focusing on the concerns and issues of today's challenging business environment, one can demonstrate that studying business ethics provides vital knowledge that contributes to overall business success," they write. Lindsay Moore concurs with White and Heath, noting that crises in judgment and decision-making ability characterize the current crisis in ethics education. "Because decisions are contingent upon accurate perception, clear thinking, and responsible analysis," Moore observes, "Higher education is uniquely positioned to impact the ethical situation by training the minds of its students to a higher degree of competency in the faculties of good reasoning—good reasoning even when operating under the pressures of time and consequence." Moreover, better judgment can result in "rewarding professional and personal lives and deliver significant and enduring contributions to society."

Even if we agree regarding the purposes of ethics education, the problem of assessing outcomes remains. Brian K. Burton's essay begins be pointing out that if we have a "goal of training ethical business leaders we open ourselves to the question, 'How will you know?'" Analyzing existing theories and practices, he suggests several promising methods but calls for further research into assessment-related issues in business-ethics education.

The Place of Ethics in the Curriculum

University faculty members are highly specialized in their respective disciplines—accounting, marketing, finance, and so on. Because ethics tends to be viewed as a separate discipline, and sometimes not even as a *business* discipline, certain faculty have difficulty seeing where it fits best into the curriculum. Traditionally, many universities have taught ethics in a stand-alone course, some as an elective, and others as a requirement. But a recent trend has been the "across-the-curriculum" approach, which encourages an intentional focus on ethics in the contexts of a wide range of business courses.

In its latest review of standards, the accreditation body for university business schools (Association to Advance Collegiate Schools of Business, or AACSB) considered arguments for and against a mandated course in business ethics. Dan LeClair describes the decision process and the association's rationale for not adopting such a requirement. "Ethics education should be integrated throughout the curriculum," he concludes. "Because it is inseparable from business and management, ethics should be integrated throughout the curriculum rather than centralized and isolated." Diane L. Swanson argues, however, that the AACSB's decision ignores "a crisis of legitimacy in business schools due to a longstanding habit of sidestepping ethics education." She compares business education to legal and medical educations, for whose graduates ethics courses are required, and concludes, "That similar logic is not applied to future managers who will be entrusted with society's scarce resources flies in the face of common sense and calls into question the very legitimacy of business schools, their graduates, and the accrediting agency."

Duane Windsor's essay seeks to place business ethics preparation within a "broader business-and-society education that systematically addresses legal, moral, and political dimensions

of management." He offers a plan for how such a positioning should become the "strong national benchmark promoted by AACSB." Yet he cautions that the barriers to change are high and will not be surmounted easily.

Better Methods of Teaching

Business schools have been criticized for promoting the notion that maximization of shareholder value supersedes all other corporate obligations. Mark R. Bandsuch and Robert D. Winsor propose a comparatively balanced, stakeholder-based approach that thoughtfully weighs the needs of employees, local communities, consumers, and "any other individuals or groups that have a reciprocal relationship with the business organization, whereby they are affected by the business or, conversely, can affect the business." Bandsuch and Winsor offer a teaching method that they consider more "inclusive, integrative, complete, and practical" than traditional approaches to stakeholder management. O. C. and Linda Ferrell, who also value a stakeholder framework, add that this may best be introduced to students through a foundation course that integrates "the personal, organizational and societal components of ethical decision-making." Through such an approach, students can be helped to see the practical application of ethics to their own roles in the workplace.

Richard J. McGowan tackles the age-old question of who should teach ethics, suggesting that "the cognitive aspects of ethics are typically underestimated by those outside of the discipline." He contends that recent psychological research confirms that "the philosophic perspective is the most adequate perspective, at least in terms of human activity, for instruction in ethics." At the same time, he recognizes the tension often felt between liberal arts and business

and encourages philosophers to take care not to alienate business students by evidencing hostility towards their subject.

This view is shared by Richard J. Klonoski, who not only argues for the strengths of a philosophical approach to business-ethics education, but also demonstrates how such an approach can be used to analyze a practical, real-world case. Using the issue of child labor as a pedagogical template, he takes us step by step through the development of a case and identifies philosophical questions and resources regarding it, as well as related issues that might be raised in a classroom discussion. Klonoski provides a practical tool that may be immediately useful to some readers.

Martha E. Hardesty extends the discussion further by proposing that schools should do a better job of "packaging the ethics element for most effective delivery within their broader product line." Recognizing that the delivery system is the faculty itself, she focuses on at least three actions instructors might take to achieve this goal: (1) communicate to students the significance of ethics by paying it close attention; (2) demonstrate to them that professionals must work hard to be "fluent" in ethics; and (3) convince their academic institutions that "research, retraining, and course or curriculum revision around ethics is credible scholarly activity."

A complementary perspective, offered by Brent A. Hathaway, suggests that we as faculty cannot educate students about ethics without "some degree of self-reflection on ethical issues in our own profession." These issues include an over-reliance on external sources of funding, a proliferation of obscure journals that few people read, and the use of unqualified graduate students as instructors.

Engagement of Business and the Academy

A *BusinessWeek* editorial called on businesses to do more to encourage ethics education: "Corporations already wield tremendous influence at some B-schools, making big donations, sending managers to non-degree classes, and sponsoring research. So how about funding a professorship in ethics? Companies should also open their doors to faculty who want to study everyday corporate ethics" (2003). Francy Stewart Milner echoes this sentiment in an essay that enjoins the business and academic sectors to begin "working together locally and nationally, sharing ideas and best practices, to educate and nurture business ethics leaders." Milner believes that such partnerships will not only strengthen education, but potentially help restore trust in business in the long term.

Of course, partnering with business is associated with some risk. Imagine, for example, the predicament of a university that found itself saddled with the Bernard Ebbers College of Business or the Enron Distinguished Chair in Finance. Debbie Thorne McAlister and Denise T. Smart discuss the importance of safeguarding institutional reputation. "The decision to name and re-brand the college," they state, "Is fundamental to this reputation."

Branding considerations notwithstanding, two practitioners offer essays on the mutual advantages of strengthening relationships with businesses. Sandford W. Rothe contends that employers have an "enormous stake" in ensuring that students study ethics. "As business people whose own hiring pipelines must be filled with honest job candidates—the question must be asked: How best do we impress upon our current and future employees the importance of ethical behavior?" The answer, Rothe believes, is in the university classroom. Practitioner Greg Owsley writes, "All good curricula will stress the need for clear ethical thinking in advertising, promotion

and other branding decisions." The best candidates for employment are those in whom he sees "an informed eagerness to challenge the institution they are about to join to become better corporate citizens because there will be both cultural and marketplace benefits."

From the point of view of employers, ethics education is important not only in business schools, but in nonbusiness disciplines as well, for today's organizations are populated by graduates of the liberal arts, engineering, law and many other fields. (Remember: WorldCom's Bernie Ebbers majored in physical education.) But for business faculties seeking to meet this growing and multifaceted challenge within their discipline, this book offers a wealth of useful insights and practical solutions.

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PREFACE

To say that business ethics is a hot topic in today's marketplace is to state the obvious. What is not so obvious is either the best means of addressing within the academy the extensive and complex issues surrounding this topic or who most appropriately can fulfill related teaching responsibilities. In response to the appeals—some might say "blame"—from industry, society, and governing bodies and, more proactively, to our own value-based interpretations of the responsibilities of teachers and workforce suppliers, many educational institutions and members of the academy have heeded the call to be catalysts for change.

This anthology offers a myriad of perspectives on teaching business ethics. The authors are business and philosophy faculty, business school deans, industry practitioners, and a representative of AACSB International. Most chapters were inspired by presentations taking place at the 2004 Teaching Business Ethics Conference, which was sponsored by AACSB International, University of Colorado, Colorado State University, and University of Wyoming.

The intent of *Fulfilling Our Obligation: Perspectives on Teaching Business Ethics* is not to offer a definitive answer demanding allegiance by all educators and academic institutions; rather, the goal is to provide a means of furthering exploratory discourse on the role of ethics in a business education. This volume is dedicated to providing faculty and administrators with direction, encouragement, and motivation as they design and deliver pedagogical methods that include ethical frameworks as a vital component of business decision-making models.

June 17, 2005

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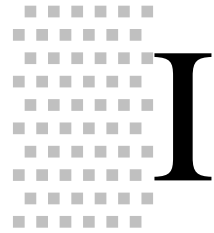
Challenges in Business Ethics Education

IS TEACHING BUSINESS ETHICS MY RESPONSIBILITY?

Sheb L. True
Lou E. Pelton

The chaos of recent corporate legal woes and media inquiry into violations of public trust has created a business environment that brings transparency and corporate compliance to the forefront of business policies and processes. But the need for scrutinizing business activities goes beyond accounting and financial disciplines. For example, the requirements of the Sarbanes–Oxley Act of 2002 are just as relevant to the sales forces of public companies as they are to financial officers (Barry, 2003). Today, environmental concerns, vigorous consumerism, employee relations, and activities of business partners up and down the value chain are being viewed under the microscope of public scrutiny.

Internal and external stakeholders will continue to care about the ethical effects of the actions of business, which will remain subject to legal boundaries. As a result of the current epidemic in corporate America, the attitude and approach at business schools need to be re-examined (Lissack and Richardson, 2003). Although the law does and should play an important role in business education, the obligations of teachers extend beyond instructing students in the law as the sole arbiter of right and wrong business behavior. (The law is not synonymous with

ethics, but the connections between the two are solid, for the latter can function as a front-line defense against legal violations; Thorne-LeClair, Ferrell, and Ferrell, 1997.)   Business leaders must be responsible for both legal and ethical compliance, and "business schools worldwide must reinvigorate their emphasis on developing ethical graduates that will lead tomorrow's organizations toward good corporate citizenship" (Fernandes, 2003).

The intent of this article, as well as the overall theme of this collection of readings, is to address the issue of how best to teach business ethics. Focusing on the dynamic nature of teaching business by bridging the gap between ethics and strategy for future managers who must consider complex issues when making decisions, the collection furthers dialogue among faculty and administrators by providing various perspectives on the topic of best pedagogical practices. The challenge is to include ethical perspectives when teaching decision making processes that will affect diverse constituents. The object of the collection is neither to dispute the tenets of business nor to encumber the purveyors of business knowledge or the emergence of corporate leaders; rather, we mean to direct attention to a range of perspectives on why ethical dispositions should be addressed in the business curriculum.

Why is Ethics an Important Part of a Business Education?

The issue of teaching business ethics is hotly debated throughout the academy. Faculty, administrators, and accrediting bodies, as well as business organizations, the media, and society, all have contributed to this discourse. Currently, the underlying issue is the role of business schools in teaching students to think and to behave ethically in business environments.

"The claim that business schools are to blame for corporate misconduct is based, at least in part, on the premise that faculty at academic institutions educate students to disproportionately serve 'the bottom-line' by over-emphasizing the obligation to maximize shareholder wealth and to engender a competitive market advantage" (True and Pelton, p. 3, 2004). Indeed, "(s)hareholder value is as powerful as it's ever been" (Henry Mintzberg, quoted in Skapinke, 2003).[1] Alsop (2004) speaks for many critics when he states that business schools are "producing graduates obsessed with making money regardless of the ethical consequences." What is more, Conroy and Nelson (1989) have found that business schools actually are contributing to the regressive moral development of students. Their empirical findings on the subject of moral psychology suggest that the business major attracts the least morally mature students and that, after graduation, these students' ethics scores are even lower than they were in the first year of college.

But are business schools and their faculty really responsible for the unethical attitudes and behaviors of their graduates in the business world? Is our function to educate students as knowledgeable and skilled business practitioners, or as theologians? It seems unreasonable to many to hold us completely accountable for the unethical actions of our graduates. Yet because we play a significant role in their learning and training in regard to making decisions in complex and competitive business environments, there may seem to be at least an indirect link between business curricula and corporate irresponsibility. After all, as Carolyn Y. Woo, Dean of the

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[1]See Michael Skapinke's *Financial Times* article "In Search of a Balanced Society" (September 16, 2003), which reported on Henry Mintzberg's session at the 2003 Academy of Management meeting in Seattle, Washington.

Mendoza College of Business at the University of Notre Dame, notes, "(t)he priorities taught in business schools affect the way students think."[2]

When a student graduates with a degree in business or has completed a number of business courses, what is our liability in regard to how well he or she can adequately perform business-specific duties (e.g., accounting, marketing, finance, etc.)? In fact, beyond damage that might be done to the reputation of faculty, academic institution, or business school by an incompetent student, academic accountability is limited. This fact, however, does not relieve us of our responsibilities: we are responsible, generally, for providing information and conveying concepts so that students can contribute to their profession, industry, and organization.

Again, what we teach—and, subsequently, what our graduates will do in their jobs—can and does have a significant effect on others. According to Lissack and Richardson (2003), we must accept our limited role in the un(ethical) behavior in graduates, even if we are unwitting participants and must at least ensure that we are not merely helping the ethically challenged acquire a sharper toolset with which potentially to take advantage of a trusting public. After all, if the only tool in one's box is a hammer, then every situation will look like a nail.

We have a responsibility also to teach what is ethical or at least how to identify ethical dilemmas and how to make decisions that include an ethical dimension. Indeed, teaching ethics is more about teaching our students how to make better (ethical) decisions than it is about teaching them to be ethical persons (Brown, 2000). The decision making perspective is necessary, for it provides a firm foundation for our pedagogical directive. Because the decision making process is

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[2]See Lynnley Browning's *New York Times* article "Ethics Lacking in Business School Curriculum, Students Say in a Survey" (May 20, 2003) <http://www.nytimes.com/2003/05/20/business/ 20ETHI.html?ex=1054409741&ei=1&en=ade6bc1cbc34586d>, which included Woo's interview.

at the root of nearly everything taught in business school, the teaching of business ethics should not be exempt from this approach. An ethical perspective is a decision making process crucial to business activity.

Conclusion

"Corporations are social institutions," observes Michael Skapinke (2003). "If they don't serve society, they have no business existing"[3] In the corporate environment, organizations with a strong emphasis on ethics have yielded positive associations with general (ethics) training and education (Thorne-LeClair and Ferrell, 2000). Additionally, organizations with a strong commitment to quality, customer loyalty, employee commitment, and profitability have a strong ethical culture (Maignan, 1997; Loe, 1996). We see no reason that these finding should not apply to higher education as well.

Doubtless, interest in ethics education and training programs is on the rise. The *Association to Advance Collegiate Schools of Business* (AACSB International), the world's leading accrediting agency of degree granting schools of business, long has required ethics coverage in accredited school curricula, and in 2003 its New Issues Committee assigned "ethics in business education as its top priority issue."[4]

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[3]See Michael Skapinke's *Financial Times* article "In search of a balanced society" (September 16, 2003), which reported on Henry Mintzberg's session at the 2003 Academy of Management meeting in Seattle, Washington.
[4]See January 21, 2003 letter sent by Milton R. Blood, Ph.D., Managing Director of Accreditation Services, AACSB International <http://216.239.39.104/search?q=cache:ezhiNyjswZwJ:www.pitt.edu/~rorst6/sim/ Blood_ Response_Jan03.doc+aacsb+new+issues+committee&hl=en&ie=UTF-8>

Our obligation to teach the fundamentals of business goes beyond the role of profit and shareholder interests to include both business' broader role in society and the interests of all stakeholders. Our curricular and pedagogical undertakings therefore should entail ethical perspectives by addressing the most likely strategic and ethical-dilemma decision scenarios graduates will encounter. Business ethics is not an issue that should be left to the philosophy department or the law school: our own schools must embrace ethics, in mind, body, and spirit. In addition to teaching what *can* be done and how, business faculty need to teach, motivate, and inspire students to stop and think about what *ought to* be done and how (True and Pelton, 2004). Duffield and McCuen (2000) point out that one of the responsibilities of good mentors is to help individuals move along a continuum of ethical development. By extension, in academia, where faculty are mentors to students, we are obligated to teach an ethical perspective.

Graduates must possess the attitude and the skills needed to apply their knowledge of business in the development and execution of effective, efficient, and ethical business decisions aimed at creating value for all stakeholders—not only for shareholders. Business faculty must take responsibility for providing students with an education that encompasses not only the tools of the trade, but an understanding of and a means to consider the implications of their craft because "to educate a man in mind and not in morals is to educate a menace to society."[5]

By embarking on the path towards fulfilling our obligation to help students make sound business decisions, we can begin to make modest steps towards adjusting the ways business

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[5]Attributed to Theodore Roosevelt—August Kerber (1968), *Quotable Quotes of Education*. Unverified, http://www.bartleby.com/73/500.html.

leaders think and act. We are striving, in this sense, to create a "butterfly effect," whereby small changes engender transformation.[6]

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[6] See "Teaching and the Butterfly Effect," Heather A. Haas, *Chronicle of Higher Education* (March 10, 2004), <http://chronicle.com/ jobs/2004/03/2004031001c.htm> "The butterfly effect," writes Haas, "Is a metaphor for life in a chaotic universe. Once upon a time it seemed reasonable to believe that big influences had big effects and little influences had little effects; that was the basis for Newtonian science. Chaos theory, however, changed that. Here was a theory built around the premise that little things, like a butterfly flapping its wings over Hong Kong today, can have big effects, like causing a hurricane in Florida a week from now."

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PURSUING ETHICS
IN MODERN BUSINESS EDUCATION

Daniel R. LeClair

"Why take valuable time from my course to teach students about ethics?" asks the information systems professor. It is a rhetorical question, but the marketing professor answers, "It's a waste of time; students are already set in their values before they come to us." Another colleague leans in: "My course is about corporate finance, not ethics. In fact, I'd be doing my students a disservice if I told them to put the interests of society ahead of shareholders." The strategy professor adds, "Exactly! Exposure to ethics will disadvantage my students. It will compromise their ability to survive in the vicious, competitive world of business." A latecomer to the group, the accounting professor admits, "I'm not even qualified to teach ethics." This confabulation is fictional of course, but the views expressed are real and shared among a significant number of management educators.

Individually, many business professors perceive the benefits of increasing ethics coverage as small compared to the costs of and the barriers to such coverage. Even the most valiant classroom efforts seem ineffective against the overwhelming influence of society and organizations on values. Too much content already competes for too little time in course schedules. Conflicting views on ethical dilemmas disrupt comparatively objective courses, causing

them to be messy and idiosyncratic. Academic market forces assign great rewards to narrow research agendas and provide little motivation to reflect on the ethical issues facing practitioners. So it is not surprising that certain professors resist external pressures to expand and to deepen the role of ethics in their courses and curricula. Fortunately, a macro perspective on business education can afford a positive view and attribute important benefits to business ethics education. The main points of this essay are the products of this more positive point of view.

Unlike most contributors to this volume, I have not been an active supplier to the academic literature on business ethics. Neither do I have the benefit of a lengthy career as a senior executive or practicing corporate ethics officer. My views originate from a somewhat unique industry-level experience with business schools through my work at AACSB International—The Association to Advance Collegiate Schools of Business (which is most widely known as the business school accrediting organization), a modest set of managerial experiences, and a touch of reflection on a decade-long career as an economics professor. I have not read enough of the ethics education literature to claim that my views are original, and attempting at this point to disentangle my opinions from the policies of AACSB would be pointless. Regardless, I take full responsibility for any errors or offenses.

Strengthening the Case for Business Ethics Education

This essay begins by confronting the objections raised in the opening dialogue. The explicit purpose is to present a more favorable case for ethics education in business schools.

To the Marketing Professor

Even if ethical behaviors are instinctive, it does not follow that humans are incapable of learning. To be sure, if ethics are strictly innate, business professors are off the hook and can leave it to biologists to identify the corruption gene and pharmaceutical companies to offer a solution to corporate fraud. Ethical behaviors can be learned, but does the "window" for learning close before adulthood? Business professors are again off the hook if the answer is yes. I have concluded, however, that the answer is no; and I did not have to look beyond myself for proof. I am 40 now, different and—dare I say—more ethical than when I was 30. I was very different at 30 and definitely more ethical than I was at 20. So, of course, ethical behavior can be *learned* by adults; and I believe it can be *taught* to adults. "How" will be explored later in this essay.

To the Finance Professor

Ethics cannot be separated from finance or any other business and management field. Management decisions are ethical decisions, regardless of the functional area. Ethics are embedded in the management concepts we teach, the way we teach these concepts, and how these concepts are applied in practice. Ethics are embedded in the way we act, lead, communicate, and persuade in the workplace. Ethical dilemmas are inherently dynamic—evolving in and across management functions. It is easy to see, for example, how fraudulent financial reporting can become a marketing disaster when consumers lose trust in the brand. This remarkable intersection between ethics and management makes it difficult to justify excluding ethics from any course that claims a role in developing competent managers. It also means that leaders who cannot deal

effectively with ethical dilemmas will not be capable of serving the interests of shareholders, much less the broader community of stakeholders.

Conversely, management knowledge and skills are needed to identify and to deal with ethical dilemmas in organizations. Students who lack a functional understanding of business and management are ill equipped to detect unethical behaviors hidden in circuitous financial reports, enabled by deficient controls, or motivated by incongruous reward systems. Graduates who cannot solve problems, lead a project, or negotiate a deal are incapable of handling difficult ethical dilemmas.

To the Strategy Professor

"Nice guys finish last" is old school. Cooperation is as important as competitive spirit to survival. Fortunately, drilling down into the theoretical, empirical, and experimental literature for supporting evidence will not be necessary. It is more important simply to reflect on the Academy's response if it believes that unethical behavior is necessary to "survive" in business. Rather than teach students to conform in an unethical environment, business professors should help them to become change agents who exert a positive influence on supervisors, as well as direct reports, peers, and a wide range of significant others. Each act by an ethical manager interacts with and becomes part of the culture that affects ethical behaviors throughout the organization. The systems, processes, and controls that managers create and modify can motivate ethical behaviors and constrain unethical behaviors. Business graduates who can lead and manage ethics can, indeed, create a survivable environment.

To the Accounting Professor

Any business professor, expert in ethics or not, is qualified and capable of contributing to the ethical development of students. Professors do not need all the answers to help students identify ethical dilemmas, explore and debate ethical issues, or develop rational resolutions to ethical conflicts. They can start simply by setting aside class time to engage students in a dialogue about the ethical challenges and concerns of management practice.

The remarks above do not prove that ethics has a definitive role in business curricula. No doubt, there are other objections to including ethics than I have raised; certainly there are more powerful arguments for inclusion than I have articulated. Nevertheless, the next section presumes a genuine interest in enlarging the role of ethics in business curricula.

Guiding Principles for Business Ethics Education

Ethics Education Should Go Beyond Personal Values and Ethical Decision-Making

Most experts agree that business ethics curricula should include frameworks to reflect on personal values or to improve ethical decision-making. Few believe that it should stop there. The diverse participants in the AACSB Ethics Education Task Force (2004) defined a much broader scope, which includes four areas "widely viewed as cornerstones of a comprehensive and viable ethics education curriculum in business schools" (p. 10). The task force includes, in addition to ethical decision making, the responsibility of business in society, ethical leadership, and corporate governance in its recommendations regarding business ethics curricula. The definition is still broader than it may seem, for a number of other topics are collected under each of these areas.

Restricting attention to personal values and to ethical decision-making would limit the benefits of business ethics education severely. To illustrate, consider a rule of thumb regarding variation in employee conduct captured in Ferrell, Fraedrich, and Ferrell (2005). Although the exact percentages may depend on the organization, 10% of employees will always follow their own values and beliefs when faced with ethical dilemmas. Another 10% will weigh the benefits (e.g., personal gain) and costs (e.g., risk of being caught) to decide what to do. An admirable, but futile, goal is to teach people in the latter group to be good regardless of the perceived risks and rewards. A more productive goal is to focus on the 80% in the middle. Regrettably, business schools cannot teach all students to behave. But, fortunately, the 80% are influenced by the behaviors of supervisors and peers, management policies and procedures, and organizational culture. Of course, organizations and societies benefit from business graduates who understand what's right and wrong. The point here is that these benefits are magnified when graduates also know how to "lead and manage" ethics. A business school makes a difference because it educates leaders and managers, not because it educates everyone.

Ethics Education Should Focus on Process as Well as Content

Most debates about ethics education center on content. The main question in these debates is *what should be included*. If the objective is to *develop* ethical behaviors, however, then educational process is as important as content. "How" matters as much as "what." Like leadership education, ethics education should be highly practical. It should include training or coaching from qualified professionals. Cases are not enough; curricula should include simulations, role playing, and other experiential exercises. Programs and projects should be tailored to the particular needs,

attitudes, and circumstances of individual students. Students should learn as much from costly mistakes as they would from inspirational successes. They should, when possible, feel the weight of their decisions.

The Ethics Education Task Force (2004) has singled out "moral courage" as a missing piece in business ethics education:

> Ironically, a missing piece in most ethics education in the field of business is the development of "moral courage," which is particularly important in organizational contexts. Examples abound of individuals with "solid" values who failed to do the right thing because of constraints imposed by authority structures and unethical corporate cultures. At minimum, business students should learn how to act on their values to confront unethical behavior. Simply saying "no" to a request to behave unethically and reporting such conduct may not be enough, and these actions may prove to be personally risky and ineffective at generating change. It is, therefore, essential to know how to use one's voice effectively. Learning how to name and locate the problem, analyze and map the power structure and politics that influence the problem, build allies and mentors, and apply effective persuasion skills can equip students with the skills they need to put their values to work in the corporate world. (p. 13)

Moral courage requires "knowing." It also requires "doing," and learning to "do" requires practice. Practice requires feedback.

Ethics Education Should Be Integrated Throughout the Curriculum

Because it is inseparable from business and management, ethics should be integrated throughout the curriculum rather than centralized and isolated. The most effective learning (not just in ethics) occurs in situations and discussions in which the concepts are most relevant and meaningful. If the topic is ethics, these moments will be sprinkled throughout the business curriculum. For example, the best time to discuss the ethical dimensions of audit committees is when the topic is covered in the corporate finance class. The discussion would lose context and

therefore meaning if it were set aside for a required ethics course. This does not mean that an ethics course should not be required or elected. A well-designed ethics course can provide a solid foundation for integration, but it should not stand alone. Ignoring ethics in other parts of the curriculum will isolate and marginalize the stand-alone ethics course and prevent it from achieving real results.

AACSB International does not prescribe a particular curriculum or course in ethics. Accreditation has never required a course in any subject for any reason. Philosophically, a one-size-fits-all course requirement would be inconsistent with AACSB's commitment to mission-linked standards and demonstrated appreciation for diversity. Practically, a course mandate would be impossible to apply because of differences in the structural characteristics of courses (delivery mode, length, and degree of integration with other courses). For example, an American requirement might include the topics listed above and involve meeting in class three hours per week over 14 weeks. But what would this mean in Europe, Asia, or Latin America? What if the course is delivered online, lasts only eight weeks, and is offered in combination with strategic management or accounting? AACSB (2004) accreditation standards focus instead on the process for determining learning expectations and on graduates' achievement of them. The Assurance of Learning Standards "evaluate how well the school accomplishes the educational aims at the core of its activities" (p. 56). By focusing on outcomes, the accreditation standards promote creativity and innovation. Schools determine the most effective and efficient way to achieve learning goals.

Integration means that the majority of business ethics teaching will not come from philosophers, theologians, or legal experts. A school's ethics faculty is composed of business and management professors who consider ethics essential to their discipline and courses. Although

diversity can be a source of strength, it also can create challenges for ethics education. One risk is that ethics will receive limited backing in the highly politicized curriculum planning process. AACSB accreditation standards mitigate this risk by specifying that "normally, the curriculum management process will result in an undergraduate degree program that includes learning experiences in such general knowledge and skill areas as . . . ethical understanding and reasoning abilities" and "in such management-specific knowledge and skills areas as . . . ethical and legal responsibilities in organizations and society" (AACSB, p. 68). Similar language applies to master's level general management degree programs. Another risk is that the structure could limit tenure and promotion opportunities for academics interested in ethics research rather than other discipline-based topics. This risk is addressed below.

Ethics Education Should Be Complemented by an Ethical Environment

The curriculum is only a small part of management education. The ethical environment of an organization affects employees, customers, and vendors in meaningful ways. Students, faculty, and staff—the chief participants in education—regularly face ethical dilemmas as they interact closely on many levels to achieve personal and professional goals. How these dilemmas are handled can reinforce or controvert what students learn in the classroom. For example, an in-class discussion of the legal responsibilities associated with digital property rights might be influenced by lax institutional responses to clear violations in residence halls.

AACSB accreditation standards now require schools to address the ethical environment for business education. To be eligible for or to maintain AACSB accreditation, "an institution or the business programs of an institution must establish expectations for ethical behavior by

administrators, faculty, and students." In its interpretation of this requirement, AACSB (2004) "believes that ethical behavior is paramount to the delivery of quality business education. Schools are encouraged to develop 'codes of conduct' to indicate the importance of proper behavior for administrators, faculty, and students in their professional and personal actions. Schools also may foster ethical behaviors through procedures such as disciplinary systems to manage inappropriate behavior and through honor codes" (p. 11). The standards give special attention to issues that could arise from the close interactions among faculty members and students. For example, schools must demonstrate that "individual teaching faculty members operate with integrity in their dealings with students and colleagues" and individual students must "operate with integrity in their dealings with faculty and other students" (pp. 51–53).

Ethics Education Requires Scholarship in Business Ethics

Overall, the breadth of the business ethics literature appears robust. A literature search on "ethics AND business" uncovers numerous articles on business ethics in both scholarly and practitioner journals. The overall portfolio of articles involves authors from a variety of functional areas in business and beyond. This variety is a strength and a weakness. Although the literature seems rich and balanced, it also seems to lack the cohesion necessary to emerge as a true business discipline. Convergence in the literature and growth as a business discipline would help clarify the nature and content of business ethics courses, which often are driven by philosophy, religion, or law rather than by business and management.

At the school level, AACSB (2004) accreditation standards define a broad range of intellectual contributions, which are categorized as discipline-based scholarship, contributions to

practice, or learning and pedagogical research. The "portfolio of faculty contributions must fit with the prioritized mix of activities as stated in the mission statement and demanded by the degree programs and other activities supported by the school" (p. 23). Regrettably, even top researchers in business ethics state that colleagues sometimes view their work as less important than more mainstream discipline-based research. Additionally, learning and pedagogical research still has not achieved a high level of respect among research colleagues. To expand and to solidify the role of ethics in business education, business school leaders must promote and reward ethics scholarship proactively within and between business disciplines and must develop creative vehicles to translate academic contributions into products that assist practitioners. Making progress in ethics education will require business school leaders to champion scholarship in business ethics.

Advancing Business Ethics Education

A complete and effective business ethics education is multidimensional. It extends well beyond personal values and ethical decision making. It helps students "do" as well as "know" and involves almost every course in the curriculum. It is reinforced by an ethical campus climate and supported by continuing scholarship. Growth and development in each of these dimensions is possible only with faculty leadership and support from the dean and other business school leaders.

AACSB International is committed to motivating and supporting the business ethics initiatives of individual schools. The AACSB Blue Ribbon Committee on Accreditation Quality did its part by reinforcing the role of ethics in the curriculum and requiring that schools take steps to build an ethical climate for education. The main purpose of the AACSB Ethics Education Task

Force (2004) report was to "urge and encourage administrators and faculty in business education to contemplate their current approaches to ethics education and to explore methods to strengthen this vital part of the curriculum" (p. 7). In addition to defining the scope of business ethics education, the Task Force recommended [1] creating the Ethics Education Resource Center (EERC), which can be found at <www.aacsb.edu/eerc>; [2] training accreditation teams to work with schools to assess and to enhance their ethics programs; [3] utilizing AACSB conferences and publications to raise awareness, motivate action, and assist education leaders; and [4] engaging academic disciplines to encourage business ethics education and research.

I plan to read this article a decade from now. I will be 50 then and hopefully a better person than I am today. After having a good laugh over the opening paragraph, perhaps I will feel that I have made a positive difference in the lives of others by helping raise the level of awareness and achievement in business ethics education.

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BUSINESS ETHICS EDUCATION AT BAY
Addressing a Crisis of Legitimacy

Diane L. Swanson

Public confidence in business has yet to recover from the damage wrought by the most recent wave of corporate scandals. In February 2004, the *Wall Street Journal* reported that a whopping 75% of Americans found the image of big corporations to be "not good" or "terrible" (Rich, 2004). Graduates of the nation's top business schools echoed this sentiment, reporting the lack of ethics in the business world to be one of their major concerns (Lewis, 2004). That business schools might bear some responsibility for this state of affairs has not escaped the attention of the popular press, as can be seen from related articles in *Bloomberg Press*, *The Chronicle of Higher Education*, *New York Times*, *Pittsburgh Post Gazette, Houston Chronicle*, *Saint Louis Post Dispatch*, *AFX Global Ethics Monitor,* and *Business Week*. Although no one places all the blame on business schools, a growing number of knowledgeable observers are asking what business educators can do to restore the tarnished reputations of corporations and practicing managers. Regrettably, most business schools have failed to respond proactively (Mitroff, 2004; Hindo, 2002). This is unsurprising, given their history of sidestepping ethics.

Sidestepping Ethics in Business Education

Business schools historically have sidestepped or downplayed ethics in degree programs for two closely related reasons. First, business education tends to be a vehicle for a variant of neoclassical economics, which holds the practice of business to be "value free" (Swanson and Frederick, 2004). Second, the Association to Advance Collegiate Schools of Business (AACSB), the agency accrediting business degree programs, carries on this tradition by signaling that ethics is tangential to other coursework. Here is AACSB's own official statement excluding ethics from accredited subjects:

> For the purpose of determining inclusion in AACSB accreditation, the following will be considered "traditional business subjects": Accounting, Business Law, Decision Sciences, Finance (including Insurance, Real Estate and Banking), Human Resources, Management, Management Information Systems, Management Science, Marketing, Operations Management, Organizational Behavior, Organizational Development, Strategic Management, Supply Chain Management (including Transportation and Logistics), and Technology Management (AACSB, 2003).

Even after the news of corporate scandals rocked the nation in 2002, AACSB did not alter its policy of excluding ethics from "traditional subject matter," despite the 2000-year-old intellectual history of ethical education in Western culture. This omission can only be deemed intentional, for a flood of petitions in support of a stand-alone ethics course reached AACSB's office well before member deans voted on standards that will govern accreditation for years to come. The petitions specifically supported Professor Duane Windsor's open letter to AACSB in October 2002, in which he called for a stand-alone ethics course as a condition of accreditation

(Moline, 2002).[1] In this letter, the Rice University professor detailed the dangers of sidestepping ethics in business schools as follows:

> The role of business and society instruction and scholarship depends on the moral wisdom and social conscience of the whole body of the school's faculty. Accreditation standards adopted in the early 1990s led over the years to a slow deterioration in the role of business and society in MBA curricula. An essential feature in [those] accreditation standards was a shift to a high degree of flexibility in how schools could structurally address mission delivery. In direct contrast, the accreditation standards of the early 1970s established a clear guidance [and] plainly pointed business schools in the direction of some kind of required course in business and society, social issues in management, business ethics, legal environment, public policy. The business and society faculty lacks sufficient voting strength to influence curricular outcomes, while the [newer] doctrine of flexibility has made voting strength a critical matter. The AACSB ignores this reality. There is not a question of deliberate intent to erode ethics and responsibility. Rather, there are enormous pressures at work on everyone: volatile rankings, getting funds, competition for faculty lines, student placement statistics, etc.
>
> To neglect business ethics, business-government relations, and corporate governance dimensions of management is to cast doubt on the social usefulness of AACSB in this crisis. Institutionalization of ethics must be held superior to flexibility of curricular approach. AACSB should take a public stance and provide specific guidance to business schools. AACSB ought to make business and society coursework mandatory, a universal and essential mandate in the public interest (Windsor, 2002).

The Accountability Problem

To date, more than 200 professors and practicing managers and two associations—The Ethics Resource Center and The Social Issues in Management Division of the Academy—have endorsed Professor Windsor's letter and the call for a required ethics course in business degree

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[1]Professor William C. Frederick of the University of Pittsburgh and I initiated the call for support of Professor Windsor's letter and archived the responses. For a detailed description of this effort, including responses from AACSB officials, see Swanson and Frederick (2004) and Swanson (2004).

programs. These constituents did so out of dissatisfaction with AACSB standards and their experiences with the failed doctrine of flexibility, which Professor Windsor described. A relatively recent innovation, the doctrine effectively absolves schools from requiring *any* course in ethics. Deans can claim that ethics is incorporated into curricula overall, meaning that professors from disciplines such as marketing, finance, operations management, accounting, and strategic management can claim to teach some ethics in their courses and thereby meet the guideline. In reality, however, many of these professors find it burdensome to integrate well-developed variants of ethics systematically across curricula, especially given their understandable desire to teach first and foremost in their own areas of expertise. Worse, certain professors are openly hostile to ethics as a result of their own "value free" business education. In the current system of business education, ethics coverage is up for grabs.

As a result, it is difficult to know what coverage actually takes place. For example, almost a year after the new AACSB standards were approved, *The New York Times* reported a claim made by an administrator of the Katz Graduate School of Business at the University of Pittsburgh that faculty are required to take ethics training (Stewart, 2004). This training was meant to serve as an alternative to a stand-alone course in ethics in the MBA program, which the Katz faculty axed even as the news of corporate scandals was erupting in August 2002. But the alternative evaporated upon closer inspection by William C. Frederick, a Katz professor, who set the record straight in a letter posted to academic lists in which he stated that he could not find any Katz faculty who had heard of such training, much less taken it (Frederick, 2004). Presumably, AACSB will still approve ethics coverage in the Katz MBA program—or, rather, the lack of it. This situation is reminiscent of another in which an accrediting team spent an entire day poring

over a school's course offerings, seeking sufficient ethics content to "pass" the school (Swanson and Frederick, 2003).

The bottom line is that members of the AACSB teams who visit schools to judge accreditation status find it difficult if not impossible to assess the quality of ethics coverage in schools not requiring a stand-alone course. Listing of ethics on various syllabi or vague claims of ethics training for faculty do not qualify as satisfying a standard. At best, such *ad hoc* coverage is superficial and uninformed. At worst, it is inaccurate, woefully inadequate, or simply missing in action. When asked if ethics could be covered adequately in this way, Ray Hilgert, emeritus professor of management and industrial relations at Washington University's Olin School of Business, said: "If you believe it's integrated in all the courses, then I'm willing to offer you the Brooklyn Bridge" (Nicklaus, 2002).

There is simply no substitute for ethics delivered as a dedicated course by knowledgeable faculty.

A Crisis of Legitimacy

To sum up, AACSB had a unique opportunity to address the accountability problem in ethics while drafting new accrediting standards in 2002. Not only did the agency fail to do so, but a key accrediting officer refused even to meet with key representatives of the letter-writing campaign (Swanson and Frederick, 2004), a refusal that quickly became a matter of public record (Benner, 2002; Nicklaus, 2002). Mired in a longstanding habit of sidestepping ethics, AACSB officials failed to strike while the iron was hot. As a result, business schools have raised the stakes

in their own self-created crisis of legitimacy, as Professor Ian Mitroff of the University of Southern California observes:

> At best [business educators] are guilty of having provided an environment where the Enrons and the Andersens of the world could take root and flourish. At worst, we are guilty of being active accomplices and co-conspirators in their shoddy and criminal behavior. In either case, unless we finally own up to the underlying reasons for our actions, business schools will only continue to aid and to abet the wave of scandals that have engulfed American businesses within the last few years. (Mitroff, 2004)

According to Mitroff, the situation warrants that business school deans apologize for their graduates in a joint letter to the *Wall Street Journal* or a full-page ad in the *New York Times* (Willen, 2004). There seems to be much to apologize for. An Aspen Institute study indicates that MBA students tend to shift from a consumer orientation to a stockholder affiliation after only two years of study (Aspen Institute ISIB, 2002). Not even stockholders are served by this narrow view, as demonstrated by the disastrous financial meltdown accompanying the recent outbreak of corporate scandals. Another study suggests that business students develop moral myopia soon after taking traditional finance and economics courses (Swanson and Orlitzky, 2005). That students can graduate from business schools with a narrower perspective than they had going in is not lost on the students themselves. Only 22% of MBA students polled said that business schools are doing a lot to prepare them ethically, most adding that they would rather change firms than fight for their own values (Aspen Institute ISIB, 2002). This bracketing of personal values, a behavioral artifact of "value-free" education, stifles the potential for ethical leadership among graduates of business degree programs (Swanson and Frederick, 2004).

It is high time to deliver ethics education as an antidote. After all, there is convincing evidence that social and behavioral skills can be learned and improved upon through exposure to

educational programs blending theoretical principles and practice (Trevino and Nelson, 2004; Rynes et al., 2003; Rest et al., 1999). In terms of practice, the Ethics Resource Center has reported that a significant number of employees find ethics training useful on the job (Thorne, Ferrell, and Ferrell, 2003). Despite such confirmation, claims that ethics cannot be taught in business schools keep resurfacing, prompting some experts to counter that an amoral, even brutish theory of management has long been taught and learned in business schools (c.f., Ghoshal, 2003; Gioia, 2002). As the previously cited studies suggest, students are inculcated into this narrowly amoral view all too well after a relatively brief exposure to business school curricula.

That business students can graduate without one ethics course to their credit is a stark contrast to certain programs in law and medicine. Most clients prefer to be represented by ethical lawyers, and most patients, to be operated on by moral doctors: that similar logic is not applied to future managers who will be entrusted with society's scarce resources flies in the face of common sense and calls into question the very legitimacy of business schools, their graduates, and their accrediting agency (Swanson, 2003).

A Formula for Solid Business Ethics Education

Endorsers of Professor Windsor's letter did not advocate a straightjacket for ethics education. In their view, a required course can be placed almost anywhere in curriculum. Whether titled "business ethics," "business, government, society," "corporate citizenship," or "the social environment of business," the point is for business students to get a more holistic exposure to ethics. Otherwise, topics get scattered across the curriculum so thinly and so incoherently that the message falls apart.

The problem is remedied easily, as the formula for a solid ethics education is straightforward and simple:

- A required foundational ethics course is necessary.
- Efforts to integrate ethics across curriculum should be a goal.
- Other initiatives, such as hosting guest speakers, offering service learning projects, and establishing endowed chairs in ethics, are highly desirable. (Swanson and Frederick, 2004)

As Professor Paul Adler of the University of Southern California puts it, business educators need to "[r]estore and strengthen required ethics courses that have been slowly disappearing" from the business curriculum. Instead of arguing about whether to have a separate ethics course or to integrate ethics discussions into every course, do both!" (Adler, 2002).

The majority of schools are not rising to the challenge of ethics education. According to one survey, less than 25% of the nation's top 50 business schools meet the first criterion of requiring a stand-alone ethics course (MacLean and Litzky, 2004).[2] A broader survey indicates that only one-third of all accredited business schools requires an ethics course (Willen, 2004). Notwithstanding this lackluster record, a few are demonstrating uncommon leadership by implementing the three-part approach instead of taking the easy way out by scattering ethics across the curriculum. For example, the A.J. Palumbo School of Business Administration at Duquense University revamped its curriculum after faculty deemed the scattershot approach to ethics a failure (Thomas, 2002). According to Professor James Weber, Director of Duquesne's Beard Center for Leadership in Ethics, the school now requires a stand-alone ethics course in both

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[2]This statistic is derived from a survey in which the following were counted as stand-alone ethics courses: managerial ethics; business ethics; ethics; ethics and global business; social and ethical responsibility of business; business and public policy; social enterprise; strategic corporate citizenship; the moral leader; socially responsible business practices; strategic corporate citizenship; making ethical decisions; ethics and responsibility (MacLean and Litzky, 2004).

undergraduate and MBA programs. The faculty also approved an MBA concentration in business ethics and a master of science in leadership and business ethics. Complementing these efforts, students and faculty, in consultation with the Beard Center, developed a Code of Ethical Conduct. As part of this initiative, "ethical advocates" were appointed by the dean to serve as confidential resources on ethical questions. Finally, the Beard Center offers a semi-annual Distinguished Ethics Speaker program and liaises with the local community to support service projects. In short, Duquesne is covering all three bases in business ethics education.

The Need to Restore Confidence in Business Education

According to the president of Texas A&M, Robert Gates, the university's responsibility in a post-Enron environment is obvious: "All of these liars and cheats and thieves are graduates of our universities. The university community cannot avert its eyes and proclaim that this is not our problem, that there is nothing we can do, or that these behaviors are an aberration from the norm" (Gates, 2002).

In other words, the buck stops with the university. Academics cannot assume that the corporate sector will take up the slack of lax accrediting standards (Lahoda, 2004). Given the dearth of required ethics courses, most business students are graduating without fully understanding their legal and ethical responsibilities to society. Their failure to comprehend sweeping reforms in corporate governance, financial market regulations, sentencing guidelines for organizations, and rules for prosecuting corporate criminals portends another wave of corporate malfeasance. But top academic administrators and key faculty members could turn this situation

around in short order. The formula for solid ethics coverage is simple and easily implemented, and

the first step is to require a stand-alone ethics course in the business curriculum.

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THE ROLE OF ETHICS IN BUSINESS CURRICULA

Duane Windsor

Business ethics practice should reflect sincere commitment to moral integrity and go beyond mere compliance with typically minimalist legal requirements. Regardless of the empirical relation between solidly ethical behavior and sound business conduct likely to prevail over the long run, there are strong incentives for immediate individual opportunism. Recent corporate scandals reveal the need for deep transformation of management education so as to promote moral leadership, good corporate citizenship, and personal employee responsibility (Windsor, 2002). Businesses and societies share a vital interest in supporting transformation.

This paper summarizes two related arguments. First, it positions business ethics preparation within broader business-and-society education that systematically addresses legal, moral, and political dimensions of management (Windsor, forthcoming, 2004a, 2004b). This approach should be the strong national benchmark promoted by the Association to Advance Collegiate Schools of Business (AACSB). The paper outlines how best to design and to implement transformation concretely. Second, the paper cautions that there are substantial barriers to widespread transformation. Both AACSB International (a voluntary accrediting association of business school deans) and business school faculties must be committed to and active in

transformation, or little worthwhile improvement will occur. Without such commitment, reinforcement of existing efforts may occur in some schools with historically strong commitments; otherwise, window-dressing will be the order of the day. In some institutions, not only broad business-and-society education but also business ethics education may deteriorate.

Curriculum Design and Implementation Issues

Addressing the role of ethics in undergraduate and graduate business curricula requires attention to several issues. In response to recent scandals, the new AACSB 2003 accreditation standards already have answered the first question, of why, by making ethics what can be regarded the "first and foremost" responsibility of business schools. Deep transformation is needed to fulfill this responsibility through thoroughly resolving how, what, when, where, and who. The second pedagogical question, of how, is far from resolved or trivial. The prudent answer is by combining various approaches (e.g., readings, cases, experiments, experiential learning, prison trips, role playing, etc.)—given the importance of why, to which how is subsidiary. J. Scott Armstrong (2004), a professor of marketing at The Wharton School (University of Pennsylvania), reports that the functional preparation of even MBA students lies well below his standards. If so, student preparation in the areas of management, leadership, and business-and-society is no better, and likely worse.

Pedagogy (how) is also subsidiary to the questions of what, when, where, and who. Business ethics content (e.g., issues, methods, theories, tools, and topics) should be positioned within a broad business-and-society education that addresses legal, moral, and political dimensions of business conduct. Required, up-front foundational preparation in ethics should be

followed by required, systematic infusion of ethics throughout the core curriculum and electives, an infusion undertaken primarily by specialists in legal, moral, and political subjects. A convenient framework for understanding levels of knowledge in an MBA program is that of the Stanford Graduate School of Business, whose first-year required program organizes into preterm, foundations (first quarter), functions (second quarter), and capstone (third quarter). An undergraduate business program could be conceptualized in the same manner. Business-and-society education should begin in preterm and evolve into foundations, functions, capstone subjects, and thence into electives.

This paper argues for a specific strong approach as a national benchmark. First, an independent foundation course, required universally at undergraduate and graduate levels of business or management education, should address legal, moral, and political considerations. Independent foundation instruction should be followed universally by systematic infusion of these areas throughout business curricula. Neither stand-alone coursework nor pure infusion is satisfactory in isolation. The case here is not for a stand-alone specialty course in isolation, but for systematic curriculum-wide education in which the foundation course lays the groundwork. The two approaches, taught by appropriate specialists, should be linked. Neither is sufficient; both are necessary and desirable. Although there is some reason to indict independent coursework operating in isolation, there is little or no evidence that infusion on its own will be more successful. The likelihood is, rather, that infusion alone will be even less effective.

These issues were evaluated at the Harvard Business School (HBS) a decade ago. Piper, Gentile, and Parks (1993) detailed a case for systematic education at HBS in "leadership, ethics, and responsibility." A crucial problem is that business lacks social legitimacy while being

regarded as powerful. "The call to place leadership, ethics, and corporate responsibility at the center of management education . . ." is a reflection of business realities (p. 7). The authors argue that any debate between foundation and infusion "is flawed on a fundamental level" in posing "the approaches as alternatives, rather than mutually reinforcing complements" (p. 126). The authors criticize exclusive reliance on either a stand-alone required course or infusion. Stand-alone preparation "is institutionally and pedagogically misguided" (p. 127), yet infusion is very difficult to implement (p. 128). The relation between institutional and pedagogical considerations is important. Where ethics, law, or politics instructors simply are spread over courses controlled by other faculties and there is no home-base course, such faculties become marginalized over time: academic life organizes around the disciplinary department or faculty group. This focus is a powerful force that cannot be disregarded. In the long run, institutional positioning of ethics, law, and politics is just as important as pedagogical approach, and perhaps more so. Pure infusion becomes diffusion and deterioration. Moral, legal, and political education cannot be left to other disciplines whose chief interests understandably lie elsewhere (p. 153).

Certain top schools have reasonably strong approaches that, even if needing to be reorganized and reinforced in accordance with this paper's proposal, can serve as appropriate starting points. The following descriptions typically do not include whatever is handled in preterm orientation (except for Stanford, which organizes its preterm into courses). The Darden School (University of Virginia) uses an integrated, semester-based curriculum in which ten required courses are coordinated in the first year. Two of the courses concern business and political economy (international environment of business) and strategy, entrepreneurship, and ethics. The Harvard Business School uses an integrated, semester-based curriculum in which 11 required

courses are coordinated in the first year. Two of the courses (located in Term II) concern business, government, and the international economy and leadership and corporate accountability. The Stanford Graduate School of Business uses a quarter-system curriculum that includes required courses in ethics (preterm) and strategy in the business environment (capstone). The Wharton School (University of Pennsylvania) uses a quarter-system curriculum that includes required courses in the governmental and legal environment of business, and ethics and responsibility.

Some Harsh Realities of Management Education

In the wake of recent scandals, no business faculty will say aloud that ethics is unimportant. But window-dressing may achieve low-cost compliance with AACSB accreditation standards and is more likely than deep transformation of management education in various schools, as is deterioration of ethics curricula. AACSB's 2003 accreditation standards permit and well may facilitate this outcome, for the standards do not require, signal, or promote a strong national benchmark for business-and-society education or even business ethics alone. AACSB emphasizes local options but has singled out business ethics as the one obvious case for a strong national benchmark. There are three key drivers of the troubling academic situation persisting beneath appearances of greater attention to ethics in the business school curriculum.

First, the weight of academic traditions and beliefs in business schools heavily favors continuation of a conventionalism dominated by a technically oriented, functional, specialist preparation grounded in social science disciplines and quantitative methods. The basic line of reasoning is that business graduates obtain employment in functional specialties and then rise, if ever, through management to relatively few higher leadership positions. The educational focus

thus should be, narrowly, on initial employment, a factor dominating the competing journalistic rankings of business schools. The undeniable need for placement in an increasingly competitive setting encourages particularistic functional interests to dominate curriculum design.

Second, at least some of the functional fields march with an implicit ideology favoring free (i.e., unregulated) markets. In this context, stakeholders and governments become undesirable constraints or even nuisance factors. Legal and political educations are dismissed on the basis of irrelevance and theoretical and practical undesirability.

Third, conventionalism marches with the implicit viewpoints that [1] moral education is useless, for moral character formed quite early in life is not subject to change by subsequent educational efforts; [2] business-and-society faculty are often anticapitalist or antimarket and preachy; [3] legal, moral, and political education is insufficiently grounded in strong social science and gives rise to inferior research.

Hooker (2004) debunks five arguments against business ethics education: profit maximization within law obviates ethics; ethics has no effect on management incentives; ethics reduces to personal preferences; moral character formed in childhood cannot be reshaped; and business students do not take ethics seriously. Questions of whether moral character is subject to change through adult education or whether ethics can be "taught" are not even readily admissible under AACSB's emphasis on, in effect, "first and foremost" status for ethics. The vital objectives of ethics education are [1] to place individuals of immoral character on notice, [2] to influence individuals of amoral character toward greater prudence, and [3] to reinforce and activate individuals of moral character concerning rights and responsibilities. The term "education" used here deliberately eschews the term "teaching." The term "teach" implies transfer of knowledge

from course to student under supervision of instructor. What most business disciplines teach is knowledge and tools. Such knowledge and tools exist in ethics, law, and politics—and can be transmitted to students. Ethics knowledge concerns right and wrong; the tools concern analysis, decision making, and action planning. There are better and worse ways of whistle-blowing.

Design of a business school curriculum involves access to and prioritization of limited "shelf-space," on the one hand, and a debate over the pedagogical and ideological views noted above, on the other. The "shelf-space" situation is a zero-sum game played by faculty groups of unequal voting power and conflicting pedagogical and ideological views. An increasing pressure on "shelf-space" is the felt need to make more elective space available to attract students in increasingly competitive and possibly declining demand conditions. The grave difficulty in AACSB's 2003 accreditation standards is that AACSB has left ill defined the vital issues of what, when, where, and who in focusing on why and how (briefly in both instances); thus the standards hold these issues up for continuing local contests among academic groups. AACSB has also signaled a strong preference for infusion. But the appropriate use of infusion is in reinforcing foundation preparation. While willing to allow required stand-alone courses followed by infusion, AACSB is not willing to signal this approach, much less enforce it.

Ethics, law, and political science faculty typically lack sufficient voting power to accomplish much beyond attempted persuasion of other faculties with competing interests and beliefs. In a zero-sum game under increased stress, from a starting point of nothing, little is likely to happen beyond window-dressing through superficial infusion to meet accreditation standards. In a zero-sum game under increased stress, from a starting point of a traditional three-credit semester course in business-and-society, that course is likely to be dissolved in favor of diffusion

– or the credit count (i.e., shelf-space) may deteriorate to 2 or 1 or ½ credits. The odds in a zero-sum game operate against creation or retention of a foundation course followed by systematic infusion. The key exceptions would be schools at which the tradition of broad education is well established and well regarded by other faculty groups. The outcome tends to be path dependent and historically defined. Unless there is a widespread faculty consensus, backed by the dean, the twin forces of student demand for electives and faculty demand for shelf-space and forward positioning generate a strong likelihood of preventing or grinding to pieces foundation education followed by infusion. The new AACSB standards do little to address these realities.

AACSB is an association of deans operating through an administrative secretariat. Many faculty members, not necessarily consulted by deans concerning AACSB standards, may regard AACSB as little more than an external bureaucratic intrusion into academic matters to be complied with at minimum possible cost. AACSB lies between deans' desire for local flexibility and professors' disdain for bureaucracy. AACSB and business schools themselves are partly to blame for the recent situation (Ghoshal, 2003; see Greenwood, 2003 for a critique).

AACSB issued its first business accreditation standards in 1919; it has never formally required any course. Business-and-society education, which embeds business ethics, is the one obvious candidate for exceptionalism. For a long period, business schools emphasized vocational (how-to) training and, in some places, the Harvard case method, in imitation of legal education. Beginning in the 1950s, business education shifted from vocational training to a combination of social science foundations and quantitative methods. The intention was to make business education and decision making more rigorous. A fundamental difficulty with such an approach is that it must insist on assessing moral issues and character scientifically, and thus narrowly. As a

result, what cannot be made scientific and empirical tends to be eschewed. AACSB has emphasized the nonmarket environments of business since at least its 1974 standards, but, in reality, for a number of reasons, this emphasis never has become the prevailing practice. While no reliable longitudinal database exists, it is doubtful that any serious curricular reconfiguring occurred in more than, say, one-third of business schools. Moreover, serious efforts would have been divided among business-and-society, business ethics, business law, and other alternative approaches. Nothing like the intellectual and organizational unification of accounting, finance, or marketing has ever occurred across the business curriculum. This outcome is partly a function of neglect by AACSB and of the academic traditions and beliefs already noted.

In the 1990s, the U.S. business ethos had degenerated to that of a "den of thieves," and AACSB and business schools nurtured this climate, however inadvertently. The AACSB 1974 standards at least signaled specific courses within a "common body of knowledge" including the "economic and legal environment" and "ethical considerations and social and political influences." The AACSB 1991 standards abandoned course signaling in favor of mission-oriented education. In principle, a teaching school could go one way, a research school another way, and so forth. But the 1991 standards shifted legal, moral, and political dimensions—never widely practiced or institutionalized in business schools—into an ethereal "perspectives that form the context for business," which plainly was distinct from "instruction in . . . core areas" explicitly identified. This shift left conventional courses in place but eliminated any accreditation need for business-and-society or business ethics courses. The result, in this author's judgment, which admittedly is based on anecdotal information, was deterioration of business-and-society education over time.

The new AACSB 2003 standards do highlight business ethics more strongly in both language (emphasizing why) and the operation of AACSB's Ethics Education Resource Center (emphasizing how). A "first and foremost" status is meaningless without rigorous adherence and enforcement. By redefining curricular emphasis from broad business-and-society education embedding business ethics to business ethics narrowly, and by tending to signal the acceptability of pure infusion in place of independent coursework, the 2003 standards tend, however inadvertently, to undermine moral, legal, and political education in business schools.

Conclusion

Business students should receive legal, moral, and political education as a "first and foremost" priority. The national benchmark for transforming conventional management education oriented to functional employment should require up-front foundational preparation followed by systematic infusion throughout the core curriculum and electives. This benchmark is superior to pure infusion, parallel efforts, required election, or elective solutions.

Some top schools employ these other approaches. The University of Michigan Business School requires a "designated elective" in either ethics or business law, which the student must take "at some time during the MBA program." Columbia University Business School includes ethics topics in core courses (including "Leadership") and provides parallel special sessions to stimulate community dialogue through its IBS program (the individual, business and society: tradeoffs, choices and accountability). At the Tuck School (Dartmouth College), the James M. Allwin Initiative for Corporate Citizenship provides "resources and opportunities" for students during the first year. An elective "brief mini-course" addresses "ethics in action."

If alternative approaches work at certain schools, they do so for reasons embedded in organizational climate and local leadership that are difficult to duplicate elsewhere. Such approaches are not a sufficient national benchmark, which should feature foundation and infusion in combination, as recommended here; to this strong benchmark other successful approaches will be valuable additions. AACSB should promote a national benchmark and place a strong burden of proof on any school seeking to justify alternatives. AACSB proceeds the opposite way, however, in signaling pure infusion. The AACSB position is that the 2003 standards do not exclude foundation coursework. At the same time, they fail to encourage foundation plus infusion, in a context in which schools can be expected to seek minimum-cost compliance for accreditation.

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*Perspectives on Teaching Business Ethics
from the Philosophy Department*

TEACHING BUSINESS ETHICS FROM A PHILOSOPHY DEPARTMENT PERSPECTIVE

Richard J. McGowan

In the thirteenth century, St. Bonaventure wrote a marvelous little treatise entitled *De reductione artium ad theologiam* (*The Reduction of the Arts to Theology*) in order to resolve the controversy over the place and, indeed, the very independence of philosophy. It seems that the University of Paris was engaged in an intemperate rhubarb of the sort not unknown today. The Dominicans, Franciscans, and Latin-Averroists each believed that the university should reflect their school of thought, and curricular discussion had turned heated. Bonaventure argued that the Dominicans allowed too much license to natural reason, but at least they sided with the Franciscans regarding the Latin-Averroists: throw those rascals out!

Bonaventure won the battle, and the arts were to serve theology. However, Thomas Aquinas won the war, and, to that extent, natural reason was accorded respect as a viable avenue to truth. Thus Aquinas became a champion for the philosophic perspective.

Of course, curricular disagreements were not new in the time of Bonaventure and Thomas, nor have they disappeared from the academy. Contemporary controversy over "the canon" demonstrates that debate over what should be taught and how material should be handled

is still with us. My entry point into the discussion involves the question of how best to handle the education of business students with regard to ethics.

My position blends the thought of Bonaventure and Thomas: it is less important that a business ethics course and its teacher be housed in the philosophy department or the business school—though there are practical matters to consider—than that the course be taught from a philosophical perspective by a person with an education, formal or informal, in philosophy, and especially in ethics. I support this point, first, by delving into the writing of Plato to show that the problem of who should teach ethics is several millennia old. Second, relying on Aristotle, I explain Plato's distinction between being good and knowing the good. I suggest that the cognitive aspects of ethics typically are underestimated by those outside the discipline. Then, relying on recent psychological research, I show that the philosophic perspective is the most adequate perspective, at least in terms of human activity, for instruction in ethics. Finally, I offer caveats with regard to philosophers teaching ethics in professional schools, including business schools.

Plato and an Ethics Education

Plato's dialogue *Meno* concerns virtue and speaks not only to the question of what virtue is but also to the possibility of its being taught. At one point, Socrates asks Meno, "Since the goodness does not come by nature, is it got by learning?" (89b). After Meno agrees that people learn goodness, the two conclude that teachers of goodness must exist (89d). Just as the two inquire into where to find these teachers, Anytos, a "good citizen" of Athens, joins them.

Socrates says to Anytos, "If we wanted Meno to become a good doctor, shouldn't we send him to doctors to be taught? And if we wanted him to become a shoemaker, to the

shoemaker? And so on with the other trades?" (90a ff.). Anytos and Meno assent to this line of

reasoning. The three then ask after "good men" and come to the realization that the question is not

> whether or not there are good men in Athens or whether there have been in
> times past, but whether virtue can be taught. It amounts to the same question
> whether the good men of this and former times have known how to hand on to
> someone else the goodness that was in themselves or whether on the contrary it
> is not something that can be handed over, or that one man can receive it from
> another. (93a–b)

This passage suggests that people may be good but without conceptual knowledge of the good and

without the ability to "hand over" knowledge of ethics. In other words, Plato is arguing that there

is a difference between having the right opinion about the good, sufficient for action, and having

knowledge of the good, sufficient for teaching.

As far as Plato is concerned, knowledge is the key to being good at a craft, and it is the

same for the teacher of ethics. Plato argues in the *Republic* that the key to piloting a ship well is

knowledge of piloting. It does not matter what other knowledge an applicant for a position as

ship's pilot may have (488a ff.). After all, "no other tool if picked up will make anyone a

craftsman or contestant, nor will it even be of use to the man who has not gained knowledge of it

or undergone adequate training" (374c). Relevant knowledge, not just any knowledge, enables a

person to do an activity well.

Anyone who takes Plato's reasoning seriously—and of course it does not have to be

taken seriously—might ask: who has knowledge of ethics and has "undergone adequate training"

with regard to ethics? Have business professors 'undergone adequate training' to teach business

ethics? Have pharmacists and doctors "undergone adequate training" to teach healthcare or

biomedical ethics? Does it make sense for professors in accounting, or marketing, or finance to

teach ethics? Does it make sense for philosophers to teach accounting, or marketing, or finance?

Plato answers these questions at the conclusion of the *Republic*:

> And there, dear Glaucon, it appears, is the supreme hazard for a man. And this is the chief reason why it should be our main concern that each of us, neglecting all other studies, should seek after and study this thing—if in any way he may be able to learn of and discover the man who will give him the ability and the knowledge to distinguish the life that is good from that which is bad, and always and everywhere to choose the best that the conditions allow, and, taking into account all the things of which we have spoken and estimating the effect on goodness of his life of their conjunction or their severance, to know how beauty commingled with poverty or wealth and combined with what habit of soul operates for the good or for evil, and what are the effects of high and low birth and private station and office and strength and weakness and quickness of apprehension and dullness with one another, so that with consideration of all these things he will be able to make a reasoned choice between the better and the worse life. (618b–e)

There is no doubt in Plato's mind that students "should seek after and study" philosophy and that the "man who will give him the ability and knowledge to distinguish the life that is good from that which is bad" is the philosopher. Plato would not be convinced that an education in pharmacy, accounting, engineering, or journalism prepares professors to teach the philosophical material in ethics.

Plato and I agree that there are good people who are professors in those disciplines but whose knowledge is of a different sort than philosophical knowledge. It is not a question of whether an accounting professor is virtuous or not; it is a question of the kind of knowledge the accounting professor has to "hand over" to students. A difference exists between doing an activity and knowing the concepts that underlie it. In his own discussion, Aristotle clarifies and embellishes the ideas of Plato.

Aristotle and the Cognitive Content of Ethics

Aristotle opens the *Metaphysics* with a discourse on learning. His discussion draws a distinction between the "man of experience," i.e., the practitioner, and the artist, i.e., the person who knows theory. After observing that "animals other than humans live by appearances and memories, and have but little of connected experience" (98b25–6), Aristotle states that "the human race lives also by art and reasoning" (980b227). He adds that "art arises when from many notions gained by experience one universal judgment about a class of objects is produced" (981a5–6). Aristotle here is suggesting that "art" is a matter of conceptual knowledge.

Yet it happens that the practitioner's "experience seems in no respect inferior to art, and people of experience succeed even better than those who have theory without experience" (981a14–15). While the practitioner may not have the conceptual knowledge underpinning certain actions, he or she may do good acts or do an action well. For instance, a baseball player may become great because of hitting prowess but may lack the conceptual understanding of baseball or even of hitting. As such, great players do not always make great coaches, for if they lack knowledge of baseball or of hitting itself, or if they cannot communicate, they cannot teach.

On the other hand, "if a person has the theory without experience, and recognizes the universal but does not know the individual included in the universal, the person will often fail" (981a20–22). The person with conceptual knowledge alone may not recognize to whom or what the knowledge applies. Nonetheless, "we think knowledge and understanding belong to art rather than experience and we suppose artists to be wiser than people of experience for men of experience know that the thing is so, but do not know why, while the others know the why and the

cause" (981a29–30). Professors uneducated in ethics lack theory in a way that philosophers do not.

Again, it is not a question of whether philosophy professors, business professors, or pharmacy professors are good and virtuous. They are usually very good role models for students to imitate. But simply being a good role model does not mean an individual possesses knowledge of the "why and the cause" of ethics. If business ethics courses involve the transmission of knowledge, then the practitioner will perform less capably than the artist, i.e., the one with "knowledge and understanding."

Aristotle's reasoning suggests that teaching involves more than simply doing well in an area. The difference between a person who knows something and one who does not is that "the former can teach, and therefore we think art more truly knowledge than experience is; for artists can teach, and people of mere experience cannot" (981b18–19).

Aristotle's observations and analysis notwithstanding, business schools do not take the knowledge associated with ethics very seriously. For instance, more than 60% of business schools require no ethics course. Then, too, one current debate in business schools concerns the desirability of teaching ethics using the stand-alone course or using an "integrated" model, sometimes referred to as a "diffusion model" or a "dispersion model." In the integrated model, the teaching of ethics is incorporated into business classes by business professors. These professors, with extensive education in business fields such as marketing, accounting, and finance, teach ethics as a secondary subject. It is likely under these circumstances that ethics will be handled superficially by people with limited knowledge and understanding of ethics. Further, while schools sometimes have dedicated, stand-alone courses in ethics, several schools of my

acquaintance staff the course with people whose experience is exclusively in business or business education.

Much like other institutions in our society, business schools underestimate the cognitive aspects of ethics and choose the practitioner over the artist. To their credit, business schools stress the importance of ethics and of acting ethically. The integration model's repetitive mentioning of ethics does indeed teach students that ethics must count for something. The result, however, is a curriculum in ethical business, not in business ethics. The integrated model may do a very good job at teaching students to want to behave ethically; it does a poor job of teaching students how to reason to the sort of behavior that is ethical.

In other words, ethics, like accounting, depends not only on the desire to do well but also on the knowledge to do well. A good accountant not only wants to perform the tasks associated with accounting well, but also has the "knowledge and understanding" of accounting necessary to the task. An accountant ignorant of good accounting procedures or indifferent to good accounting practices will produce poor results. The discipline of ethics is no different from other disciplines insofar as ethics is also a knowing related to a doing. A person may perform a wrong act either through cognitive failure or failure of the will. Sometimes people want to do the right act but do not know what it is. Sometimes people behave unethically knowing full well that they are doing so. The ethics professor works on the cognitive aspects of ethics in a way that people trained in other disciplines cannot. The ethics professor, like the accounting professor, offers "knowledge and understanding" in his or her field of specialization.

That "knowledge and understanding" can grow. As the research of Lawrence Kohlberg and of William Perry and colleagues shows, skills associated with making ethical judgments

change and develop over the course of a lifetime. The "art and reasoning" of a child is different from the "art and reasoning" of the adult; the child's "knowledge and understanding" is considerably less developed than the adult's. Children need to learn what most adults already know, namely, to be good. But adults can do more than be good; they can take the time and trouble to grasp "the why and the cause" of ethics and of being good.

Most adults, if Kohlberg is correct, do not undertake the last step. Most people think that it is enough to do good and that it is unnecessary to know the reason and the cause of doing good. Most people fail to appreciate the cognitive aspects of ethics. This observation can often be made of business schools and certainly of the typical college student, including business students.

Kohlberg, Perry, and the Structure of Thought

Society underemphasizes the body of knowledge associated with ethics, and students make the same error. For the last several years, I have asked students in my business ethics classes and in my team-taught, six credit-hour ethics, law, and business classes to respond to the following questions:

- Can ethics be taught?
- If so, how?
- If not, why not?
- What is the relation of ethics to business?

My students say things such as, "Ethics are completely subjective," "Everyone has their own personal ethics to abide by," "Each individual has a unique lifestyle," "Everyone has their own definition and their own views on what is considered ethical behavior and what is not," and "No two people have the exact same ethical beliefs." Of course, if my students are correct, then I

am wasting my time and theirs in class.   Further, if they are correct, ethics are wholly relative to the individual, and ethical subjectivism is the correct position to adopt with regard to moral judgment.

But students also say that "our thinking is shaped by what we are taught from the people around us and this varies from region to region," point to "parameters of what our culture has bound our ethics by," suggest that people "have different origins and are accepted differently depending on the groups," and that "society will often have an idea of what the norm should be for a certain ethical standard." If these students are correct, I can only teach societal expectation and norms, and cultural relativism is the position to adopt with regard to moral judgment.

Some students see the logical conclusion of the responses articulated above. They have told me that "moral knowledge cannot be taught, it can be instilled," "ethics cannot be taught because I believe that one's ethical values are a result of personal experience and morals, which cannot be taught," "today students are being taught in classes to reinforce their moral standard," and "when faced with the question whether or not ethics can be taught I am filled with mixed emotions." Other students are not sure if ethics can be taught. One student commented that ethics "can be taught if done tastefully and thoughtfully. Ethics should be taught as a subject that has no final answer."

Would students dare make these sorts of remarks to an accounting professor or a finance professor? They would never think to say, "Accounting cannot be taught" or "Finance cannot be taught."   Students assume that there is a body of knowledge associated with accounting and finance but do not seem to think the same about ethics. Further, and more important, students understand their ignorance when it comes to accounting and finance, so they see that further

development in those fields is possible. With regard to finance or accounting, they accept the observation of Thomas Aquinas that "it seems to be the nature of human reason to progress by stages from the less perfect to the more perfect" (ST I–II, 97, 1). They are not as apt to see the possibility of further development in ethics even if the psychological research of Kohlberg and of Perry and colleagues shows that further development is possible.

Lawrence Kohlberg has shown that people "progress by stages from the less perfect to the more perfect" level of moral development. He also has found that people do not necessarily move to the "more perfect" stages of moral development. Some people stop developing. That is, when the skills of a certain stage of moral development are challenged and shown to be wanting, some people, including some students, disengage from the hard work of growth. They flinch from the work of both maintaining integrity, or an intact sense of identity, and accommodating challenges to their identity.

Yet challenges to the sense of self, called *cognitive conflict* by Kohlberg (1981), can produce upward development. For example, research by Kohlberg shows that moral dilemma, real or imagined, can induce moral growth (27–8, 146–7). The move from one stage of development to another is not, however, a function of gathering more information—even if students constantly refer to learning as a matter of "knowing more facts." Kohlberg writes, "Presumably, then, movement to the next stage involves internal cognitive reorganization rather than the mere addition of more difficult content from outside" (146). If so, the advance to a higher stage of thought is a matter of re-orienting the structure of thought.

Kohlberg's work charts those structures, noting the safe harbors that shelter people from moral development. Of particular interest to those teaching ethics, including business ethics, are

the safe harbors of stages 3 and 4, but especially the "society maintaining orientation" of stage 4. Although the person in stage 3 or stage 4 has more capacity to resolve moral issues than the person in the self-interested stages of youth, or stages 1 and 2, the capabilities of the stage 3 or 4 thinker can improve. In the first two stages, "maintaining the expectations of the individual's family, group or nation is perceived as valuable in its own right, regardless of immediate and obvious consequences. The attitude is not only one of conformity to personal expectations and social order, but of loyalty to it, of actively maintaining, supporting, and justifying the order" (18). In the third level and the last two stages, "there is a clear effort to define moral values and principles that have validity and application apart from the authority of the groups or people holding these principles and apart from the individual's own identification with these groups" (18). Growth to stages 5 and 6 frequently demands a restructuring of identity.

Perry's research is analogous to Kohlberg's. For instance, Perry observed that when people, including students, face *cognitive dissonance*—Kohlberg's cognitive conflict—they often avoid adjusting their orientation to the world and altering their identity. Such a student demonstrates "the wish to retain earlier satisfactions or securities, the reluctance to admit one has been in error and most importantly, the wish to maintain a self one has felt oneself to be" (Perry, p. 52, 1999). In professorial jargon, students do not get out of their comfort zone. Perry suggests that they resist learning.

Perry even observes common techniques of resistance, or *negative defense mechanisms*: *escape* (177), wherein a person detaches himself or herself from the conflict, at least in part; *temporizing* (178), wherein a person does not engage the problem and hopes it will go away; and *retreat* (182), wherein a person regresses to a lower stage of thought instead of growing toward the

unknown. Perry notes that retreat is often accompanied by anger and hatred directed towards other positions and the people who manifest them (177). Other researchers (Hart and Chmiel, 1992; Haan, 1963) offer similar observations.

Advance, notes Perry, "involves risk, subjective and objective" (178) and forces a "reiterated choice between courage and despair" (32). Perry remarks that movements from one position to another "express the work of considerable psychic energy" (49). Both Kohlberg and Perry suggest that the higher stages of thought involve a restructuring of identity. At this point in the paper, it is germane to ask: does teaching business ethics from a business point of view involve restructuring? Does teaching healthcare ethics from the perspective of a healthcare professional demand a restructuring of thought? Can there be "a clear effort to define moral values and principles that have validity and application apart from the authority of the groups or people holding these principles and apart from the individual's own identification with these groups" when the individual lacks a structure of thought apart from that of business, or healthcare, or journalism, or whatever discipline is involved with applied ethics?

Academia houses different disciplines in various schools not only because different substantive bodies of knowledge exist but also because different disciplines provide different avenues of thought. People educated in different disciplines think differently. If moral development is a matter of "internal cognitive reorganization," people in the same discipline as the student, with a similar structural perspective, are less likely to stimulate any sort of reorganization. People are needed therefore who, formally or informally educated, can stand outside the perspective of the discipline and teach ethics for those within the discipline under ethical scrutiny.

Were Bonaventure alive today, he might countenance philosophy, but he would not write *De reductione artium ad negotium (On the Reduction of the Arts to Business).*

Business ethics can only be taught from a philosophical perspective.

Caveats Regarding the Philosopher

If the preceding reasoning holds, then it is a necessary condition for educating students that business ethics be taught from a philosophical perspective by a person educated in philosophy, especially ethics. But stating that a philosophical perspective and a philosopher are needed is not the same thing as saying that they suffice for teaching business ethics. It is not enough that a philosopher teach business ethics, given the rancorous treatment many philosophers give business and business students. Far too often, no love is lost between philosophy and business. I have observed over the years and at many schools that the two disciplines, business and philosophy, have an uneasy relationship and that their discomfort affects faculty relationships.

Anecdotes abound. At one school, two philosophers were hired to teach the business ethics course. Within a week of the semester's start, the dean of the business school was besieged by students from the classes. It seems that the professors had told the students they were wasting their time majoring in business and that they should get a "real major." At one school where I taught business ethics, a business professor said to me, somewhat derisively, "You know what they are like in the liberal arts." I said, "Yes, my office is in the liberal arts." At the same school, my colleagues in the philosophy department would pat my shoulder and ask sympathetically, "How can you teach so many business students?"

I am not alone in my observation that there is a divide between business schools and the liberal arts. A dean at Leeds School of Business, Robert Kolb, noted that the situation is similar to that described in *The Two Cultures*, C.P. Snow's treatment of the divide between faculty in science and in the humanities.

Philosophers at times do not appreciate their own discipline's history and are consequently hostile toward business enterprises. As my philosophical colleague Richard Klonoski (2003) points out, "Thinkers such as Aristotle, St. Thomas More, Adam Smith, even St. Thomas Aquinas, either accept the fact that human beings are 'commercial beings' or indeed revel in this fact. For example, both David Hume, in his essays, 'Of Commerce' and 'Of Refinement in the Arts,' and Smith, in *The Wealth of Nations,* argue that human beings have a natural tendency or propensity to engage in the commercial activities of exchange and barter" (27). As Aristotle put the matter of property, "the amount of property which is needed for a good life is not unlimited; there is a boundary fixed" (Pol. 1256b32–34), but, nonetheless, "there is a natural art of acquisition which is practiced by managers of households and by statesmen" (Pol. 1256b37–8).

Aristotle's thought seems especially appropriate for philosophers to remember as they teach business ethics. On the one hand, Aristotle says of "the theory of wealth-getting" that "the discussion of such matters is not unworthy of philosophy but to be engaged in them practically is illiberal and irksome" (Pol. 1258b9–12). Philosophers who are contemptuous of business activity pay heed to only half their philosophical history. Such a matter as teaching business ethics is not unworthy of philosophy or philosophers.

Conclusion

I have argued that business ethics should be taught from a philosophical perspective by a philosopher. The problem of who should teach ethics dates back at least to Plato, as does the distinction between knowing the good and doing the good. Modern psychological research suggests that moral advance involves higher thinking skills of the sort normally found in the discipline of philosophy. But the philosopher teaching business ethics must remember that business activity is a natural human activity.

These are the thoughts I try to keep in mind as I teach business ethics. My affiliation is with the liberal arts, but my office is in the business school. Sometimes I feel like a man without a country, but I know that dual citizenship is possible.

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Plato*, Meno* and *The Republic.*

STEALING OUT THE BACK DOOR
Business Ethics and the Loss of Education

Eugene Heath

> This, then, to the undergraduate, is the distinctive mark of a university; it is a place where he has the opportunity of education in conversation with his teachers, his fellows and himself, and where he is not encouraged to confuse education with training for a profession, with learning the tricks of a trade, with preparation for future particular service in society or with the acquisition of a kind of moral and intellectual outfit to see him through life. Whenever an ulterior purpose of this sort makes its appearance, education (which is concerned with persons, not functions) steals out of the back door with noiseless steps. (Michael Oakeshott, 1989)

Many individuals, including students and not a few academics, think that the point of business ethics education is to make students better persons or, more broadly, to reform commercial society. Perhaps these were among the original motivations for launching business ethics programs in the 1970s. If so, such motives were founded, presumably, on either the notion that businesspersons were insufficiently responsible or the idea that citizens must reassess or reform the institutions of commercial society. That these contentions are contestable, even doubtful, does not mean that they played an insignificant role in the establishment of courses in business ethics. There exists to this day a strong reformist, if not missionary, character to the comments and discussions of many business ethicists. In some instances the message

communicated, in speech and in writing, is that the scholarly and pedagogical fields of business ethics provide a bulwark against the ruthless corruption of commercial practice. But if this sort of enthusiasm enters the business ethics classroom, it must not become a single-minded attempt to reform or to change the student; such attempts would introduce into teaching the "ulterior purpose" of which Oakeshott writes and thus transform a business ethics education into the "acquisition of a kind of moral . . . outfit."

Although there is something right in saying that the point of business ethics is to make people better (or to make society a better place in which to live), this should not be the immediate goal of a business ethics class or curriculum, for the purpose of teaching business ethics is not to engage in a protreptic exercise in moral suasion or to deliver a semester-long homily on social responsibility or stakeholder theory. As a pedagogical enterprise, business ethics should not seek to make students into better persons, but rather, to assist them in thinking carefully about moral matters relating to commerce. A business ethics course should enhance a student's moral perception and foster the ability to sift ideas and to reason deliberatively about principles and practices of business and markets. Such an end, rather like happiness itself, is best achieved in the pursuit of something else. What, therefore, ought to be pursued in teaching business ethics?

Value

It has become fashionable to think of education, including business ethics education, in terms of skills, objectives, and outcomes. One should not yield to such fads, however, or to the dubious assumption that education is training in technique, or the inculcation of a theory that will

equip one to navigate the shoals of life and commerce. Moral perception and careful deliberation, especially within the context of business and markets, are neither straightforward skills that aim at set results nor techniques that may be disengaged from traditions of moral endeavor. They are more akin to manners of awareness and modes of engagement, and these cannot be understood adequately in terms of technique, routine, or training but arise out of one's character and the traditions of one's community. Moral perception as a manner of awareness, and deliberation as a mode of engagement reflect valuable human dispositions that equip students to recognize how a situation or a circumstance may demand a mode of response drawing on qualities moral and commercial. These traits dispose one to perceive the relevant particulars of a given situation and to recognize not only the underlying conditions of exchange but the complexities of market processes.

Perception and deliberation cannot be developed *ab initio* in the classroom; they can only be honed by an exposure to a curriculum reminding students of the practical complexities of decision making and calling for an appropriate exercise of thought. In this way, a business ethics course is part of a liberal education. The medieval conception of the liberal arts placed great emphasis on logic and argumentation (Haskins, 1972). Central to this conception is the idea of the "liberal," *liberalis,* as that which "befits" or "is suitable for" a free individual, or one who, in being self guided, must deliberate and decide on his or her own. To assist the development of perceptive and deliberative capacities, the very content of a business ethics education should broaden and enrich one's thought about the moral connections and relations attaching to business practice and underlying the institutions of commerce.

Thus, the value of business ethics derives from the content of the course, both in terms of its curriculum and in terms of the example set by the professor. If one sets aside the (very important and not unrelated) role of the professor, the curricular content of such courses should render the student more aware of the implications, complexities, and consequences of commerce and more disposed to consider the moral assumptions and practical postulates of markets and exchanges. In this manner, business ethics courses suit the "free" individual. At the same time, their purpose is not to have the student master some current policy debate, or to reshape the learner into an adept at the application of Kantian terminology, or to convert the callow to ritualistic references to "multiple stakeholders." The purpose is precisely not to fashion a "moral outfit" for students, but to provide the conditions in which a student may become more morally perceptive, thoughtful, and engaged. Such courses should eschew moralizing, politicization, or any tendency to fashion a moral outfit laced, perhaps, with the professor's response to current urgencies.

Content

If the value of business ethics courses rests not on skills but on content, then what should the curriculum be? Despite unceasing debate as to the content of liberal education, one may delineate certain general features of the liberal conception of business ethics. The subject demands a meditation on and a conversation about moral issues relating to commerce, as well as a philosophical consideration of normative issues relating to the essence of business, the voluntary exchange of goods and services, and its institutional manifestations. Voluntary exchange occurs under practical conditions setting forth laws, regulations, and policies; these conditions also may presuppose certain moral, social and psychological norms and postulates. Those who interact—

whether as individuals or within firms—must render a variety of judgments and decisions. The pattern of decisions, as well as the laws and institutions, may have unanticipated effects, beneficial or no.

From these general remarks, one may glean three entry points into business ethics, each point suggesting distinct curricular emphases. One may enter into the study of the normative postulates of business and exchange, through a consideration of the *foundations*, the *effects,* or the *operations* of businesses and markets. As has been stated, the foundations of markets include the laws, institutions, and regulations that should frame and govern business and markets, as well as any moral or social norms or expectations essential to their successful functioning. Another entry point might bring the student to an examination of the consequences or effects of business and markets on various aspects of society, culture, or nature. And a third would encourage the students to consider day-to-day practices and engagements of commerce. These utilize or require moral, social, and psychological principles or qualities and involve individuals who—in talking, buying, selling, renting, cooperating, advising, working, fixing, waiting, making, adjusting, assisting, promising, constructing, risking, amending, dispatching, delivering, and so on—must exercise judgment and take into account distinct goods and interests, perhaps balancing one against another.

A single business ethics course may contain multiple entry points although it is also possible to have each entrance serve as the focal point for *distinct* courses, not all of which need to be designated as courses in business ethics. For example, the foundations of markets serves as an entry to courses oriented around themes of politics and markets, justice and commerce, or to classes in business and society. Such courses emphasize questions concerning rights, property and

equality, economic justice, regulation, and whether or not certain moral, cultural, or social dispositions or characteristics are essential to markets. Only secondarily, if at all, would such courses consider individual conduct (or decision making) within the firm or the effects of markets and business. One might expect that many traditional business ethics courses would focus on individual decision-making, perhaps taking into account the traits and moral qualities relevant to business success or the standards of sound business practice and moral endeavor. Such courses tend, however, to gravitate to foundational questions, in particular to matters of law and public policy. Such an approach is not misguided, but that it should be the dominant focus is unclear. After all, an exploration of law and public policy is distinct from an inquiry into the ethics of individual moral decisions. Moreover, a serious consideration of issues of law, regulation, or public policy requires rigor, depth, and an understanding of the complexities of markets, elements often in short supply in much of the literature on business ethics.

Another type of business ethics courses, or a segment within courses, focuses on the consequences of commerce. A course devoted to the effects of markets might consider ethical questions regarding the environment, a subject related to the topic of market foundations (including the bearer of rights, the extent of property rights, the perils and promises of regulation, and so on). Such a course might center on the role of business in innovation and technology, however, or on whether markets and business provide conditions for progress (and of what sort). Another type of class might treat the manner in which markets affect the overall culture, including the arts and morals. Excepting the topic of the environment, these are not the standard issues of business ethics courses, but they are relevant and important matters and have a history and a literature.

Implications

It has been argued that the aim and value of business ethics courses lie in how curricular content should provide avenues for honing capacities of moral perception and deliberation, because these capacities concern the foundations, operations, and effects of markets and business. The outline limned in section II raises more questions than it answers, but it is proffered to suggest the kinds of questions that should be posed. Does it also imply cautionary theses about the current state of business ethics? Already three such notes have been sounded. Too many business ethicists focus on public policy rather than individual moral decision, and too much of this discussion fails to recognize adequately how many questions of policy are economically complex and rife with unintended consequences. Additionally, except for the discussion of environmental questions, there is relatively little normative evaluation of the overall effects of business and markets. Are there other implications?

Even as this account cautions against missionary zeal, it provides grounds for teaching business ethics as independent courses rather than as topics broached only in so far as they can be integrated into other business or management classes. An integrated curriculum risks inserting the ethical in a spasmodic or haphazard way, perhaps encouraging moralizing or ideological insinuation and precluding a focused, thorough, and deliberative encounter with important themes and issues. (As a field of study, can financial accounting be integrated throughout the curriculum? Business statistics?) Moreover, there is room for supplementing courses in business ethics with courses in philosophy (social and political philosophy; classics of political thought; philosophy and literature), history (business and society, history of business), sociology (social theory), or psychology (industrial psychology). In sum, the general field of business ethics, especially its

complementing courses, is multidisciplinary. This suggests that the readings for a business ethics course may be drawn from a variety of thinkers, epochs, and disciplines.

Even though various parties are engaged in market production and exchange, too much of business ethics focuses on the corporation as the locus of commercial activity. A predominant emphasis on corporate modes of decision making and functioning ignores how much of business involves the small firm, not to mention the activity of the entrepreneur. Because of this preoccupation with the ethics of one type of firm, too many business ethicists seem fixated on doctrines of social responsibility (corporate social responsibility, socially responsible investing) and on the stakeholder theory although neither doctrine nor theory has been developed or justified adequately.

This state of affairs should be especially disconcerting if one takes into account that the focus on individual decision-making within the operations of business, corporate or not, is precisely what most students seek when they enroll in business ethics courses. Some students seek answers rather than inquiry, thereby gratifying the professor who teaches the course so as not to cultivate perception or deliberation in the student but to provide guidance. Business ethics, as an academic subject, is not moralizing, however, for there remains a distinction between guidance that is appropriately *liberal* and that which reflects the moral predilections of an individual. The sort of guidance that is warranted and crucial encourages students to recognize moral issues and to explore and to comprehend their complexity. This guidance avoids preaching, question-begging arguments, and any presumption of moral consensus about how business should act or society be "organized." And yet, as Aristotle recognized, such guidance does have a practical component

even though it does not give the student pat answers. That it does not is, again, a testament to how business ethics is part of the liberal arts.

The business ethicist should eschew moralizing, insinuation, or programmatic response. This conclusion is wholly compatible with acknowledging ethical truths of a general sort (honesty is right and good, generosity is to be cultivated, promises are to be kept, and so on). But ethical life is not simply a matter of applying rules or principles although it includes that. The ethical life is a matter of perception as well, not to mention *will*. This is one reason, I think, for adopting within the traditional course on business ethics a model or approach emphasizing virtue. Students bring their dispositions, commitments, and principles to our classes and to commerce. It is worth considering how a business ethic of virtue might allow students to investigate and to appreciate how traits and qualities that already have some salience in their lives may also have relevance in business. How does courage affect entrepreneurship, innovation, or business risk? How might generosity of time and effort help colleagues, clients and customers? How does integrity underlie the will of the whistleblower? And can personal ambition be reconciled with the life at home as well as the life at work?

Too much of business ethics smacks of desperation: We must teach business ethics because otherwise commercial life will go off the rails! But if commercial enterprise seems disjointed from larger moral concerns and if business leaders and colleagues do not seem attune to the moral life, it is doubtful that a course will alleviate these ills. Disconnection between business and morals may be the result of a more widespread failure to think carefully about how our economic, social, and cultural lives do (and must) have roots in long-standing practices and traditions. That we have not been sufficiently mindful of this hypothesis has left many of us

scrambling after moral and theoretical outfits that ill suit a genuine education in the moral practices of commerce.

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A PHILOSOPHICAL APPROACH
TO THE ETHICS OF COMMERCE
Child Labor as a Pedagogical Template

Richard J. Klonoski

No single approach to teaching business ethics can do everything. Traditional applied ethics offerings accomplish different goals than business and society courses do. This is the case, as well, with the decidedly classical philosophical approach to business ethics education I am about to propose. This alternative approach would seek to treat contemporary ethical issues in business as *gestalts* of sorts, whereby such issues would appear as figures against various grounds. These issues would take shape or form against the multifaceted backdrop, or ground, that constitutes the horizon of understanding, a ground not only commercial but also often philosophical, i.e., metaphysical, epistemological, political, social, and historical in nature.

One goal of what I have elsewhere described as a philosophical "unapplied" approach (Klonoski, 2003) would be to inform business students of the rich philosophical discussions that predate and inform debates about contemporary ethical problems in business. An even more substantive goal would be to infuse in students a capacity for philosophical reflection about issues in classical philosophy relating to ethical issues in business today and to teach them how to reflect on their own nature as commercial agents. While it is certainly useful for students to learn to apply

ethical decision-making models to solve ethical problems, application can only be enriched when students inquire into such issues, the decisions made regarding them, and their effects on students themselves as members of commercial and other communities. In what follows, I will explain what philosophy can contribute to business ethics education. I will argue, further, that a philosophical view of commerce immediately precipitates a distinctive direction for ethics education. Then, using the issue of child labor as a pedagogical template, I will briefly show what a decidedly philosophical approach to this issue is like. Finally, I will conclude by identifying advantages of taking a philosophical approach to teaching the ethics of commerce.

The study of philosophy provides students with a reflective access to their world, to themselves, and to their relationships with others. Being philosophical is a unique manner of "being in the world." No doubt, studying philosophy can help students develop analytical and synthetic thinking skills and refined communication skills. Students of philosophy tend to become more persuasive at making arguments or building intellectual cases. Such skills are indeed serviceable for ethical decision-making and success in business. Yet disciplines other than philosophy might also contribute to such skill development. Philosophy brings something more to the educational table—something distinctive. The philosophical person is interested in studying human nature *as* human beings engage in such analytical argumentative activities. Philosophical people are interested in what it means to be human in the first place, to live a fully human life, to occupy a place of importance in the human world. As the German thinker Martin Heidegger put it in *Being and Time*, *Dasein,* or the human being, is the only being whose being is of concern to it (Heidegger, p. 40, 1996), the only being who can reflect on the meaning of its own being or existence. In this text, Heidegger refers us to St. Augustine, who in his *Confessions* echoes a

similar thought. At one point in the narrative, Augustine describes his state of mind upon learning of the death of a dear deceased companion. He had thought that he himself was a good friend, one who appreciated his friend. But now at his friend's death, Augustine is thrown into a state of confusion that prompts him to reflect upon himself. He famously states, "I have become a great riddle to myself" (Ryan, p. 98, 1960). There is a rich and complicated significance to the word for "riddle" [*quaestio*]. This word is translated here and elsewhere in the *Confessions* varyingly as *question*, *enigma*, *problem*, and of course *riddle*. In any event, the meaning that Augustine hopes to convey in using this word is plain. In a moment of deep philosophical reflection, he finds himself reduced to a state of great confusion about things he thought he understood. He now questions who he is and what he really knows.

The *Confessions* is a deeply contemplative book, a book that chronicles a meditation on the self. It is at moments such as this in Augustine's meditation that we witness a profoundly important effect of philosophy: *it brings us face to face with ourselves*. Indeed, a most significant consequence of philosophical reflection is that it causes us to be enigmatic and problematic to ourselves, in particular with regard to who we are, what we know, and what we believe or stand for. Who we are and what we stand for are made manifest in the world through an array of human activities that we take up. Philosophical people seek to investigate the nature of any human capacity, activity, or potentiality as it relates to their own identity, development, perfection, and to that of human beings as such. Philosophical people constantly critically examine their presumptions, thought or unthought, and evaluate their conduct. Indeed, they "rethink themselves" in all venues of their lives in which the human spirit is made manifest. Philosophers are then interested in how the human spirit is expressed in such things as science, art, and music,

commerce, politics, law, language—in a word, in any "artifact" that human beings produce, in the activity through which it is created, and, most especially, in its relation to their own lives.

Business, or, as I would prefer to call it, commerce, can and has often been used as a catch-phrase to indicate a variety of techniques and strategies agglomerated to create profit, to facilitate economic progress, to produce economic advantages for those who have put their capital at risk, or to return on the risk/investments of those who enter the free market. Yet these characterizations of business seem to ignore or to under-sell business or commerce as a "human artifact." In my view, commerce must be viewed as a human and cultural artifact akin to science, law, medicine, politics, education, art, music, and even philosophy. Commerce is no more a mere collection of techniques than the above-mentioned areas of human endeavor. Commerce, is, rather, one more way of "being-in-the-world," of expressing our nature as human in the activities of interchange and exchange, of understanding ourselves, of relating to others and our world. Such artifacts are essentially outgrowths of a range of capacities or potentialities integral to our common humanity.

We should seek to understand in a philosophical manner the essential nature of each of the many artifacts of human nature, commerce among them. Philosophers investigate the extent to which, and in what respect, human beings are "commercial" beings and how commerce contributes to and/or inhibits human flourishing and the flourishing of human society. Philosophers ask what commerce is, what wealth is, and how these are related to the perfection and/or development of human nature. Philosophers examine our penchant toward commercial activity, or as Adam Smith put it in *The Wealth of Nations*, our "propensity to truck, barter, and exchange one thing for another" (182). He asks what this propensity tells us about human nature

and about our moral responsibilities for the development of our nature as humans. In that remarkable book, the economist and philosopher Smith, a great advocate of commerce and commercial life, reflects on the nature of the human person as well, and specifically on our capacity of speech and our rationality, and wonders about the origins of commercial life.

While business and society and various types of applied business ethics courses have been a mainstay in preprofessional business curricula for only a few decades, philosophers have contemplated commerce since the inception of Western thought. Indeed, throughout the history of philosophy, thinkers such as Thales, Plato, Aristotle, Aquinas, More, Smith, Hume, Locke, Hegel, Marx, and many others have written rich philosophical reflections on commerce and commercial life, treating commerce as a human and cultural artifact, a distinctive expression of human nature. While some have written with concern about the possible corruptive influence of commerce, even some mentioned above, others have seen commerce as part of the human effort to bring human nature to perfection, to project human nature toward its full fruition in the human world, to bring this human spirit to bear on the project of shaping the world in a human and humane mold, to create and to recreate the lived world, or interspace, that human beings share, indeed, to advance civilization.

Note William Hazeland's remarks to this effect in his 1756 text *A View of the Manner in which Trade and Civil Liberty Support Each Other:*

> It hath been hinted already, that the manners introduced by Trade are a considerable furtherance of Liberty. I would place in this view, that general improvement in the arts of life, that refinement in the public tastes and sentiments, in short all those intellectual and moral acquirements that are duly to be ascribed to Commerce. (p. 408, 2003)

Hazeland continues to describe the circumstances of human beings and human society where commerce has flourished. He writes,

> That wide experience of men and things which this affords, that active and enterprising spirit which it cherishes, those encouragements of genius and invention that are proposed by it, have changed ignorance, barbarity, and inhospitable distrust into mutual confidence, arts and humanity; have given rise to all that is useful and ornamental in human nature. (ibid)

If so much rests on commerce, then those who enter into it must take it seriously and not merely as a problem or a set of problems, exclusively commercial in nature, that need to be solved, but rather as a human artifact offering those who engage in commerce great opportunities to contribute to the betterment of human beings. And yet, admittedly, commerce has also contributed and can contribute to the diminution of human beings and their societies. Recall David Hume's words on the positive side regarding the potential of commerce. In his essay "Of Commerce," Hume writes, "The greatness of a state, and the happiness of its subjects, how independent soever they may be supposed in some respects, are commonly allowed to be unseparable with regard to commerce" (p. 157). Hume and many others in his generation of thinkers believed that commerce worked a civilizing effect on human beings. Like any other profoundly significant human artifact such as medicine, law, politics, or science, commerce should be subjected to philosophical and, most especially, ethical evaluation. But, perhaps most important for the purposes of business ethics education, students must become reflective and learn to take themselves seriously in professional and moral terms.

Such a view of commerce and the implicit moral character of commercial life precipitates a unique vision of ethics education, one that should serve both to enhance students' abilities to think in terms of ethical principles or ethical decision-making models and to invigorate their own

capacities to reflect on the very nature of commerce itself and its human consequences. Students should come to view commerce as a window of sorts onto the human soul, their own souls included. But such a reflection is possible only if those who enter business learn to look beneath the bottom line to examine the variety of metaphysical, epistemological, psychological, social, and political aspects of the human and moral concerns people in business face. The view of commerce I have elicited would demand something of a philosophical education—at least one that draws on the rich ground in the history of philosophy in relation to which contemporary ethical problems in business arise.

In an effort to show how such a vision of education might work, I will discuss a specific ethical issue in international business: child labor. I will seek to delineate the wide and variegated range of issues lying beneath the surface of this ethical issue. I will indicate briefly how the study of texts and thinkers in classical philosophy can help students think about this contemporary ethical problem. I will also show that only a full appreciation of these issues will reveal the actual and possible impacts that commerce can have on solutions to this ethical problem.

The facts about child labor are startling. There are approximately 246 million child laborers between the ages of 5 and 17 around the world. 186 million are between the ages of 5 and 14; 110 million are under the age of 12. One hundred and seventy-one million work in hazardous conditions in such areas as agriculture, mining, manufacturing, (of rugs, textiles, apparel, for example), quarrying, domestic labor, and military service (IPEC, 2003). Of this latter "employment," 300,000 serve in armed conflict around the world (Basu and Tzannatos, p. 1, 2003). Many children also work in the "informal economies" of many urban centers/cities. Proliferation of child labor has spawned an industry in child/slave trafficking and related sex

trades, in which 1.8 million children are exploited each year (IPEC, 2003). Approximately 61% of child labor occurs in Asia, 32% in Africa, and 7% in Latin America (Hindman and Smith, p. 1, 1999), in largely nondemocratic nations. And, yet, in any given year in the United States, 290,000 minors are employed and work illegally. These children work too many hours or in dangerous/hazardous occupations (Kruse and Mahony, pp. 5–6, 1998).

The question as to the ethicality of child labor gives birth to a host of cultural/social, economic, psychological, and political questions. Not the least of these are questions concerning the psychological or philosophical identity of a child and the ethical and political responsibilities of families, societies, commercial institutions, and governments to children.

A recent statement issued by the International Confederation of Free Trade Unions (ICFTU) claimed that "Burma needs democracy and human rights"; that "the international community must redouble its efforts to bring democracy to the country [Burma]" (ICFTU Online, p. 1, 2003). The comment was made in response to a report of yet more exploitation and abuse of children in Burma (under the Burmese dictatorship) in the areas of agriculture, fishing, manufacturing, military service, domestic labor, the restaurant business, construction, and mining. The face of the comment seems plain enough: with a democracy in place, human rights would follow, and with such rights would come the eventual eradication of child labor and also the exploitative and abusive treatment of children in the commercial sex industry.

While I think this comment about the importance of democracy bears within itself considerable truth, it and comments like it can be met with some rather serious questions. The first of such questions is how likely is it that democracy can be brought to developing nations in light of their individual histories and culture, including family structure, domestic customs, and way of

life in general, a way of life in many cases that is fundamentally ideologically at odds with a democratic way of life. Factor into the circumstance of the developing nation great poverty, low levels of education for children and parents, a downwardly spiraling economy, violence and/or the threat thereof, social and political instability, and the challenge of bringing democracy to such nations seems most daunting.

Many who assess the prospect of decreasing or eliminating child labor, or at least the worst forms of it in developing nations, think in terms of bringing foundational democratic institutions to such nations—institutions such as universal suffrage, free elections, and a democratic political infrastructure that includes a democratic subdivision of governing bodies or powers. But democracy, like all manner of political rule or regime, is first and foremost a way of life, a set of practices, and a manner of "political being-in-the-world." Aristotle was quite clear, and in my view correct, about this in his work *The Politics*. There he argued that every political regime is both a reflection of a people's way of life and also formative of that way of life (1337a 11–171984). For Aristotle the *politeia*, or constitution or regime, of every city/nation is not only the arrangement of offices and/or the structure of the ruling and legislative bodies, but more especially the soul or very character of life in that nation. People in a democracy live according to "mores" (to borrow from de Tocqueville), customs, and practices that are "democratic." Such mores have developed over time and through traditions that have as their guiding ideas such concepts as freedom, equality, representation, majority rule, private ownership, and, perhaps most important, public reasoning or deliberation. Among the many fascinating discussions of the prospects for democracy arising in nondemocratic developing nations is Armartya Sen's recent article drawing on his seminal writings of late on the global roots of democracy (Sen, 2003).

While it seems that Sen is rather more sanguine than most about the possibilities for democracies to develop beyond the West, my point in referencing his work is to indicate that there is a growing debate about this issue that has implications for the problem of child labor.

In any event, it is clear that several important conceptual underpinnings of democracy are relevant in a consideration of the special place of children in a democracy. Of these, most are ethical and political in nature, and others are economic as well. British philosopher John Locke argues that "the great and *chief end*, therefore, of men's uniting into commonwealth, and putting themselves under government, [democracy I would add] *is the preservation of their property*" (p. 66, 1980). According to Locke, one has an original right of property when one has mixed one's labor with what has until then been common, or unowned. The ground of this right is one's originary ownership of one's body; humans have a right of ownership in their own persons and therefore have a right to the labor of their bodies, and to the fruits thereof, i.e., property.

It seems clear that, for Locke, the establishment of the self-governing political society has much to do with commercial and ethical concerns, specifically, with the right to property, and therefore with the commercial implications of one's right of ownership in one's own person. We cannot help but see that child labor, slave labor, or bonded labor of any sort is at odds with this fundamental concept of democracy and with equally primordial concepts such as equality or equal treatment of human beings. As Locke says in §55 of Chp. 6, "Of Paternal Power," "Children are not born *in* this full state of equality [that adults are], though they are born *to* it" (p. 31). What Locke means is that adults are in a state of full equality and therefore their property, it would follow, cannot be seized from them. Slavery or forced labor can never be justified. In the case of children, adults would have a responsibility to protect children from having their bodies, their

labor, and their very persons taken from them, not to mention the fruits of their labor. Eventual equal treatment of children depends on adult discharge of such responsibility.

Locke goes on at some length to argue that parents, and implicitly all adult supervisors of children, have a temporary jurisdiction over their charges/children. Among the reasons he gives explicitly for this temporary jurisdiction, and for the obligation to care for children, are the weaknesses of infancy, their age, and their undeveloped reason. This latter capacity is, of course, needful of improvement so that they will one day "be at their own free disposal" (ibid). Eventually, as children grow and improve their faculties, they will enter a state of full equality, at which point they must be treated as free, self-governing human beings. To be sure, in Locke we see the implication that children are of such a nature that adults *must presume* that they will develop into rational, free, equal, self-sufficient adults. From Locke's point of view, the human species is, in its very nature, created and designed to "improve." Children need other rational and free human beings to govern them during their time of improvement. Jurisdiction over children is less rulership in an authoritarian sense than it is a kind of stewardship; i.e., parental or adult-supervisory control is for the purpose of keeping children fit to follow a path of improvement toward rationality, freedom, and equality. The end point of such improvement, in part, must be for each child eventually to access his or her equal right to "natural freedom without being subjected to the will or authority of any other man" (§54).

Clearly among the most obvious benefits of such freedom and equality is the grown child's right to his or her own person, body, and labor. Most child labor is physically very demanding, often debilitating, even life-threatening. The physical, not to mention the psychological, health of child laborers is dramatically worse than that of children who don't work.

Child laborers often are deprived of education as well. Even Adam Smith, a fairly enthusiastic advocate of capitalism, observed that education might serve as something of an antidote for the mutilating and deforming effects on people of the severe and singular work that results from the division of labor (pp. 197–201). Democracies must protect children from bonded/slave labor because such practices are a most basic violation of their nature as human, a clear inhibition to their improvement, to preserving the fitness of their bodies and minds, and therefore constitute a denial of their right to their bodies and their eventual right of ownership. Even important issues such as whether in fact democracy will ever develop in nondemocratic nations, and thus whether in fact children will ever have "rights" that protect them from exploitation in such nations, may not alter *the* responsibilities we have, as members of a democratic nation, toward children. It would appear a contradiction to support the protection of children at home while not doing so abroad.

Locke's thinking provides a theoretical context from within which to argue for the eradication of child labor. While Locke worries about protecting children for their eventual adult autonomy, it is clear that for him children as children are not adults at all. This last observation leads to a series of concerns gathered together into the question, "What is a child?" Such a question might best be classed as one concerning the "metaphysics of personal identity." In an article indeed entitled "What is a child?" (Shapiro, 1999), Tamar Shapiro examines this question by meditating, in part, on various works by Immanuel Kant which discuss children. Among these works are *The Doctrine of Right* and *Education*. Following Kant, Shapiro argues that ethical responsibilities toward children are grounded in the very identity of the child as a certain sort of human being. Children exist in an imperfect, undeveloped condition; they are not fully

autonomous or do not have complete control of their own will; they do not have a fully integrated self-understanding, or cannot project their own self-concept toward their future life. Shapiro argues that the only real work children should perform is "play," precisely because through play the child begins to develop self- understanding. In fact, the child creates and recreates a self (pp. 732–733). Given that one could characterize the child's condition as one of innocent possibility, adults have an especial moral obligation to protect children for the time when they will have become "integral selves" with full access to their own powers and faculties and who can indeed make their own choices and fashion their own lives.

I invoked Locke and Kant in this discussion of child labor to demonstrate the relevance of classical philosophical discussions to a contemporary ethical problem in international commerce. In a course on business ethics in which this topic was treated from this decidedly philosophical perspective, one could imagine raising and having students raise such questions as [1] Is the identity of a child self-same across cultural boundaries? [2] Do exigencies of poverty and starvation affect our view of whether children should labor? [3] What do culture, custom, and family structure have to do with the ethicality of child labor? [4] What responsibilities, if any, do commercial institutions from democratic nations have toward children in foreign nondemocratic states wherein a lack of a democratic way of life and a cultural climate devoid of respect for human rights continue to breed exploitation of children? [5] What responsibilities do democratic governments have with regard to trade and trade agreements with foreign nations that exploit children? And finally, [6] What responsibilities do consumers have toward children in regard to their purchase or consumption of goods manufactured by child laborers? Perhaps the question with the most reach is whether those who engage in commerce making use of, nay, exploiting and

abusing children claim, at the same time, that they contribute to the flourishing of human beings and human societies?   Recall that commerce must be viewed as a human artifact, or a unique manifestation of the human spirit. We must be vigilant that it, like other such artifacts, expresses the very best of what the species has to offer itself.

And, yet, in a course on business ethics addressing the topic of child labor and taking a truly "philosophical" approach such as the one I propose, adequate time would have to be given to arguments that either support or do not entirely deny the legitimacy of child labor. Note, for example, the short but provocative list of such arguments assembled by Budhwani, Wee, and McLean in their article "Should Child Labor be Eliminated?" Continuing poverty and starvation of a child and her family might require children to work; children might enjoy work and develop both a work ethic and marketable skills, not to mention social skills in the right workplace environment; children might learn that education is better than hard unskilled, low-paying labor; working is better for children than thievery, begging, prostitution and the like; and, finally, punishing countries with large numbers of child laborers will result in less cheap labor, higher costs of production, loss of competitive advantage, less successful commerce, decreased national wealth and therefore greater poverty, making child labor more necessary (Budhwani et. al, p. 11, 2004). Needless to say, the issue of child labor is complex and continually is becoming more so if the vast and burgeoning high-quality literature on this issue is any indication. Note exceptional scholarly examples of this literature in such highly regarded publications as the *Human Rights Quarterly* and *The World Bank Economic Review,* each of which recently has dedicated considerable space to the ethical, economic, social, and political issues surrounding child labor.

Again, no single approach to ethics education for business students can accomplish

everything. It is possible, for instance, that the philosophical approach to the ethics of commerce I have outlined briefly, unless supplemented with rudimentary instruction on ethical decision-making models, in effect absent an applied component, might appear to fall short on the side of clear solutions to specific ethical problems. I do think this supplementation can and must be included. I have some thoughts about the model and the pedagogy required, though they would take too long to develop here. Nonetheless, what in sum and more generally does such a wide-ranging philosophical approach have to commend it?

- Students will learn to think about contemporary ethical issues in business in relation to their philosophical ground or history.
- Students will develop a philosophical capacity to reflect deeply and broadly on commercial activity in all its variety and, most importantly, on themselves as commercial beings.
- Students will develop a view of commerce that may inspire them to see it as a human artifact, and like other significant human artifacts, one that can contribute not only to their own human flourishing but to that of other human beings and human society.
- Students will learn to appreciate the remarkable complexity of commerce, especially with respect to the multifaceted nature of the ethical problems vexing it.
- Students will therefore see the importance of rethinking the long-held view of business as merely a collection of techniques and strategies organized around narrowly economic goals and will seek to understand commerce rather as a social and cultural force with distinctively human and humane purposes and responsibilities.

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III

Industry Executives
Address Business Ethics Education

EXPECTATIONS OF BUSINESS AND SOCIETY FOR ETHICS EDUCATION

Sandford W. Rothe

The stock market run that peaked in 2000 put unprecedented pressure on corporate management to "meet expectations." At the same time, Boards of Directors rewarded executives with stock options and bonus plans that seemed to align their interests with those of shareholders. Managing for the quarter and trying to hit increasingly unrealistic Street expectations put tremendous pressure on management. Added to this pressure was the potential for huge personal financial gain. Against this backdrop, it should come as no surprise that certain companies fell victim to employee lapses in judgment, unethical practices, and, in some instances, outright fraud. Market stakeholders such as accountants, lawyers, investment bankers, and analysts now are working to regain public trust. Government, plaintiffs' counsel, pension funds, and shareholders' rights groups have reacted in their own ways. So what does our future look like?

Nearly one-third of teens surveyed nationally believe you have to "bend the rules to succeed," according to a Junior Achievement/Deloitte[1] & Touche USA LLP poll conducted by

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[1] *Deloitte* refers to one or more of Deloitte Touche Tohmatsu, a Swiss verein, its member firms, and their respective subsidiaries and affiliates. As a Swiss verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms have any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.

Harris Interactive.[2] Although this number is distressing, even more distressing is the fact that the fraction is up from one-fifth of responses from a similar poll conducted just one year earlier. According to a 2004 ABC News Primetime poll, more than seven in ten teenagers say students in their school cheat on tests, and almost as many say that cheating on homework is widespread.

With students telling us loudly and clearly, in increasing numbers, that they think we have to bend the rules to succeed, we have a serious problem. If we have learned anything about the scourge of corporate corruption over the past few years, it is that we must be involved actively—at all levels—in restoring public confidence in business. In our effort to bring integrity back to the boardrooms of today, we must look to the future. The capital market system rests on trust between parties. We must make it clear to students that bending the rules is unacceptable and that cheating will not be tolerated. The headlines they read about corporate corruption are error reports, not policy manuals.

We have an enormous stake in ensuring that students know right from wrong. They are, after all, the workforce of tomorrow. As businesspeople whose own hiring pipelines must be filled

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[2]The poll of 624 teens between the ages of 13 and 18 was conducted between July 9 and 23, 2004 as part of the "*Excellence through Ethics*" curriculum, a $1 million initiative of Junior Achievement (JA) and Deloitte to promote business ethics among young people. The national poll had a margin of error of ± 3.9%.

with honest job candidates, we need to ask: How best do we impress on current and future employees the importance of ethical behavior?

Since the high-profile business failures attributed to fraud or to a breakdown in ethics, much has been written about business ethics, corporate governance, and social responsibility. The Sarbanes–Oxley Act, passed by Congress in response to these failures, is one of the most significant pieces of legislation ever impacting business. Shareholder losses that included retirement funds and pensions for widows and orphans were in the tens, if not hundreds, of billions of dollars. Job losses were in the tens of thousands. Legislation was, accordingly, far reaching and costly to business, but Congress determined that these abuses never would occur again. The cost of unethical behavior simply was too high.

Laws, regulations, and rules obviously are related to ethics; ethics goes well beyond them, however. We cannot separate these forms from ethics, but we never will have formal guidelines for every situation we face (at least we can hope not). We need ethics to help us with ambiguous, everyday challenges and to fill the huge gap between laws, regulations, and rules, and selfish, bad behavior. Corporate executives do not face a decision whether to break the law on any given day. But every day they do face difficult ethical decisions, ranging from communicating with employees, to negotiating with customers, to reporting to owners.

Enron brought focus to issues beyond existing law, for every example of corporate malfeasance entailed defying criminal laws, SEC regulations, or civil laws. Thus, although the new legislation has been helpful, history would suggest that something in addition to law is needed. A basic change in the way business is conducted and a shift in attitudes about what is acceptable must occur. Ethics education has never been more relevant or important.

Ethical behavior can change. After sobering stock market losses and job losses from failing companies, evaluations have addressed all facets of business behavior. Corporate governance is much more ethical than it was, not because people now are obeying the law, but because their attention to detail and their desire to do the right thing have improved. Audit committee meetings used to be given lip service and squeezed into board meeting breaks. Now they may last for days. Employees have been given whistle-blower procedures and, more important, protection. CEOs and CFOs want to be known for doing the right thing. Companies use reputation, governance, and ethics as competitive advantages. Management has a renewed sense of personal responsibility and accountability. And the consequences of *not* acting ethically outweigh alternatives.

Investors now approach companies with both a hammer and a carrot. Companies reporting misdeeds, demonstrating unethical behavior, or viewed as not "playing straight" in their financial reporting are punished with lower stock prices and/or shareholder initiatives to remove management or board members. Shareholders also may call for governance and compensation reforms. On the other hand, companies with good governance are rewarded with higher stock prices. A McKinsey & Co. 2002 Global Investor Opinion Survey indicated that the average premium on share prices that U.S. investors were willing to pay for good governance was 14%. Because large U.S. companies have market capitalization in excess of $250 billion, this can be a significant value.

The attention being paid corporate governance and ethics is a good thing and has had noteworthy results in a rather brief period. Imagine the effect on corporate behavior if the entire

next generation of businesspeople understood the real expectations of business and society and had been trained to deal with difficult ethical situations.

The publicity generated by recent spectacular business failures has helped focus attention on a growing problem but also has reinforced misinformed beliefs that unethical behavior is the norm for business. In the Junior Achievement/Deloitte poll already mentioned, only 12% of respondents said "yes" when asked "Do you think business leaders of today are ethical?" A clear majority, 58%, said "no," and 30% "didn't know." Bad behavior becomes self perpetuating if most people believe it is standard operating procedure.

Ethics education is required to put the standards demonstrated by American business into a realistic context. There are more than 15,000 public companies in the United States, and only 20 to 30 have received all the press for ethical lapses. This impressively low rate of malfeasance needs to be communicated—not to minimize the problem but to demonstrate the inaccuracy of the perception that rules have to be bent or that most business leaders are unethical. Almost all companies had procedures in place to comply with the law even before Sarbanes–Oxley. Today, however, compliance is only the beginning, the bare minimum, and the law is substantially more onerous. Companies realize that the most important market expectation is trust.

Business entities must act ethically and must create an environment for ethical behavior. Businesses do not make ethical or unethical decisions, however—individuals do. Ethics education needs to focus on individuals because all decisions at the end of the day are theirs. Not only must businesses demand highly ethical behavior from employees, they must create a culture that prevents poor decisions and fosters good ones.

The ethics programs put in place by businesses are like "refresher" courses designed to reinforce what business students have learned. So the need for ethics education is tremendous. Because businesses are, in fact, seeking employees who have been educated about ethics, ethics education should become a baseline requirement of business majors and should meet several objectives:

- to provide students with a comprehensive background on the issue of ethics in business;
- to provide a process for identifying and resolving ethical dilemmas;
- to examine best practices in use today at leading companies; and
- to provide experience in dealing with ethical decisions through the use of case studies and scenarios.

These objectives could be met with a foundational class early in a student's business education, after which ethics should be included in all business classes. By receiving an ethics education in every class, students would continue to learn that ethical behavior is [1] expected in all facets of business, [2] the norm in business, and [3] an individual responsibility. And students would continue to gain experience by working through additional scenarios. The embedded cultural approach is important because the intent to behave ethically must be second nature to an individual.

At the 2004 Teaching Business Ethics Conference, college professors discussed ethics education and presented impressive theories and approaches. The leading-edge ideas they articulated will improve ethics education significantly and, ultimately, the impact of business on society. Although such improvement is crucial, ethics education should not get too far ahead of itself. Understanding ethics or knowing right from wrong may not be very difficult, but acting on that knowledge can be. This concept is reinforced by the Junior Achievement/Deloitte poll.

Students were asked, "Do you think it is easy or difficult to be ethical/make ethical business decisions?" Fifty-six percent said it was difficult, and only eighteen percent said it would be easy. In most cases, these students and their predecessors who are now running businesses know right from wrong; they simply find it difficult at times to act correctly.

The foundational class outlined above is important in that it helps students establish a background in the literature and a process for resolving ethical dilemmas and provides them an opportunity to gain experience. Although this plan sounds easy and would not be expected to be controversial, ethics by its very nature is an emotional, subjective, and personal issue. Different conclusions may be reached in good faith by different people even when subscribing to the same set of basic values. Seemingly subtle differences introduced into the decision-making process—for example, difference arising from a person's religious values—can become magnified under certain circumstances, as when the goal of treating employees fairly and ethically can be compromised by one's view of sexual orientation. Decisions regarding business activities can be influenced by one's political views on environmentalism.

An analysis of past ethical failures is important for a number of reasons. Beyond the obvious "lessons learned" that will come from such analyses, students should learn that ethics is not a new issue, that it is not limited to the United States, that individuals (not companies) made mistakes, and that consequences can be dramatic. This rather negative perspective should be balanced with examples of ethical successes. People tend to forget examples of good corporate behavior, such as Ross Perot's corporate rescue of employees from an Iranian prison, or Johnson & Johnson's pulling all Tylenol from the shelves after a few bottles had been tampered with.

A framework for resolving ethical issues is important in teaching students how to address difficult decisions. Ethical decisions usually involve minimizing or choosing between two or more adverse consequences. By their nature, ethical decisions are not easy. If they were, everyone always would do the right thing. Identifying appropriate values will assist in evaluating alternatives and balancing the personal impact (positive or negative) with the impact on group, society, or other individuals. Decision trees and checklists usually are ineffective in solving these types of problems. Instead, the decision making process should help the individual select appropriate values and assess their consequences. Consideration of the following questions might facilitate this process:

- Are my actions illegal or unethical?
- Am I being fair and honest?
- Would I be unwilling or embarrassed to tell my family, friends, or co-workers what I am doing?
- Would the reputation of the company be harmed if the action were revealed in the newspapers?
- Am I personally uncomfortable with the course of action?
- Could someone's life, health, safety, or reputation be endangered by my action?
- Could the intended action appear inappropriate to a third party?

Most difficult decisions become increasingly manageable with each additional person included in the decision making process. So long as the people consulted share a commitment to ethics and integrity, this is true of decisions regarding ethical dilemmas. According to the Junior Achievement/Deloitte survey, 83% of teenagers surveyed said that they turned to their friends first for ethical guidance. Friends may be well intentioned and offer earnest advice, but they also are likely part of the same population that admits to bending the rules. This survey finding points to the difficulties inherent in providing appropriate guidance for students.

Most companies have impressive codes of conduct and ethics. Some have inspiring slogans on the walls. But such strategies are motivating only if company culture supports them. One of the requirements of the Sarbanes–Oxley Act is that management evaluate the company's internal control over financial reporting. The most widely accepted definition of *internal control* was developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO framework categorizes effective internal control into five interrelated components. The first component, universal to all other elements of internal control, is the control environment, which includes concepts such as tone at the top, attitude, awareness, competence, and style. Policies alone are not effective; executives must prove that they mean what they say, by instilling the appropriate control environment.

William Donaldson, Chairman of the Securities Exchange Commission, is charged with enforcing securities regulation and the Sarbanes–Oxley Act. In remarks at the National Press Club in July 2003, he commented that simply obeying the rules is insufficient and that the ultimate objective should be to make good behavior a part of a company's "genetic material":

> Simply complying with the rules is not enough. They should, as I have said before, make this approach part of their companies' DNA. For companies that take this approach, most of the major concerns about compliance disappear. Moreover, if companies view the new laws as opportunities—opportunities to improve internal controls, improve the performance of the board, and improve their public reporting—they will ultimately be better run, more transparent, and therefore more attractive to investors.

Much conversation about "tone at the top" has resulted from Sarbanes–Oxley. And agreement is widespread that top management needs to make clear that it is committed to strong governance, accurate information, and ethical behavior. But, in the words of the Chinese proverb, "Talk doesn't cook rice."

In a 2003 study of 1,503 companies, the Ethics Resource Center found a strong direct link between conduct and ethics-related action by top management. When talk dominated action, misconduct soared. But when top management walked the talk, misconduct plummeted.

In Companies Where Top Management	Percentage of Employees Who Observed Misconduct
only talks about ethics (All Talk)	56%
talks about ethics and displays some key ethical actions (Talk and Some Walk)	28%
talks about ethics and displays all key ethical actions (Walks the Talk)	15%

Companies that "get it" can affirmatively answer questions such as these:

- Is there a process for assessing ethics and compliance risks within the organization?
- Does the tone at the top, as communicated by senior management, let every employee know that ethics and corporate compliance are vital to continued business success?
- Does the code of ethics/conduct include a statement regarding obligations to employees, shareholders, suppliers, customers, and the community at large, and is it distributed to all relevant parties?
- Has the organization supported the ethics and compliance program through training, education, and communication?
- Is there a process to keep the board of directors informed of ethics and compliance issues, as well as the actions taken to address those issues?
- Is there an anonymous reporting mechanism or help line in place to encourage all employees to raise ethics and compliance issues without fear of retribution?
- Are there ongoing processes in place to monitor the effectiveness of the program and any compliance failures?

- Does the organization regularly and systematically scrutinize the causes of compliance failure and respond appropriately?

Most of us continue to learn throughout our careers. Our specific business or technical skills improve, and our values continue to be developed or reinforced. We encounter numerous difficult decisions and gain confidence with each successful resolution. In short, we learn from our mistakes, and practice makes us better whether in sport or in business.

By considering case studies and solving hypothetical ethical dilemmas, students have a chance to develop confidence in their own ethical decision-making processes and to learn from others with different values and processes. Students are able to gain valuable "experience" in a short period of time and without the consequences attending real decisions. Practice, practice, practice—the expectation of ethical behavior must become a pervasive part of the business education culture.

The state of the capital market system depends greatly on public trust and confidence. By taking steps to educate future business leaders in the importance of ethics, we are helping ensure that our businesses will have the strong leadership necessary to continue to set the standard in the world for years to come.

BUILDING ETHICAL DECISION-MAKING EXPERTISE IN BUSINESS AND THE PROFESSIONS

Lindsay Moore

Teaching Virtue

When Socrates famously questioned whether virtue could be taught, he could never have imagined our contemporary situation wherein, by law and social mandate, "virtue must be taught" across both public and private sectors.

Recent highly visible crises in organizational ethics have revealed shocking levels of individual and organizational misbehavior. The almost daily occurrence of scandal has led many to conclude that there is a perilous lack of individual and corporate character within U.S. society, and responses from Congress and various other institutions also suggest that ethical education is now of paramount importance.

In the United States, the best thinking about solutions to widespread misbehavior has been codified in the U.S. Sentencing Guidelines, the recent Sarbanes–Oxley legislation, the new ethical requirements of the public market exchanges, and the innumerable codes of conduct that have been installed within individual companies and organizations, all in an effort to distinguish right from wrong.

Fortunately, the legal and regulatory responses to widespread wrongdoing have been swift, and a vast experiment in ethical education has been launched. Businesses are training tens of thousands of employees in literally hundreds of different ethical subjects, while institutions of higher education are renewing their attention to teaching business ethics and the related topics of advanced education.

Societal Training in Ethics

Many of our most-revered and well-known businesses have been implicated in the recent business scandals, revealing an epidemic lack of individual and organizational character, a lack demanding broad social solutions. As accounts of widespread misconduct have emerged from the world of business, business has stepped forward and begun to police its own neighborhood. Simultaneously, higher education, recognizing a societal need, has responded with programs and courses designed to ensure that students and graduates are better prepared to face the ethical challenges of business and professional life. These combined responses constitute an organized social approach to ethical education that has not been undertaken within Western civilization before.

Current U.S. Sentencing Guidelines require training programs in ethics and regulatory compliance for all organizations convicted of white-collar crime violations. These same guidelines also encourage organizations to be proactive with such training programs, stipulating that organizations with programs in place prior to violations will receive lighter sentences if convicted of wrongdoing.

Such regulatory and ethical training programs are in effect within hundreds of domestic and multinational organizations, educating employees in their respective areas of risk and in the basics of such subjects as conflict of interest, sexual harassment, insider trading, protecting and handling confidential information, and antitrust violations.

These training programs assume that subject-specific training will enhance individual understanding and result in improved judgment and decision making in each individual's increasingly complex and specialized area of performance. The underlying premise is that programs will enhance the character of individuals, thus, too, their organizations and, ultimately, society.

The subject matter of ethics education programs helps us understand much of the cause of this widespread wrongdoing and why it has emerged so broadly. In many instances, individuals simply succumb to the temptation of wealth and knowingly violate the law. In many, if not most, other instances, however, individuals either do not realize that they are making an ethical choice or are unsure what is right or wrong under contemporary legislation and within a complex business situation or regulatory context. These latter individuals, who may otherwise be viewed as good and ethical persons, need only learn the appropriate laws, regulations, and conduct required under the circumstances. For the majority, it seems that clear information about context and issue-specific content will minimize misbehavior and illegal activity. For others, emphasizing the right course of action may deter undesirable or illegal action.

A partnership between the worlds of business and higher education, one that shares the challenges of correcting widespread wrongdoing, may improve the ethical character of individuals and organizations.

The Business Challenge: Developing Organizational Ethical Character

While many organizations are rising to the challenge and training employees in ethical issues, the problem of developing organizational character is one of the most difficult issues confronting the modern enterprise. Such development not only requires that organizational culture be influenced and corporate behavior changed as a result, but also involves building the character of employees.

Even when the senior leadership of an organization is committed to building organizational ethical character, results can be disappointing. This is especially true in very large organizations employing tens of thousands of individuals, located at multiple and diverse locations, and operating in different countries, cultures, and languages. Developing an ethical culture capable of producing what could be called "organizational character" requires, in such examples, a mix of ethical strategies, policies, programs, systems, and leadership directed at educating the minds and influencing the hearts of employees.

Across the world of business and large organizations, the strategy of the day consists of delivering online ethics-training programs to individual employees. A billion-dollar industry dedicated to compliance, regulatory, and ethics training has emerged over the last ten years. Businesses within this new compliance industry have developed innumerable training modules, available in many foreign languages, which fulfill the U.S. Sentencing Guidelines and the organizational character needs of the companies they service.

The most popular of these programs requires employees to study an interactive online training module on specific ethical subjects. At the end of each module, employees are tested for

understanding and ethical decision-making proficiency. Those who perform poorly on the training module are required to retake the module until they can pass certification testing. Individual scores are tabulated by a third-party training organization and reported to the Chief Compliance Officer or to the Ethics Officer of the employee's organization. The combined organizational scores are reported to the court, as required under U.S. Sentencing Guidelines, or documented for use in the event of a subsequent white-collar crime breach.

Content-specific training programs are considered highly successful and instrumental in generating ethical responses in professional contexts that can be too complex for either simple intuitive ethical judgments or for the broad ethical guidance provided students by the work of such thinkers as Kant or Mill. Such programs are of special value because an individual cannot make the right choice in a regulated business situation if he or she is not acquainted with the laws and regulations upon which right choice is predicated. For example, in an increasingly global business world, it is important to train the employees of international organizations in the Foreign Corrupt Practices Act if they are to be expected to conduct business within the limits of the law. Simply by following common U.S. business practices, many well-meaning individuals behave counter to this complex legislation. Under the Foreign Corrupt Practices Act, taking a potential foreign client to dinner can be seen as exercising a coercive, and illegal, influence upon business dealings.

The radical upsurge in unethical or illegal activity, coupled with increasingly expensive and severe penalties under the law, has driven the business world to accept responsibility for providing ongoing ethical education to employees in order to enhance their ability to engage in ethical action in daily business. Although training vast workforces is not an inexpensive proposition and often costs thousands of dollars per year per employee, such training can be far

less expensive than court-imposed monetary penalties and the incalculable costs of lost trust and damaged corporate reputation.

The trends of the last decade demonstrate that, from the highest levels of corporate governance to the shop floor, leaders see ethical character for their employees and organizations as essential to building and maintaining successful enterprises. As a result, business is increasingly battling white-collar crime by placing ethics at the center.

The Educational Challenge: Cultivation of Good Judgment

The present ethical crisis is a significant social problem requiring attention from many institutions. Business, government, regulatory agencies, and public markets are addressing the immediate problems rapidly, with laws, regulations, and employee-centered educational initiatives. Because character and the rightness or wrongness of actions is in question, and because building character is an important aspect of higher education, it is also natural that colleges and universities have stepped forward and assumed roles in ethical education.

While business is addressing the regulatory content and context-specific elements of business ethics, business is looking to higher education to prepare students to think more effectively, evidence good judgment, and make wise decisions when they enter the business world. To support continuing ethics-education programs, businesses need graduates who already have substantial experience in critical thinking, analysis, judgment, decision making, and the enhanced education in ethics that lays a broader intellectual foundation for the exercise of good judgment in daily affairs.

Cultivation of good judgment has long been implicit within the ideals of a liberal education and the advanced education of the respective professions. What business needs, therefore, is more of what higher education traditionally has provided its students to prepare them for professional pursuits, along with a renewed contemporary focus upon the issues and the style of reasoning suited to the complexity of the times. Because deficiencies in character are the focus, the balance of practical and liberal subject matters must be adjusted to focus more intently on the liberal side of the equation. With a revised emphasis, graduates could come to their new roles and responsibilities in the public and private sectors with enhanced awareness of the needs of business and society and be capable of approaching dilemmas with good judgment and a solid rationale.

Fine tuning the balance of practical and liberal subject matters in the business curriculum may seem to fly in the face of common wisdom, but the ethical crisis suggests the necessity of such a rebalancing. Learning to think, reason, and judge more soundly is the perfect complement to the present-day focus on the practical subject matter of modern careers. Graduates still need to learn, as before, accounting and finance, management and marketing, but the evident paucity of good character suggests that greater attention must be paid to both general business ethics and the ethics of the respective subject matters, such as the "ethics of finance" or the "ethics of marketing." Such an approach will help produce more graduates who can think ethically on their feet and be counted on to evidence good sense across and beyond a particular discipline.

Critical thinking, good reasoning, and sound judgment are vital to good decision-making in business and society. These skills are the practical fruits of a higher education. They have intrinsic value because they allow us to rise to the diverse challenges of the day with wisdom and nobility. Even as business always wants more practical training for its prospective employees,

more than ever it needs graduates who are equipped with intelligence, wisdom, and the ability to learn. These attributes emerge from studying seemingly "nonpractical" subjects such as philosophy, literature, art, and history, which teach reasoning and understanding and generate the habits of mind that accompany virtue. If, indeed, universities are falling short of meeting the needs of business and society during its ethical crisis, it is in these areas of liberal education and in the overall balance of subject matter that fault may often be found.

The crisis in ethical education is a crisis about judgment and decision making. Because decisions are contingent upon accurate perception, clear thinking, and responsible analysis, higher education is uniquely positioned to affect the ethical situation by training the minds of students to a higher degree of competency in the faculties of good reasoning—good reasoning even when operating under the pressures of time and consequence. While ethical training in the modern workplace can fill in the gaps in individual knowledge regarding rules, regulations, and specific contexts, business is less adept at, and the workplace is less conducive to, teaching practical judgment broadly conceived. And without enhanced ability to exercise practical judgment, the graduates of today will be less able to lead rewarding professional and personal lives or to deliver enduring contributions to society.

Although higher education cannot provide what only time and experience can contribute to the development of character and judgment, it can make a significant contribution to the individual integrity of graduates by helping them develop the wisdom out of which personal character emerges. Today, the academy can provide a foundation essential to the continuing educational efforts of modern business.

TEACHING ETHICS LEADERSHIP

Francy Stewart Milner

Both public expectations of companies and standards for corporate performance are higher than ever after the corporate scandals of the last few years. Public companies must comply with an avalanche of new rules related to financial disclosure, accounting, and corporate governance; and private companies are beginning to consider the potential effects of these developments on their business.[1] As good corporate (and often global) citizens, corporations are expected not only to comply with these comprehensive laws and regulations, but also to excel in financial performance and to act responsibly, taking into account the interests of employees, customers, suppliers, and the community as well as shareholders. Only by meeting these social expectations can corporations begin to restore the public's trust in business.

In light of these challenges, business leaders must engage in holistic thinking and consider whether their business processes and systems ensure ethical behavior as well as solid

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[1] In a decision by the United States District Court for the Southern District of New York in *Pereira v. Cogan*, 2003 WS 2103997, directors and officers of Trace International Holdings, a privately held company, were held personally liable for breach of fiduciary duty, in an action by a bankruptcy trustee, for millions of dollars of losses suffered by Trace as a result of self-dealing, including loans and excessive compensation, by the majority stockholder, CEO, and Chairman. Officers and directors were held liable not for what they did, but for their poor corporate governance and inattention to business.

financial and operational results. The issue is no longer simply what a company has a right to do, but whether the course of action is the right thing to do.[2] Ethical and compliant behavior must be a top priority if the company is to achieve success over the long term, preserving its most precious asset—its reputation.

Clearly, the need for ethics leaders is greater today than ever before. How should companies and business schools educate leaders and future leaders to meet this need? As a starting point, ethics education should include the amendments to the Federal Sentencing Guidelines for Organizations, which mandate that senior management and boards of directors oversee an effective compliance system, one that will "promote an organizational culture" of ethics and compliance.[3] Many companies now are scrambling to satisfy the amended guideline

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[2]Dov L. Seidman, Chairman and Chief Executive Officer, LRN, stated in testimony before the United States Sentencing Commission on March 17, 2004, That "Most people believe that the scandals and failures of corporate responsibility were, at their core, not failures of legal compliance, but more profoundly and fundamentally failures to do the right thing. Companies and their leaders forgot the critical distinction pointed out by Justice Potter Stewart that there is a difference between doing that which you have a right to do and that which is right to do. In their pursuit of their dreams or schemes, people focused on what they legally can do and forgot what they should have done." See <www. lrn.com/library/whitepapers/ussc_testimony.php>.

[3]Amendments to the Federal Sentencing Guidelines may be found at <http://www. ussc.gov/2004guid/RFMay04.pdf>. A company that meets the Federal Sentencing Guidelines criteria for an effective compliance program may avoid prosecution or receive a reduced sentence or fine in the event of a criminal violation. As a foundational piece in their ethics education, business leaders and future leaders should be aware of the Amended Federal Sentencing Guidelines requirements for an effective compliance and ethics program, which are as follows: [1] periodically assess the risk of criminal (and unethical) conduct; [2] assign overall responsibility for compliance and ethics to a senior officer, and daily responsibility to a person with adequate resources, appropriate authority and direct access to the board of directors; [3] communicate and train employees to understand and to act on compliance standards; [4] provide appropriate incentives to comply with laws and policies, as well as deterrents to misconduct; [5] conduct background checks on persons hired into positions of substantial authority; [6] provide channels for inquiry and reporting of misconduct; [7] respond appropriately to violations and

requirements. Business schools certainly can help these companies meet the challenge by supplying future managers and leaders who are well grounded in compliance and whose competencies include ethical decision-making, compliance risk management, and the leadership skills necessary to promote an ethical culture.[4]

Ethics Education for Current and Future Business Leaders: An Overview

Effective ethics education for business students and for managers necessarily requires a dual focus: personal and organizational. On a personal level, the leader (or future leader) must be able to identify legal, ethical, and social risks inherent in everyday business activities and must know how to manage these risks, making decisions that are morally, as well as operationally and financially, sound. On the organizational level, such skills are not enough; they must serve as the foundation for additional competencies. An ethics leader also must know how to build and to sustain an ethical culture, whether in his or her small team, department, business unit, or company as a whole, weaving ethics into all management decision-making processes and into the very fabric of the business. This daunting task requires a deep understanding of the business, as well as extraordinary communication, team building, and risk-management skills.

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compliance failures; [8] ensure board oversight; and [9] periodically evaluate program effectiveness.

[4]Although media attention has been focused on the compliance and governance failures of boards and executives, recent studies have shown that it is younger employees and first-line supervisors with little tenure who are most at risk of feeling pressured to compromise company ethics standards to achieve success (*National Business Ethics Survey, 2003: How Employees View Ethics in Their Organizations*, Ethics Resource Center, Washington, D.C.).

The Leader's Skills in Exercising Personal Integrity

Among the foundational competencies essential to an ethics leader are the following: [1] an understanding of and a willingness to comply with laws, regulations, and company standards and values governing the business; [2] the ability to spot "red flags," or indications of risk to ethics or compliance in any given business situation; and [3] the ability to use a framework to analyze the facts and to make sound, appropriate decisions, taking all relevant business, ethical, and social factors into account.

There are those who say that personal ethics cannot be taught. Nonetheless, other voices of experience recognize the potential influence of a leader or mentor.[5]   Additionally, many corporations have found that compliance and ethics awareness can be raised, and the abilities to identify and to address ethical issues sharpened, through training.

A basic understanding of the laws and regulations affecting a business, as well as the company's standards of conduct, can be achieved through various training methods, including classroom sessions, e-learning modules, and a blended approach. Although self-paced training materials such as e-learning modules may be most cost effective and provide the greatest consistency of messages and ease of delivery, "live" training allows for a genuine exchange of thoughts and ideas.

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[5]According to Hank Paulson, Jr., Chairman and CEO of Goldman Sachs Group, Inc., although the best way to learn how to be a person of integrity is as a child, from your role models, "[t]hese values can be reinforced with one mentor or another. By the time you get to business school or into business, it's a little bit more difficult if you don't have some of the basic values or codes of conduct. But even there, I think [leaders] can make a difference and teach you" (Adrian Gostick and Dana Telford, 2003, *The Integrity Advantage*. Salt Lake City, UT: Gibbs Smith, Publisher, p.70).

Whatever the delivery method, training content should be relevant to the learner's job. Certain types of training, for example, in a company's code of conduct or in the law on harassment and discrimination, may be appropriate for all functions and levels. Other types of training, for example, on antitrust laws or the Foreign Corrupt Practices Act, should be targeted to specific audiences.

More challenging is the task of teaching risk management and ethical decision making. For this type of learning, workshops are especially useful. Leaders who are asked to study and to discuss real-world case scenarios tailored to their business and who identify compliance and ethics risks and engage in role play are more likely than others to transfer learning to the work environment.[6] The more closely case scenarios track a participant's own experience with the dilemmas and pressures of the job, the more valuable the exercise.

If the first hurdle in ethical decision-making is awareness (understanding the rules and spotting the ethical issues in everyday situations), the second—and more challenging—is the ability to use a decision making framework incorporating ethical considerations. The Business Roundtable Institute for Corporate Ethics, a partnership between the Business Roundtable and leading faculty from top U.S. business schools, has identified as its most important ethics concern the establishment of a framework for business decision making that integrates ethics as the top priority.

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[6]One example of such leadership ethics training is an exercise that was conducted for leaders at various levels at Coors Brewing Company in 2004. Participants were asked to study case scenarios that included risks to the accuracy of books and records of a brewery, identify "red flags" (ethical, legal or accounting issues), and determine what the characters should have done, using a "decision map" unique to Coors. The exercise led to discussion of potential risks to the integrity of books and records in the participants' business units and ways of mitigating them.

Ideally, training for leaders includes a common framework, or model, for ethical decision making. Students might be given various frameworks and asked to compare their utilities. Many companies have invented their own frameworks for ethical decision-making and have advocated use of the tool in communications. Such companies may be willing to share their tools, although proprietary, with others who seek to understand and to follow best practices.[7]

The Leader's Skills in Building Organizational Integrity

The leader who has mastered the art of personal integrity, including risk identification and ethical decision-making, must learn to lead an ethical organization. The skills he or she will need to lead, especially in a global environment, go far beyond those required to demonstrate personal integrity.

Although many other facets of organizational leadership might be discussed, the following competencies are perhaps most crucial to building and sustaining an ethical culture: [1] setting the "tone at the top" through two-way communication (enabling the flow of information "up the ladder" as well as delivering leadership messages "down the ladder"); [2] encouraging teamwork and overcoming functional and business unit silos; and [3] embedding deep into the business the same accountability for ethics and compliance as for financial and operational results.

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[7] Typically, a company's decision making tool will include several steps or questions to ask before acting, with reference to the company's common set of standards and resources for guidance.

"The Tone at the Top"

Ethics leadership requires role modeling—visible and active promotion of the highest standards of personal and corporate accountability. What does this mean in practice? First, it means following an ethical decision-making process in dealing with difficult problems; second, it means telling the story. The stories about actions that leadership took at challenging times for the business become part of "company folklore" (Markulla, 2001)[8] and influence the behavior of others in the organization. Creating folklore about a values-driven company requires the leader who is personally ethical to be open about it. As pointed out in a recent article,

> It is apparently difficult for an ethical person, especially one placed highly in an organization, to accept the need for making their private and internal ethical decision-making processes explicit and subject to review. These leaders find it difficult to accept that it is not enough to do the right thing – but they must go beyond – articulating how they determined what was right. [9]

Inherent in ethics leadership, then, are the communication skills that establish the "tone at the top." The most effective ethics leaders are willing to tell personal stories about their own ethical dilemmas, to ask subordinates about the ethical impact of business decisions and proposed business activities, and to articulate the long view of business success past this quarter's or this year's earnings. These leaders regularly include ethics messages in business communications, such as messages to employees about meeting budgets and achieving earnings goals.

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[8]Mr. Markkula's words could apply equally to an established company whose leadership, through its actions in time of crisis, reinforces the company folklore. A case in point is the decision by Jim Burke, CEO of Johnson & Johnson during the Tylenol scare, to recall millions of bottles of Tylenol worldwide and be open with consumers about the situation, regardless of the potential costs, financial or legal, to Johnson & Johnson.

Although consistent and regular leadership messages are vital, effective communication is a two-way street. The true ethics leader must be certain that he or she receives key information about what is going on in the organization and that employees have a way to report misconduct "up the line" without fear of retaliation.

The importance of open channels of communication and of creating a safe environment for communicators can hardly be overstated. The Sarbanes–Oxley Act of 2002[10] and the Amended Federal Sentencing Guidelines require reporting systems,[11] and the Business Roundtable Institute for Corporate Ethics has cited as a top corporate ethics priority "encouraging pushback and a culture for proactively addressing potential bad news early."[12] These are lessons learned from fear of and delay in reporting illegal practices at companies such as Enron and WorldCom, where much damage already had been done by the time Sherron Watkins and Cynthia Cooper blew their respective whistles.

How do leaders encourage employees to ask questions early and to report illegal or unethical behavior? Studies have shown that employees do not report illegalities for two primary reasons: fear of retaliation and, even more commonly, the belief that nothing will be done about

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[10]Section 301 of the Sarbanes–Oxley Act of 2002, Pub.L.No. 107–204, 116 Stat. 745, requires that audit committees of public companies establish procedures for receiving complaints and anonymous employee submissions about auditing and accounting matters.

[11]Similarly, the Amended Federal Sentencing Guidelines require that "the organization take reasonable steps to have and publicize a system, which may include mechanisms that allow for anonymity or confidentiality, whereby the organization's employees and agents may report or seek guidance regarding potential or actual criminal conduct without fear of retaliation."

[12]"Business Roundtable Institute for Corporate Ethics Announces Key Findings from 'Mapping the Terrain' Survey of CEOs." Press release at <www.businessroundtable.org/newsroom>.

them.[13]   The message for leaders is that they must establish trust in the internal system (the "folklore" of how whistleblowers are treated will be key here) and must promptly investigate all allegations and provide feedback to the reporting employee. Although help lines and ethics offices can be useful, especially in providing confidential, anonymous channels for inquiry or reporting, lower or midlevel managers often are a company's first line of defense. These managers must create an open environment, making themselves available to listen to employee concerns and to act as coaches. Their leadership skills will help establish the trust that is the foundation of an ethical organization.

The Criticality of Cross-Functional, Cross Business-Unit Teamwork

One significant risk to an organizational culture of ethics and compliance is the existence of communication barriers between functions and business units. If business leaders do not consider how their decisions may affect those up and downstream and fail to communicate with others in the organization before making certain decisions, they put the company at risk. For example, a decision by a sales team to proceed with a promotion without giving advance notice to or consulting with the accounting or procurement group could lead to inaccuracies in the company's books and records.

Leaders can be taught to recognize structural barriers to communication and overcome those organizational silos that pose a threat not only to compliance but also to business efficiency.

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[13]According to the Ethics Resource Center *National Business Ethics Survey*, 2003, p. 43, the top reasons employees gave for not reporting misconduct were [1] the perception that no corrective action would be taken (70%) and [2] the fear that their reports would not be kept confidential (57%).

Some companies have approached the problem through training, using case scenarios in which failure to communicate is a warning signal or actually results in a violation of laws or regulations. Other companies have established an infrastructure of crossfunctional communication through ethics and compliance teams or councils including leaders from all business units as well as from the law department, internal audit, human resources, and other support functions. Business students can learn the essential skills of crossfunctional teamwork through case scenarios and role play as leaders in various industries.

Embedding Accountability for Ethics and Compliance into the Business

Although much has been said about integrating ethics into business,[14] the devil is in the details. A common framework for making business decisions that takes into account ethical factors is certainly helpful. Equally important, however, is effective compliance and ethics risk-management throughout the enterprise, based on a common understanding among all line managers that they are as accountable for ethics and compliance in their teams, departments, and business units as they are for operational and financial results.[15] Senior leaders should ensure that

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[14]One definition of *effectiveness* in an ethics program is "the ability to put ethical principles into practice: to *integrate* the substance of ethics programs (e.g., codes, training) more seamlessly with the everyday work activities of employees at all levels" (See Joshua Joseph, 2001, "Integrating Ethics and Compliance Programs: Next Steps for Successful Implementation and Change." Ethics Resource Center, p. 12).

[15]Although periodic risk assessment has been added to the criteria for an effective program under the Amended Federal Sentencing Guidelines, many companies are ill prepared to respond. James E. Bowers, formerly with the SEC and former vice president of corporate compliance at Aetna—now director of compliance risk services at the law firm of Day, Berry & Howard—has noted that many companies adopted codes of ethical or business conduct, appointed compliance or ethics officers, set up hotlines, and provided training have failed to achieve compliance risk management. "[W]hile efforts were made by senior management to voice an ethical tone at the

all managers are trained in and held accountable for assessment of compliance and ethics risks in their areas of responsibility.

There may be, in many companies, a corporate staff assigned primary responsibility for risk assessment and other aspects of a company's ethics and compliance program. But the program cannot be successful unless all managers and leaders see the "program," including risk assessment, as their business, too. The manager in each department, division, or geographic area is best equipped to help senior leaders and corporate staff members identify risks of criminal and noncriminal law violations and potential ethical   harm from business practices. Thus managers should be trained to think broadly when looking for risk and to pay attention to warning signals such as inordinate performance pressure, incentives to engage in wrongdoing, internal control weaknesses, potential conflicts of interest, lack of understanding of laws or policies, and messages about business goals that stress the "what" but ignore the "how."

Communication and training on values and standards, another of the Amended Federal Sentencing Guidelines requirements, also may be driven by a central corporate function. But, again, managers have an important role to play in this area. Knowing the compliance and ethics risks in their areas, they can help guide the training curriculum for subordinates. Equally important, managers who demonstrate strong commitment to an ethical organization, set good examples, and have the communication skills to deliver ethics education to their employees can have far greater impact than a corporate trainer.

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top, line managers were not required to 'own' and be accountable for managing compliance issues in the same way they were accountable for managing financial and operational issues." See James E. Bowers, "An Emerging Approach for Structuring Compliance, Ethics Programs," at <www.complianceweek.org>.

Although senior leadership commonly is thought to establish the "tone at the top," it is the team leader or first-line manager who may be most effective in communicating leadership messages through direct engagement with employees. Moreover, the manager can blend compliance and ethics education into a regular staff meeting or business training meeting (for example, incorporating a discussion of illegal trade practices and antitrust laws into sales training). In many instances, however, managers simply do not have the skills and do not feel qualified to educate their subordinates on compliance, ethics, or ethical decision-making. Herein lies a great educational opportunity for businesses and business schools to "train the trainer."

Leaders at a senior level in the organization retain responsibility for other requirements of the sentencing guidelines, such as providing oversight and ensuring periodic evaluation of the ethics and compliance program, including its training and reporting systems. Case studies can be a useful training tool to prepare senior leaders for these responsibilities. For example, an enlightening case study about Martin Marietta's ethics program in the mid-1980s includes consideration of management's search for a way to assess the effectiveness of the program and its concern about employees' fear of retribution for reporting questionable behavior. Students asked to compare Martin Marietta's program with that of another (or their own) company and to struggle with the continuing issues of program evaluation and employee fear of reporting will begin to understand the responsibilities they may one day assume as senior business leaders.

Summary

Today's business leaders face growing challenges of increasing legislation and social expectations for responsible corporate performance. Ethics education for leaders is not a luxury

but a necessity, in both companies and business schools. The growing partnership between academic and corporate institutions, such as the Business Roundtable Institute for Corporate Ethics, holds much promise for the future of business ethics education. This partnership model could be adopted at the local level as well, offering additional businesses and business schools the opportunity to share learning and research on best practices in addressing challenging requirements for creating and sustaining an ethical culture: compliance risk assessment, ethics education (including e-learning and business cases), reporting systems, and program evaluation.

In sum, if it takes a village to raise a child, it will take the business and academic sectors of our society, working together locally and nationally, sharing ideas and best practices, to educate and to nurture business ethics leaders. The growth of such partnerships will surely move us all farther along on the path to restoring trust in business.

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THE NECESSITY FOR ALIGNING BRAND WITH CORPORATE ETHICS

Greg Owsley

"Awe shucks" marketing. In 1996, not long after I began working at New Belgium Brewing Company, we received an e-mail (quite novel at the time; It took three of us just to open it) from a disgruntled consumer with this definition of our homespun branding style. You see, our beers, with quirky names such as *Fat Tire Amber Ale* and *Blue Paddle Pilsener*, have labels based on watercolor paintings by the cofounders' neighbor. Back then, our "advertising" budget was dedicated to trying to get everybody we knew in a t-shirt printed with our label art, and our marketing strategy was premised on the belief that we eventually could have a friendly beer with nearly every one of our loyal consumers. I really don't remember our displeased customer's full indictment, but we considered quite accurate his attempt to portray us as overtly naive. We grew our beer business more by empathetic intuition than by any formal marketing methodologies. And, at the time, before we even knew we should call it a brand, we felt lucky to have a strong relationship with our beers' drinkers.

These days, as the fourth-largest U.S. craft beer brewer, New Belgium still is very much awed and humbled by our brand, that sublime connection we feel with our core consumers and (hopefully) they feel with us. While we do a lot less shoulder shrugging now, we're still very

much students of what seems an increasingly complex world for the practice of branding. From my investigations into the New Belgium brand, I can only begin to imagine the challenges that business school professors have in preparing their students to venture into the new branding arena. The potential pitfalls and opportunities are ones that never could have been dreamed up by brand managers a decade ago. Beyond a growing need for ethics in advertising and promotion, even more fundamental deep rethinking seems required for the craft of branding. Although consumer suspicion of corporations is on fully raised eyebrow, those in good standing —as opposed to those trading on hype—are eyed increasingly with iconic-like adoration. From this odd polarization comes a new paradigm in which businesses that fully embrace citizenship in the community they serve can forge enduring bonds with customers. Meanwhile, these are precarious times for corporations that choose to ignore consumer's lifting the curtain on the brand front and peering in on company practices. More than ever before, what the brand says and what the company does must be synchronized. As the mandate for corporate social responsibility gains momentum beyond the courtroom to the far more powerful marketplace, any current and future manager of business must realize that corporate ethics are not so much about the installation of compliance codes and standards as they are about the spirit in which they are integrated. Thus, the modern-day brand steward—usually the most externally focused member of the corporate team—must prepare to be the internal champion of the bottom line necessity for ethical, values-driven company behavior.

I realize I may get some eye rolls with this challenge. Sure, I'm the marketing director of a regional company that has one of the hottest beer brands in the United States, but even with our *Fat Tire* we're not the biggest brewery in our home town of Fort Collins, Colorado. The local Budweiser facility produces in a week a quantity of beer that would take us a year to make and

sell. How could I possibly understand the high-level bureaucratic mastery it would require to make any kind of dent in the philosophical foundation of a large multinational with a potentially larger parent enterprise? I can't. What I do understand though, after two years of extensively researching the cultural position of the New Belgium brand, is that consumer expectations have been pushed to such extremes that all employees of a brand have at their disposal persuasive evidence that company behavior will not go unnoticed behind the brand façade. Additionally, I believe that making changes to a corporate conscience is not as David-facing-Goliath as it might seem. At the beginning and in the end, most business enterprises want to be noble, yet along the way humanitarian desires get buried under the demands for cost efficiencies and quarterly profits. Of course, it will be difficult for a firm to dig back down to those human-level obligations when it plays in the worldwide economy, but what should motivate the boardroom is that the decision to start shoveling can be driven financially. I can attest firsthand that a company can invest in social empathy above and below the surface and concurrently manage to be nicely profitable. In fact, New Belgium Brewing is just one noteworthy business model in which having a straightforward brand actually makes the company more financially sound. I humbly submit our blueprint for review by the brand architects of even the most global of corporate giants.

New Belgium's Values-Driven Brand

At New Belgium, a synergy of brand and values occurred naturally as a corporate ethical position —in the form of core values and beliefs—and was in place long before we had a marketing department. Back in early 1991, New Belgium was just a home-brewed business plan of Jeff Lebesch, an electrical engineer, and his social worker wife, Kim Jordan. Before they signed

any business paperwork, the two took a hike into Rocky Mountain National Park. Armed with only a pen, a notebook, and a jug of home brew, they took their first stab at what the fledgling company's core purpose would be. If they were going forward with this venture, what were their aspirations beyond profitability? What was the real root cause of their dream? What they wrote down that spring day, give or take a little wordsmithing, was the core values and beliefs you can read on our website today. More important, ask just about any New Belgium worker, and she or he can list for you many, if not all, these shared values and can inform you which are the most personally poignant. For us, branding strategies are as rooted in our company values as in other business practices.

As the brewing equipment moved from the basement of the cofounders' home to a recycled former railroad depot to an envy-of-the-craft facility, our sales have moved along as well, at a nice double- digit pace annually. Nonetheless, industry pundits question why we haven't allowed annual sales to be even nicer. After nearly 14 years in business, our company remains a regional brewer distributed in only 15 western states. Facility capacity, coupled with the strong desire to remain privately funded is cited as our main growth inhibitors. While we don't disagree, we also know there are more intrinsic forces managing our growth that is summed up in the codependency of our brand and our values. Kim has claimed from the beginning that a company with the core value of striving to "be an environmental steward" should make the utmost of sales close to home before burning up excessive (and expensive) fossil fuels to transport beers to cherry-picked, long-distance markets. Additionally, there's an obligation to quality that does not stop at the brewery dock doors. Beer is a perishable product that requires just as much monitoring in the market as it does in production. Thus we sell our beer only as far as we have quality-

assurance infrastructure in place. I won't kid you: we have not occasionally considered the lure of a quick infusion of cash from shipping beer off to unfamiliar territory. But there always has been something that feels wrong about going to a market where we don't have a brewery coworker stationed along with a hand-selected distributor willing to join us in delivering the best ale possible.

We're worried as much about the quality of each Fat Tire as about the quality of our connection to the communities we serve. We strive to deliver on our sense of civic obligation through charitable and fun community events we sponsor or produce, campaigns promoting the responsible enjoyment of beer, environmental sustainability outreach, and local philanthropic donations. We donate one dollar per barrel produced to philanthropic causes each year—a figure surpassing $300,000 last year alone. Our company values and brand share the same greater purpose of bringing more to the cultural table than six-packs of good beer.

Customers repeatedly inform us that one compelling reason they purchase our brand is that our beers come from a good home. Sure, you can't send an invoice for good company-behavior, but no doubt it earns us extra sales. Our brand, like others that flow from companies exhibiting honest empathy, is one that people will go out of their way to support as well as pay a premium for. At our brewery guest-relations bar, we hear daily tales of consumers traveling great distances to buy our beer. We believe there is more to it than our delicious beer's being available only regionally: our company is also sincerely committed to the region.

Although our brand has a bloodline straight from our enterprise's ethical beliefs and practices, our work is not done. We must continually re-examine our manufacturing impact and resulting social and environmental responsibilities. In 2004, New Belgium received the

Environmental Protection Agency's regional Environmental Achievement Award. It was both an honor and a motivator not to rest on our naturally raised laurels. There are still many ways for us to behave better as a corporate citizen. We still don't produce an organic beer. Our manufacturing process is a fair distance from being zero waste or emission free. There will always be a need for more public dialogue on avoiding alcohol abuse. Practically speaking, we have a never-ending to-do list. We also must acknowledge that as our annual sales increase, so will the challenges for our brand to remain on a human scale and culturally authentic. How to boldly grow our brand while maintaining its humble feel has always been a head scratcher for us. Over the last few years, it's an itch we've really been feeling. The New Belgium brand team and I have been devoted to better understanding our brand and the story it authors for consumers. In the process, our discovery that brands are distinctly divided into either the good camp or the culpable camp has left us even more committed to strive continuously for brand and ethics alignment.

A Polarized Brand-World

Early into this research, we decided that everyone on the team needed to read *No Logo,* written by Naomi Klein in 2000. Klein forecasted in this trenchant book a consumer revolution that would call out brands and the companies lurking behind them and give them a good financial whipping. Although a credit-card cutting army isn't exactly bringing enterprises to their knees, the cynicism and skepticism towards brands which Klein demonstrates should have any current or future brand manager on full alert. No one can deny the expansive web of brands she describes. Nearly every nuance of our daily lives has a brand or two or thousand standing at the ready to assist us. Brands have reached such a level of ubiquity and intrusiveness that we might imagine

waking one morning to learn that "last night's dream was brought to you in part by the manufacturers of . . . ." Klein points out that consumers are as much to blame as corporations for brand obesity. People continue to reward the ever-begging brand with ever-increasing profits. Yet many a consumer is showing signs of growing weary of brands always underfoot, attempting one trick-to-please after another. Klein claims that consumer unrest is smoldering. The homogenization of culture, aesthetics, and philosophy has, in addition to stifling the consumer's life economically, fueled resentment of megacorporations. A collective sense of betrayal may not be widespread enough to gas up the next big political movement, yet it's certainly not a feeling isolated to a handful of antiglobal brand activists. With a constant barking circus of lifestyle sponsorships, advertainments, branded content, cultural product placements, and guerilla, grassroots, and viral tactics, the marketer and his or her competitors are not the only ones who have had to become savvier. Years of fending off hyperbranding have left the general public with considerably sharpened consumer survival skills. Most consumers really have seen it all, and there are few secret formulas—hopefully none—left to the marketing executive. That's not to suggest that spin doctoring and the art of artificing will ever go away. It seems there will always be just enough brand façading that consumers will have no choice but to remain guarded. But these days, when consumers do feel duped, they have the easy-access choice not to remain a faceless psychographic target. Far from being isolated, they have a web of their own and if disgruntled can send a stinging e-mail packed with the venom of a carbon copy to an entire electronic address book. Too, the very culture from which a brand feeds can turn and snap back at ill behavior. A brand that trades too heavily on its cultural clout runs the risk of a full screen expose of its motives. Just ask Ticketmaster about Pearl Jam, or McDonald's about Morgan Spurlock's *Super*

Size Me. Even at New Belgium Brewing, where we strive for a balanced role in the culture we serve, I'm not sure what I would do if I saw Michael Moore pull into our parking lot. While a world without logos seems a fantasy, no marketer can ignore the possibility of landing his or her brand products on somebody's *do not purchase* list.

Even when a company makes efforts to appear socially and environmentally benevolent, if those intentions are not viewed as sincere they can backfire on the brand, and management still will find itself trying to end a boycott. It seems wild that advertising claims of philanthropic and ecological do-gooding are often viewed with the highest level of suspicion. Recently, my 12-year-old daughter mentioned to a group of adults that she thought it was cool to buy stuff at The Body Shop because she knew they didn't do animal testing and that they supported environmental causes. When she finished, an adult friend of ours quietly asked her to research that belief a bit more. Later, my daughter and I snooped around on the Internet and discovered <www.mcspotlight.org>, with the following excerpt from London Greenpeace's leaflet entitled, "What's Wrong with the Body Shop?":

> The Body Shop has successfully manufactured an image of being a caring company that is helping to protect the environment and indigenous peoples, and preventing the suffering of animals whilst selling "natural" products. But behind the green and cuddly image lies the reality—the Body Shop's operations, like those of all multinationals, have a detrimental effect on the environment and the world's poor. They do not help the plight of animals or indigenous peoples (and may be having a harmful effect), and their products are far from what they've cracked up to be. They have put themselves on a pedestal in order to exploit people's idealism.

Although my daughter and I didn't immediately go picket our local Body Shop, we were left with some question marks about its motives. I did explain to her that I felt the leaflet was holding The Body Shop accountable for all multinationals' power and greed, but in some respect

The Body Shop brought it upon itself by over pedaling its goodwill. I also told her that if she needed a bar of soap, she could still feel pretty good about buying it from The Body Shop. It was a company at least making some socially compassionate strides. For me, and I would think any brand manager, the lesson is that if you are going to incorporate charitable outreach into your brand communications, be absolutely certain you promote only as far as you have the company credibility to stand on. Industry's cultural and environmental obligations really are true to their name only when pursued neither as competitive advantages nor reactive public-relations buffering but as intrinsic desires of the company behind the brand. Ultimately, we should arrive at a point where consumers will not accept "social responsibility" or "ecofriendly" as unique selling propositions; they'll expect them as table stakes.

Perhaps the corporate communications that consumers would consider most sincere not only would claim your social and environmental accomplishments, but also admit your shortcomings. At New Belgium Brewing, the company we hold in the highest regard for its heroic efforts to balance the business agenda with social and environmental advocacy is Patagonia, Inc. This clothing and outdoor gear company has worked for more than 30 years to lessen its impact on the planet; at the same time, however, it readily confesses that its corrective efforts will never be completed: it will always be a manufacturer and will always place a certain burden on the environment. Founder Yvon Chouinard states forthrightly that "Patagonia will never be completely socially responsible." Yet this doesn't stop it from continuing to examine its processes and going to extraordinary lengths to minimize them where it can. A poignant example of this is how for many years Patagonia, operating under the assumption that of the four major fibers (cotton, wool, polyester, and nylon) cotton was the least ecologically detrimental, used "natural"

cotton in its products. Yet, after commissioning an extensive environmental survey, Patagonia learned that conventionally farmed cotton used 25% of all insecticides and 8% of all agricultural pesticides. Patagonia jumped into action not only by recognizing organic cotton as the solution, but by leading the charge to build a largely nonexistent organic cotton industry. Because Patagonia has ethical intent, a commitment to good business-practices naturally follows. In my research, I have found no other brand that exudes authenticity in this way. Patagonia treats its customers as equals and makes them privy to the inner workings and inner thinkings of the company.

I have first-hand evidence that the brand pay-off for Patagonia, Inc. is devoted, evangelistic customers, because I happen to be one. I'm so often outfitted head-to-toe in Patagonia that the joke around the brewery is that when I die they'll have to line my coffin in Capilene®. (On that note, I once offered a Patagonia representative a slogan for this revolutionary fabric: "still breathes even when you don't.") I'm generally suspect of the motives behind the majority of brands' social and environmental stewardship campaigns, but Patagonia and a few other companies have my undying support. I even admit to using these brands to bolster my self identity.

Crazy, isn't it? Just as the world is ripe for antibrand activism, the same dynamics create an environment where passion for brands can bubble over into giddy loyalty. I suppose that like any love/hate relationship its kindling is high emotional expectations. Consumers are so prepared for brands to reduce them inevitably to cash register rings that when the rare brand offers an authentic gesture, you can almost hear the consumer-brand wedding bells. Nothing's changed so much that brand success is not still dependent on tangible product benefits. Yet the most

compelling brands become more than abstract symbols or badges for stakeholders. They act as guides helping people navigate through everyday complexities.

For our New Belgium marketing team, the recent addition to our must-read list is *How Brands Become Icons: The Principles of Cultural Branding* (2004), by Douglas Holt, the L'Oreal Chair of Marketing at Oxford University. Dr. Holt directly pierces the widely believed immutable law of marketing that brands stay inflated when pumped full of positive abstract perceptions. Rather, Holt proves that great brands are built from tangible ground. I'm sure there are more forces at work, but as I peer at the global economy, the magnet I see pushing and pulling brands is the customer insistence for authenticity, or for brands to contribute real social and cultural value. Dr. Holt builds a substantiated case that iconic brands rely on myths, yet even the most fantastical myth relies on a foundation of authenticity. The authenticity may come from brand users themselves, but more often than not the creation of cultural value receives a degree of credible assistance from the company. In this era of marketing communications cacophony, here's the irony: all the noise becomes opportunity for the few brands that tell an authentic story that resonates in a social and cultural context.

As Dr. Holt pried my eyes open to see how certain branded enterprises rise to the top by serving an identity role in society, a role much more important than product benefits, I began to understand that the craft of brand construction comes with more responsibilities than the apparent building and fortifying of market share. Brands have the capabilities not only to reflect social values, but also to become beacons leading to new cultural beliefs. And if brands can muster the power to be cultural change agents, then those with a hand on the reigns must realize the moral obligation that comes with this awesome potency. I admit that the concept of brands as cultural

influencers in a community is not new. Anyone with a hand on the tethers must realize that the shadow a brand casts goes well beyond the far edge of its consumer base. Even at little awe-shucks New Belgium Brewing we get e-mails (that we now open with confident speed) beginning *I don't even drink your beer, but . . . .* Neither do I mean to give the obligatory guilt slap about brands contributing to excessive materialism and stripping away from the intellectual and the spiritual. Figuring out whether shopping is the result of consumer nature or brand nurturing will not bring an end to our preoccupation with material things. But the proactive reality is that over-the-top consumerism potentially should drive corporate cultural responsibility. If the best a powerful brand, drawing its energy from cultural sources, can offer in return is a *special offer limited to our valued customers,* then the relationship scale is not balanced. Consumers will only continue to become more efficient, and rightfully so, at sniffing out and rejecting disingenuous promotions. It may be a precarious time for brands, but what consumers really want is not all that complex: they want brand loyalty to be a two-way street.

All good business-ethics curricula will stress the need for clear ethical thinking in advertising, promotion, and other branding decisions. My supplemental request, in these magnetic times for brands, is that future business leaders face the theoretical challenge now of fleshing out sincere methods of bringing compassion in the company to the branded forefront. The sign for me of a truly good marketing candidate is an informed eagerness to challenge the institution he or she is about to join to become better corporate citizens, because there will be both cultural and marketplace benefits to such change. Tomorrow's most successful brand manager will see her or his brand beyond its simple reflection of corporate reputation and in the holistic dimension, where

acts of branding in themselves have the potent ability to make genuine humanitarian contributions.

Awe shucks.

IV

*Approaches and Techniques
for Teaching Business Ethics*

UNDERSTANDING HOW TO TEACH BUSINESS ETHICS BY UNDERSTANDING BUSINESS ETHICS

O.C. Ferrell

Linda Ferrell

One of the greatest challenges in teaching business ethics is determining the subject matter and content that needs to be taught. Obviously, there are many different frameworks and philosophies for teaching business ethics courses. This is so because there is agreement neither about what students should understand nor about the roles of values, philosophies, cultures, or critical thinking in ethical decision-making. One approach is to take an individual perspective and to focus on personal morals, character, and the individual. This approach assumes that virtues linked to the high moral ground of truthfulness, honesty, and fairness are self evident and easy to apply. This approach also assumes that organizational values and ethics training may be especially appropriate for individuals with unacceptable moral development. Another approach to teaching business ethics is to assume that organizational values and compliance systems are necessary to prevent people from engaging in unethical conduct. Because ethics programs and organizations combine values and compliance, training and constant vigilance are required.

The scandals over unethical conduct that have occurred during the last few years have taught us that certain individuals deliberately break the law or engage in inappropriate behavior. The Supreme Court and the Federal Sentencing Guidelines for Organizations hold organizations responsible for the conduct of their employees, and most firms therefore have decided to implement ethics programs to prevent misconduct and to diminish risks associated with employee wrongdoing. Even though most employees want to do the right thing, many do not know the exact nature of the law and are surprised when charged with violations they never anticipated. The legal system and the nature of civil litigation make ethical decision-making a mine field for employees lacking adequate knowledge of the potential risk of a decision.

One approach to deciding what to teach in a business ethics course is to describe the ethical decision-making process and the environment influencing it. Whereas many significant and meaningful aspects of ethics may be taught so that students are helped to live a better life, foundational concepts helping business students obtain a holistic understanding of business ethics should also be taught. Integration of business ethics throughout the curriculum does not guarantee that those teaching ethical knowledge will provide a uniform framework for understanding how ethical decision-making occurs within organizations. For example, focusing on corporate governance, specifically on Sarbanes–Oxley requirements or codes of ethics required by a trade association, may not provide an understanding of how ethics affects all business decisions. Many students have a difficult time understanding that ethics requires going beyond minimal legal requirements. Trying to find a framework that helps students see the benefits of conducting themselves according to the highest ethical standards is difficult indeed. We believe that the best opportunity for achieving this goal would be a foundational ethics course providing an

understanding of stakeholders that shape and form ethical issues and evaluations, describing the ethical decision-making process within organizations, and affirming the importance of individual moral development in these decisions. By providing background information for instructors, this paper goes beyond the content that should be taught to students enrolled in introduction to business courses.

Stakeholders Define Business Ethics Issues

Many professors teaching business ethics, business and society, or specialized ethics courses in marketing, accounting, and management use a stakeholder framework to examine agreements, collaborations, and confrontations regarding ethical dilemmas. *Stakeholders* designate the individuals or groups that can directly or indirectly affect, or be affected by, a firm's activities (Freeman, 1984). Stakeholders can be viewed as either internal or external. *Internal stakeholders* include functional departments, employees, boards of directors, and managers. *External stakeholders* include interest groups, consumers, competitors, advertising agencies, and regulators (Miller and Lewis, 1991). Students should be able to identify and to understand the relationships among all stakeholders.

Another view of stakeholders characterizes them as primary or secondary. *Primary stakeholders* are those whose continued participation is absolutely necessary for business survival; they consist of employees, customers, investors, suppliers, and shareholders who provide necessary infrastructure. *Secondary stakeholders* usually are not engaged in transactions with the business and are not essential for its survival; they include the media, trade associations, nongovernmental organizations, and other interest groups. Different pressures and priorities exist

from primary and secondary stakeholders (Waddock et al., 2002). Unhappy customers may be viewed with less urgency than negative press stories that can damage a business (Thomas et al., 2004). Highly visible secondary stakeholders such as an interest group or the media may at times be viewed with greater concern than employees or customers. Remote stakeholders at the fringe of operations can exert pressure by calling into question the firms' legitimacy or right to exist (Hart and Sharma, 2004). The three crucial elements in assessing stakeholder influence are the power, legitimacy, and urgency of their issues (Mitchell et al., 1997).

Power has been defined as "the ability to exercise one's will over others" (Schaefer, 2002). *Legitimacy* relates to socially accepted and expected structures that help define whose concerns or claims really count, and *urgency* captures the dynamics of the time-sensitive nature of stakeholder interactions (Mitchell et al., 1997). Power and legitimacy may be independent, but urgency sets the stage for a dynamic interaction focusing on addressing and resolving ethical issues.

Shared Ethical Values and Norms

Major stakeholders may have different needs, and a fine-grained approach may be required to ascertain differences even within major stakeholder groups, such as customers, employees, suppliers, and investors (Harrison and Freeman, 1999). On the other hand, a certain number of individual stakeholders usually share similar ethical values and norms (Maignan and Ferrell, 2004). Some choose to join formal communities dedicated to better defining and to advocating these ethical values and norms.

Stakeholder Issues in Business

Stakeholder ethical values and norms apply to a variety of business issues, including sales practices, consumer rights, environmental protection, product safety, and appropriate information disclosure (Maignan and Ferrell, 2004). Noticeably, stakeholder values and norms concern issues that both do and do not affect stakeholders' own welfare. For example, consumers may worry not only about product safety, but also about child labor, an issue that affects them indirectly. Stakeholder issues are the concerns that stakeholders embrace about organizational activities and their residual effects.

Stakeholder Pressures

As illustrated in Figure 1, various stakeholder communities are likely to exercise pressures on the organization and on each other to promote their own ethical values and norms. Figure 1 further illustrates that, despite disparities across communities, stakeholders conform to broad and abstract norms defining acceptable behavior in society. Noticeably, each business has its own values and norms, which depict desirable behaviors based on corporate culture and operations. These organizational values and norms overlap with those of certain stakeholder groups, and especially with those of primary stakeholders, who are in the best position to exercise influence over the organization.

A Framework for Understanding Organizational Ethical Decision-Making

In teaching business ethics, it is necessary to understand how people make business ethics decisions. In other words, within the context of an organization, there is an ethical component to
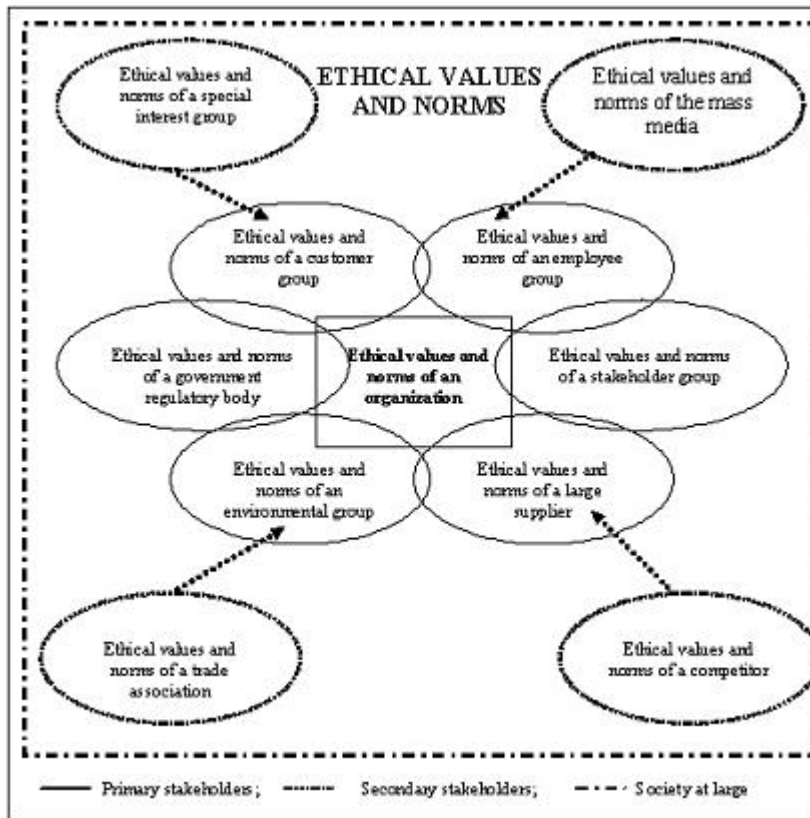
Figure 1 : Interactions among organizational and stakeholder ethical values and norms (Adapted from Isabelle Maigan, OC Ferrell, and Linda Ferrell, "A Stakeholder Model for Implementing Social Responsiblility," Working Paper, Colorado State University, 2005).

business decisions, and this decision may be influenced by the organization, the specific situation, or the pressure exerted by coworkers. Figure 2 illustrates a model of ethical decision-making in an organizational environment. External stakeholder interests, concerns, or dilemmas help trigger ethical issue intensity.
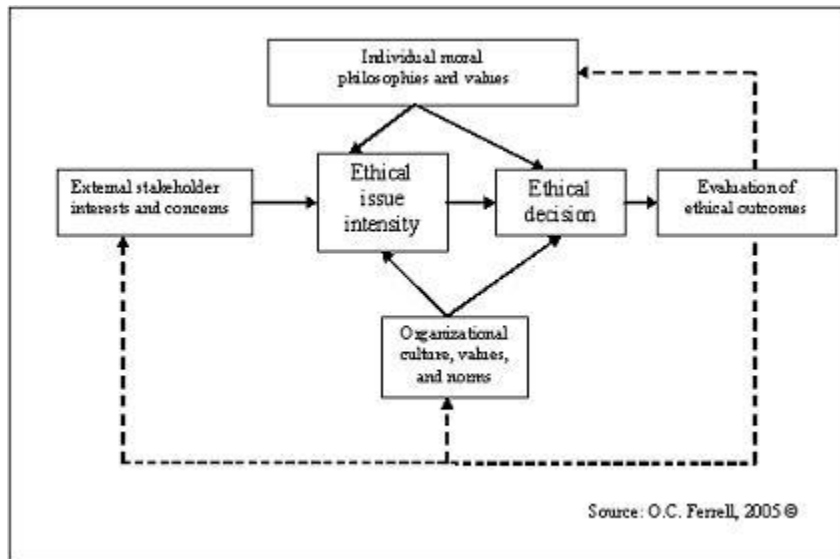
FIGURE 2: Framework for understanding organizational ethical decision making.

Organizational culture (internal stakeholders) and individual moral philosophies and values influence recognition of ethical issues and business ethics decisions. The decisions or outcomes are evaluated by both internal and external stakeholders. Although it is impossible to describe precisely how or why an individual or a work group may make a specific decision, we can generalize about average or typical behavior patterns within organizations.

First, as discussed previously, organizations can identify the importance of stakeholders and stakeholder issues and can gather information to respond to significant individuals, groups, and communities. Next, managers can identify the importance or relevance of a perceived issue— i.e., its intensity (Jones, 1991). Intensity is likely to differ over time and among individuals and is

influenced by organizational culture, values, and norms; the special characteristics of the situation; and the personal pressures weighing on the decision. Personal moral development and philosophy, organizational culture, and coworkers determine why different people perceive issues with different levels of intensity (Robin, Reidenbach, and Forrest, 1996).

Perhaps one of the greatest challenges facing the study of business ethics involves the roles of individuals and their values. Although most of us might prefer to place the primary responsibility for decisions with individuals, years of research point to the primacy of organizational factors in determining ethical decisions at work (Ferrell, 2005). Individual factors obviously are important, however, in the evaluation and the resolution of ethical issues; thus, familiarity with principal theoretical frameworks from the field of moral philosophy is helpful in determining ethical decision-making in business (Murphy et. al, 2005). Two significant factors in business ethics are an individual's personal moral philosophy and stage of moral development. Through socialization, individuals develop their own ethical pattern of behavior, including strategies for judging right or wrong. Socialization occurs from family, friends, formal education, religion, and philosophical frameworks.

Although individuals must make ethical choices, it also is true that they often make these decisions in committees and group meetings and through discussion with colleagues. Ethical decisions in the workplace are guided by the culture of the organization and by the influence of coworkers, superiors, subordinates, and others.

The ethical climate of an organization is a significant element of organizational culture. Whereas a firm's overall culture establishes ideals guiding a wide range of behaviors for members of the organization, its ethical climate focuses on issues of right and wrong. The ethical climate is

the organization's character or conscience. Contributing to an organization's ethical climate are codes of conduct and ethics policies; top management's actions on ethical issues; the values, moral development, and philosophies of coworkers; and the opportunity for misconduct. In fact, the ethical climate actually determines whether certain dilemmas are perceived as having an intensity level requiring a decision.

Organizations can manage their cultures and ethical climates by trying to hire employees whose values match their own. Some firms even measure potential employees' values during the hiring process and strive to choose individuals who "fit" within the ethical climate. A poor "fit" can have very expensive ramifications for both organizations and employees. Beyond the potential for misconduct, a poor employee-organization ethical fit usually results in low job satisfaction, decreased performance, and increased turnover (Sims and Kroeck, 1994).

Together, organizational culture and the influence of co-workers may foster conditions limiting or permitting misconduct. When ethical conduct is rewarded with financial gain, recognition, or promotion, unethical conduct may be encouraged. Likewise, a company policy that does not specify punishment of employees who violate a rule (e.g., not to accept large gifts from a client) provides an opportunity for unethical behavior. Essentially, a lack of policy allows and encourages individuals to engage in potentially unethical behavior without fear of consequences. Thus, organizational policies, processes, and other factors may contribute to the opportunity to act unethically.

Opportunity usually relates to employees' immediate job context—where they work, with whom they work, and what the nature of their work is. Each work situation contains motivational "carrots and sticks" that superiors can use to influence employee behavior. Pay raises, bonuses,

and public recognition are carrots, or positive reinforcement; reprimands, pay penalties, demotions, and even firings are sticks, or negative reinforcement. For example, a salesperson that is recognized publicly and given a large bonus for making a valuable sale obtained through unethical tactics probably will be motivated to use unethical sales tactics in the future even if such behavior goes against the worker's personal value system. Research has demonstrated a general tendency to discipline top sales performers more leniently than poor sales performers for engaging in identical forms of unethical selling behavior (Bellizzi and Hasty, 2003). Neither a company policy stating that the behavior in question was unacceptable nor a repeated pattern of unethical behavior offsets the general tendency to favor top sales performers. A superior sales record seems to induce more lenient forms of discipline despite managerial actions specifically instituted to produce more equal forms of discipline. Based on their research, Bellizzi and Hasty concluded that top sales performers have the opportunity to be more unethical than poor sales performers.

This framework helps students put ethical decision-making in a business context. Once students begin to understand that good ethics is linked to organizational performance, they see why it is necessary to have organizational ethics and compliance programs. They also begin to recognize the personal costs, including reputation damage, of misconduct.

Conclusion

The approach to teaching business ethics that we suggest is based on a foundational course helping students integrate the personal, organizational, and societal components of ethical decision-making. This approach gives the professor the opportunity to emphasize specific ethical issues such as corporate governance, discrimination, accounting fraud, or consumer deception.

Using a stakeholder and an organizational decision making framework helps the student link societal, organizational, and individual interests. Other approaches to business ethics, such as a philosophy or a religion course, can also be very helpful. These approaches might assist students in developing their own values and cognitive skills in decision making. Critical thinking is an important element of ethical decision-making.

Business ethics in organizations requires values-based leadership from top management, that is, purposeful actions including planning and implementation of standards of appropriate conduct, as well as openness and continuous efforts to improve the organization's ethical performance. Although personal values are important in ethical decision-making, they are only one of the components guiding the decisions, actions, and policies of organizations. The burden of ethical behavior lies with an organization's values and traditions, not simply with the individuals making decisions and/or carrying them out. A firm's ability to plan and to implement ethical business standards depends in part on its ability to structure resources and activities to achieve ethical objectives effectively and efficiently.

By focusing on the issues and on organizational environments, students begin to understand the roles and responsibilities they may face when advancing in the workplace. The goal is to enhance students' awareness and decision-making skills so that they can make business ethics decisions contributing to responsible business conduct. Today's challenging business environment demands that students understand how business ethics provides vital knowledge contributing to overall business success.

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CHARACTER DEVELOPMENT AND BUSINESS ETHICS EDUCATION

Thomas I. White

Premise

The recent wave of corporate scandals has given rise to important questions regarding the appropriate place of ethics in the curricula of the nation's business schools. Moreover, the decision of the Association to Advance Collegiate Schools of Business (AACSB) to strengthen the ethics requirement in its accreditation standards has silenced much of the discussion about whether ethics education belongs in a business school. The question now has become what form education will take.

The AACSB's standards are rather precise. They call for students to become competent in "ethical understanding and reasoning abilities" and to be aware of "ethical . . . responsibilities in organizations and society." The 2004 Report of the AACSB's Ethics Education Taskforce occasionally suggests that business schools ultimately might be expected to take on a broader goal, however—that is, to produce "moral persons."[1] And critics of contemporary business regularly

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[1]"Business schools should help students to see the criticality of ethical leadership to effective and successful management. . . . To be considered ethical leaders, executives must be both 'moral persons' and 'moral managers.'" *Ethics Education in Business Schools*, Report of the Ethics Education Task Force to AACSB International's Board of Directors, (St. Louis, MO, 2004), p. 11.

call for business schools to take the lead in ensuring that the next generation of business leaders be honest. Accordingly, there is a growing possibility that "character education" will be seen as a fitting component of business education.

In response to this prospect, I argue that an approach based on "character education" is an inappropriate model for ethics education in business schools and should be rejected in favor of a cognitive and philosophical approach more consistent with the general character of the modern university and the expertise of business school faculty. I believe that improved abilities in "ethical reasoning" probably are more likely to lead to more-ethical business decisions in the future than a program of character education will.[2]

Weaknesses of a Character-Based Approach

My claims are grounded in a belief that "character education" suffers from a variety of specific weaknesses—some practical, some theoretical.

Weakness 1: Character Education and the Complex Nature of Moral Virtue

The ultimate basis of a "character education" approach to ethics probably is Aristotle's description of moral virtue in the *Nicomachean Ethics*. This moral orientation has resurfaced in the last few decades as "virtue ethics"—or, in popular "applied" versions of the orientation, as programs stressing "character education," "character development," or "core values."

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[2]Because of the limitations of such a short essay, this piece should be considered more a series of assertions than a complete argument in support of the claims I make.

There is much to be said for Aristotle's realistic, practical, and multidimensional account of moral virtue. Aristotle sees moral virtue as a *techné* (a skill equivalent to playing a musical instrument) rooted in *hexis* (a habit or disposition to think and act in a certain way). To Aristotle, moral virtue involves not only performing the right actions, but performing them *in a particular way*—in the same way that the truly good person does. That is, we must know what is right, we must choose the right deed for its own sake, and we must do so "from a firm and unshakable disposition" (i–vi). Moral virtue—and, by implication, moral education—is, therefore, a rich combination of intellectual, emotional, and physical factors.

If we start with this view of the nature of moral virtue, however, moral education should consist of putting students into a situation in which they face an ethical dilemma, seeing how they manage, helping them see how they could have done better, putting them into another situation, coaching some more, and so on. Over time, students should, with the help of an expert, learn about ethics through a combination of facing certain situations and then dissecting their actions, emotions, and reasonings connected with these dilemmas. In other words, *coaching* becomes as central to this endeavor as it is in teaching people how to play the piano, to overcome stage fright, to learn ballet, or to participate in marathons.

But if this is the nature of moral virtue, modern universities are ill equipped to run full-blown moral education programs. Academic institutions focus on the development of cognitive skills, so universities are not designed for the type of intense mentoring by ethicists that this model requires. Moreover, the problems attending assessment of the educational outcomes involved seem insurmountable. That is, it is probably either impossible or impractical to test students in such a way that universities could prove the claim that they had made students into "moral people"—and

that students had remained so in the workplace. In short, universities are not structured to do this kind of teaching. Neither are their faculty trained or inclined to.

Weakness 2: Limits of "Core Values" for Ethical Reasoning

That universities cannot handle all the dimensions of moral education does not, of course, mean that they cannot handle an important part of it. Universities *can* help students acquire the requisite intellectual skills for reasoning about ethical dilemmas. Proponents of character education typically encourage students to use a list of key virtues or "core values" as a kind of checklist when faced with an ethical dilemma.[3]   In essence, character education programs encourage an emotional allegiance to a set of core values, and they thus become primarily *affective*, not *cognitive* enterprises. Such lists of "core values" thus have weaknesses that limit their usefulness as tools for ethical reasoning:

- Typical lists of "core values" include both ethical values (promise-keeping) and nonethical values (citizenship and excellence).
  > Merging the latter with the former undermines the list as a useful tool for people trying to recognize and to manage ethical dilemmas, for it creates confusion about what the appropriate domain of "ethics" is.
- Some purportedly ethical values are questionable candidates.
  > "Loyalty" often appears on lists of the values espoused by character education programs. But remaining loyal to an ethically questionable cause is surely no virtue. Similar problems arise with values such as "integrity," which character education programs often define simply as consistency between one's principles and actions.

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[3]A typical example of such a list of core values is that advanced by the Josephson Institute for Ethics: *Trustworthiness* (Honesty, Integrity, Reliability [Promise-Keeping], Loyalty), *Respect* (Civility, Courtesy and Decency, Dignity and Autonomy, Tolerance and Acceptance), *Responsibility* (Accountability, Pursuit of Excellence, Self-Restraint), *Fairness* (Process, Impartiality, Equity), *Caring,* and *Citizenship*.

- Lists of values frequently reflect cultural, psychological, and intellectual biases, so they are not neutral analytical tools.

    Even the order in which virtues are listed reflects a position about which are more and less important. "Honesty"—in the sense of not lying, cheating or stealing—is often at the top. These certainly are positive actions, but note that they are usually listed ahead of something even more central to ethical behavior—not hurting others, which typically appears only later in the list. The message about the relations among the importance of certain values and the relative priority of moral duties may be subtle here, but a message is conveyed nonetheless and is not subject to critical analysis.

- Lists of virtues give insufficient guidance about how to manage the inevitable conflicts between these virtues in practical situations.

    If there is a conflict between equity and promise keeping, for example, a list of virtues does little more than help clarify the nature of the conflict and cannot help guide people to a resolution. And when they lack a sufficiently powerful intellectual methodology to manage a conflict, they are left to fall back on personal, subjective standards and self-justifying biases.

- Because of the internal, emotional, and almost gut-level approach that the "core values" approach leaves students with, I believe that it often allows people to fail to recognize ethical issues and/or to rationalize ethically problematic behavior.

    I believe that a "core values" approach fails to appreciate the full range of difficulties connected with ethical dilemmas in business. Specifically, it does not recognize the powerful combination of fear and self-interest. I have no doubt that many people at, for example, Arthur Andersen sincerely believed that what they did and what they chose not to do was perfectly consistent with the company's values and with their own personal values. These were not people of bad character; these were not people who lacked core values; these were people who—like most Americans—lacked the intellectual tools that would have helped them protect themselves and others better.

In short, an approach to ethics grounded in character education and an affective allegiance to core values is limited intellectually and is a flawed compass for navigating difficult ethical dilemmas. It has a popular, common-sense appeal, but I think that, in the end, it is often too narrow an analytical framework.

Weakness 3: Psychological Issues Related to the University Student

In addition to providing a limited framework for ethical reasoning, character education faces two psychological issues related to the young adult. First, it can be argued that an ethics curriculum based on character education fails to reflect the psychological development occurring in typical university students, who are establishing a sense of self as independent and autonomous adults and, therefore, are separating from their parents. Building a program around "core values" runs the risk of encouraging an uncritical and unreflective acceptance of a set of values that some quasiparental authority has sanctioned. Young adults, in particular, need exactly the opposite approach to an ethics education. To make difficult ethical decisions that may displease people in authority at some future time, students need to develop an appropriately critical, if not skeptical, disposition somewhere along the way. More important, however, is the fact that an emphasis on character education and core values does not strike me as consistent with what is known about moral development. As far as I know, no fatal challenge has been mounted to Lawrence Kohlberg's description of moral development in the human personality.[4]

Kohlberg's theory is important in two ways here. First, I think that the typical descriptions of core values fit more with Kohlberg's middle "conventional" stage than with a "postconventional" stage. Traditional values such as honesty are promoted by authority figures

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[4]Kohlberg argued that we start with a "preconventional" conception of ethics grounded mainly in self-interest; move to a "conventional" outlook (acceptance by others and obedience to rules and legitimate authority); and ultimately advance to a "postconventional" approach characterized by an understanding and application of universal ethical principles. The first stage dominates through about age 10; most people move into the second stage in their early teens; and the transition to the third stage (if it takes place) happens during late adolescence and young adulthood. There remains some debate about details of Kohlberg's model. But I believe that the broad strokes of his account are accepted.

and enforced by conventional social norms. Moreover, most descriptions of core values tilt in the direction of descriptions of concrete behaviors (a characteristic of "conventional" moral thinking) than in the direction of descriptions reflecting abstract principles (a characteristic of "postconventional" moral reasoning). Second, although there are a variety of ways that both Kohlberg and his critics describe the nature of the highest stages of moral reasoning, all these researchers describe a stage characterized by sophisticated intellectual traits. For people to have the best chance of progressing to postconventional thinking, they need to become intellectually independent and confident in their ability to explore the complexities of practical ethical dilemmas in a nuanced way. Since lists of core values start with socially sanctioned (and socially defined) norms, they do not encourage the kind of autonomy called for in postconventional thinking.

Recommendations

Having sketched my major reservations about character education in business schools, I conclude this essay with two brief recommendations and a final observation.

Recommendation 1: Not "Moral Person" but "Ethical Reasoning"

In view of the problems connected with a "character education" approach to business ethics education, I believe that business schools should reject as inappropriate any goal that is the equivalent of producing a "moral person." In this regard, José Mesa's (2003) observation that "Critics and most of [character education's] authors seem to agree: [character education] does and must indoctrinate" is especially important. Mesa's remark raises the question of the extent to which such an approach is appropriate to a university, which values critical reflection above

acceptance of established truths. "Ethical reasoning" seems, in the academic context, a more appropriate goal.

Recommendation 2: Basic Philosophical Approach

In searching for an intellectual framework for use in developing students' ethical reasoning abilities, I suggest that the basic elements of a philosophical approach constitute a sufficiently powerful analytical tool. This approach also is consistent both with young adults' needs to advance in moral development and with the general (critical) character of the modern university.

Even if we use just the two most basic ethical traditions (a teleological focus on the amount and type of good and harm that proceed from what we do and do not do, and a deontological focus on the degree to which our actions conform to the dignity and the rights of those involved), we arrive at a thorough description of an ethical dilemma. A basic philosophical approach is in some ways simpler than consulting a list of values, for there really are only two questions: What are the consequences of our actions? What are the traits of the actions themselves? Because such an approach requires relentless attention to detail, however, it gives us a more powerful analytical tool than a list of "core values." (What are the long-term as well as the short-term consequences? What are the indirect as well as the direct consequences? What are the qualitative differences among the goods and among the harms? Where is the conflict between the rights or interests of different parties involved?) Moreover, because this approach is grounded in a theory of human good (and thereby relies, ultimately, on what various sciences have established as necessary conditions for human well-being), there is clear guidance about which issues must be

considered when dealing with a conflict of goods, harms, rights, etc. A philosophical approach is more difficult to master than an approach based on core values, but it ultimately is more powerful and more useful.

A basic philosophical approach also is consistent with the existing abilities and dispositions of business school faculty. As a cognitive, analytical methodology, a philosophical approach is closer to the technical proficiencies faculty already employ in their teaching and research than the affective approach of character education is. A philosophical approach allows faculty to integrate ethical reasoning into their courses as they deal with issues of accounting, marketing, finance, etc. and thus provides students a thorough and sophisticated understanding of the ethical dilemmas connected with the technical areas of business.

Final Observation: Ethical Reasoning and Behavior

My argument against "character education" in business schools should not be construed to suggest that ethics education in business schools is a waste of time. On the contrary, I believe that strong abilities in "ethical reasoning" probably are more likely to lead to more ethical business decisions in the future than a program of character education will. The culture in which we operate gives us many more exhortations to virtue than examples of critical analyses of ethical dilemmas. It presents us with many more appeals for allegiance to conventional virtues than it does encouragement to moral autonomy. From this perspective, we serve our students best if we equip them with the intellectual skills that will allow them to understand and to resolve the complex ethical dilemmas they'll inevitably encounter within structures of authority. The last two decades of corporate wrongdoing give us too many examples of otherwise good and decent people who

didn't really think about what they were doing until it was too late. Carried along by peer pressure and lulled by management assurances and personal inertia, these individuals often saw nothing wrong with their actions. Rigorous training in ethical reasoning and analysis should at least protect students from this kind of moral blindness.

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THE URJCO MODEL
OF STAKEHOLDER MANAGEMENT
A Practical Approach to Teaching
and Implementing Business Ethics

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Introduction: Business Ethics and Stakeholder Management

Ethical questions confront business managers at virtually every phase of operations. Business ethics of this sort is understood to be a method for determining the relative rightness or wrongness of those practices, policies, or decisions that are implemented by entities exchanging goods and services. Although moral philosophy provides a variety of nuances regarding the meaning of ethics, for our purposes *business ethics* is defined as the application of specific moral principles to the entities, activities, and relationships that together comprise commercial undertakings.

Although the morality of certain industry practices, as well as of general economic theories, has been evaluated for centuries, it was not until the 1970s that both academic and

business communities recognized business ethics as a legitimate and substantial field of study.[1] Despite its relative youth as a discipline, business ethics has progressed through a number of developmental stages in a rather brief period. A recent revival in professional and popular applications of moral principles to business practices has been fueled by many business scandals, and business ethics has been recharacterized as "stakeholder management." This new designation is significant for two reasons. First, it represents the advancement of business ethics from a seemingly tangential or supplementary theory to an essential and integrated dimension of a company's planning, policies, and actions. Second, this recharacterization expands the range of groups or entities that businesses consider in decision making, from the traditional threefold focus of customers, employees, and shareholders, to a broader focus including local communities, dependent businesses (such as retailers and suppliers), governments, media, special interest groups, the environment, and the larger public.

Stakeholder management is based upon the stakeholder theory of the modern corporation, which proposes that corporations should be operated, at least to some degree, for the benefit of all groups with an interest, or "stake," in the company's actions or outcomes (Donaldson and Preston, 1995). Stakeholder management integrates ethics with strategy by considering an array of stakeholder interests in its planning for, and use of, organizational resources. Restated, stakeholder management facilitates decisions regarding the relative "rightness" or "wrongness" of business actions, policies, and goals by considering a variety of stakeholder interests and the relations among them.

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[1]Business ethics as a concept or area of study was introduced informally in 1968 (Baumhart, 1968).

Stakeholders include employees, local communities, consumers, and any other individuals or groups that have a reciprocal relationship with the business organization. Thus, stakeholders represent a broad segment of constituents and entities with a variety of interests (or "stakes") in the business, other than (but including) the ownership interest of stockholders (from whom the term and concept *stakeholders* is derived). Subcategories for stakeholders include external or internal, primary or secondary, social or economic, and core or strategic (Wheeler and Sillanpaa, 1997; Clarkson, 1995). Stakeholder classifications usually depend on the power, legitimacy, and urgency of stakeholder interests and relationships with the business (Mitchell, Agle, and Wood, 1997). Moreover, the classifications that stakeholders occupy depend on circumstances. For example, although the environment often is a secondary stakeholder, it becomes a primary stakeholder for firms whose products or production processes involve major ecological issues or have considerable ecological impacts. Although one objective of stakeholder management is to consider all stakeholders' interests in organizational decision making, the interests and concerns of primary stakeholders normally are given most weight because they usually are most relevant to the decision at hand and to the organization's overall operations and mission.

In learning and applying the general concepts of stakeholder management, students and managers usually are advised to examine ethical issues from multiple perspectives, yet often are given inadequate guidance as to how to undertake this examination. The goal of this chapter is to describe an enhanced model of stakeholder management—the *URJCO* model. (*URJCO* is an acronym for the moral principles of utility, rights, justice, care, and organization, all of which the model incorporates into the decision making process.) When applied to actual business scenarios,

the UFJCO model helps ensure a comprehensive, balanced, and practical process for analyzing and managing the interests of diverse stakeholder groups. The *URJCO* model can be taught and applied in classroom settings easily and later utilized when students encounter ethical issues in the workplace.

Limitations of Traditional Business Ethics Approaches and Advantages of the URJCO Model of Stakeholder Management

Although the evolution of stakeholder-management theory has made significant and valuable contributions to the conceptualization and practice of business ethics, its use as an effective decision making tool in corporate and educational settings can be challenging. Difficulties in implementation derive primarily from four limitations inherent in traditional approaches to stakeholder management:

- limited consideration of stakeholders (failure to consider a sufficiently comprehensive or diverse assortment of stakeholders);
- limited integration of ethical perspectives (failure to integrate fully the ethical dimension into decision making);
- limited analysis of ethical issues (failure to undergo a thorough analysis of the ethical issues and the potential impacts of decisions); and
- limited convenience and functionality (failure to provide a practical and manageable approach to decision making).

Limited Consideration of Stakeholders

Stakeholder management often fails in two very direct ways to consider stakeholders fully: it either does not value the interests of certain stakeholders properly (undervaluing the perspectives of some or overemphasizing those of others) or fails to consider certain stakeholders

out of ignorance or ill will. Even the more traditional and limited "three-legged stool" model of stakeholder management, which focuses on employees, owners, and customers, recognizes that a delicate balance exists among the interests of all parties (Post, Lawrence, and Weber, 2002). This managerial metaphor explains how an imbalance of stakeholders interests, by over- or under-emphasis of any of the three primary stakeholders, would render the business organization anywhere from inefficient to ineffectual.

In today's complex web of business relationships, the three-legged stool has become more like a centipede that requires businesses to consider dozens of stakeholders in a comparatively organic manner. Government, media, suppliers, local communities, and special interest groups all are capable of profoundly influencing the success and survival of firms. Thus, any business that significantly affects these stakeholders should incorporate their interests diligently into its decision making process. The URJCO Model of stakeholder management, described below, facilitates and promotes an expanded process of stakeholder inclusion by broadening the range of stakeholder interests examined and by more systematically evaluating how these interests might be valued and protected.

Limited Integration of Ethical Perspectives

Many businesses that endeavor in good faith to make moral decisions often isolate their ethical reasoning from their decision making processes. Organizations first may analyze a decision financially and only afterwards consider ethical issues. Thus, intentionally or not, ethics becomes a second-class consideration. Management that is good in both ethical and financial senses integrates ethical considerations into the overall strategic process as a central component.

Reflecting the premise that "good ethics is good business" (Hosmer, 1994), such integration goes beyond mere appearance or political correctness and provides a comprehensive approach to decision making.

As with any "good" business practice, ethics needs to be integrated fully into all aspects of the business (from planning through implementation) to achieve its potential. Effective implementation of the URJCO Model of stakeholder management satisfies this mandate by making ethical analysis a constitutive element of the decision making process. And whereas certain firms view ethics, law, and economics as three distinct principles, this model of stakeholder management places the social, economic, legal, and ethical implications of business decisions side-by-side so that no action is evaluated solely on either financial or ethical grounds.

Limited Analysis of Ethical Issues

Traditional business ethics, and certain contemporary approaches to stakeholder management, remain imprecise because they fail to incorporate careful analysis of ethical and related issues. Although inexactitude may be an unavoidable weakness of business ethics, many approaches compound the problem by limiting the range of ethical principles applied to business questions. For example, many firms and business schools still emphasize utilitarianism to the exclusion or subordination of other ethical principles.[2] Moral and psychological research reveals that rights, justice, and care also are dominant and effective ethical standards considered in

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[2]Many ethical models exacerbate this problem by using a cost-benefit form of utility that focuses on the short-term benefits and burdens to the business without sufficiently considering the long-term benefits and burdens to other essential stakeholders. The well-known Ford Pinto case is one of many examples of an erroneous utility calculation. Furthermore, businesses can fail to distinguish between, and incorporate fully, total utility and stakeholder utility.

decisions made by businesses and society. The failure of businesses to fully and equally include these principles diminishes the value that ethical analysis can contribute to decision making.

The stakeholder-management model presented here applies five ethical principles, or perspectives, in a coordinated and comprehensive manner and considers the various principles equally. This more comprehensive and balanced approach to stakeholder management yields a richer and more defensible outcome. For example, many business ethics texts still exclude or discount the principle of care in their ethical frameworks; this is an unfortunate approach, for stakeholder relationships (the focus of the care principle) are essential to the success of any business. Relationships become especially important when business is conducted with international partners, such as the Japanese, who prioritize relationships in the decision making process. Recognizing the importance of such relationships, this URJCO Model of stakeholder management prominently includes the principle of care. Furthermore, the model integrates the core values of business by incorporating into the decision making process a fifth dimension—the organizational ethic of the decision maker.

Limited Convenience and Functionality

The final flaw of many stakeholder-management models is their struggle to provide an accessible and manageable analytical instrument. The numerous businesses reported as guilty of ethical lapses have a scapegoat in business school's largely ineffectual instruction in ethics (e.g., McCabe, Dukerich, and Dutton, 1994; Arlow and Ulrich, 1983; Martin, 1981 and 1982). Are these crises in business ethics and in business ethics education the result of inappropriate or inadequate moral theory or merely the result of difficulties in implementation that are due to students' and

managers' lack of accessibility to the theories? Although ethical theory has given rise to some of philosophy's most highly evolved frameworks, it remains somewhat "user unfriendly" to business managers. Part of this inaccessibility may derive from its abstract or idealistic nature, and part from the potential contradictions that can result when two or more ethical standards or theories are applied to one issue. Such contradictions and impracticalities may frustrate managers, who may conclude that ethical analysis is an academic exercise rather than a productivity tool.

Efficiency is a central objective of business. Many ethics decision-making models are excessively complex, overly theoretical, poorly explained, and, most discouragingly, impractical. One of the major strengths of the URJCO Model of stakeholder management is that it provides a simple, manageable, and useable blueprint for analyzing ethical quandaries and guiding business decisions. Additionally, the model compels executives to apply multiple ethical criteria to a given problem, but does so in a way that can rapidly resolve conflicts resulting among ethical perspectives, thus resulting in an "overlapping consensus" among various moral positions, as advocated by Rawls (1993). The straightforward structure of the model facilitates explanation, articulation, communication, and justification of the decision. As a result, decision makers move beyond "I think we should do this" or "I feel we should do that" to an educated, informed, and explicable approach to business decisions.

This URJCO Model allows for multiple decision alternatives to be evaluated simultaneously or, under certain circumstances, to evolve or to germinate out of the process itself. More often than not, when a committee, executive, or student delves into an analysis of the benefits/burdens, rights/duties, their just distributions, and the relevant relationships involved in a managerial decision, a distinctive alternative emerges through efforts to balance these diverse

concerns. The stakeholder-management process reveals the major strengths and weaknesses of any action or policy while allowing for alternative most likely would not be uncovered using conventional approaches to business ethics.

The URJCO Model of Stakeholder Management

The URJCO Model of stakeholder-management uses a three-step process for determining the appropriateness of a proposed action or decision: [1] identification, [2] analysis, and [3] recommendation.

Identification

The decision maker needs to identify the policy or action to be evaluated as right or wrong, as well as possible alternatives to it. This stage also requires identification of relevant information. Lastly, stakeholders need to be identified and described.

Analysis

After the policy or action, relevant information, and stakeholders have been identified, the decision making process moves to ethical analysis, i.e., to application of the URJCO Model of stakeholder management. Analysis of issues progresses through five interrelated assessment dimensions—utility, rights, justice, care, and organization. Each dimension represents a unique and essential body of ethical principles. Potential ethical contradictions are revealed as the five steps are taken, and moral reasoning and coherency are reinforced.

Utility

The utility dimension of the stakeholder-management model focuses the decision maker upon teleological theories of ethics, which determine rightness or wrongness by evaluating an action's overall consequences. Although this approach has roots in ancient Greek philosophy, traditional utilitarianism traces its roots to Jeremy Bentham (1748–1832) and to John Stuart Mill (1806–1873), who "used the principle of utility as a practical guide and powerful instrument for social, political, economic and legal change . . . during the English reform movement" (Boatright, p. 34, 2003). The right, or correct, action is that which results in "the greatest good for the greatest number," according to the more common and current restatement of the consequentalist theory of utility.

The objective of the utility dimension is to push the reasoning process towards a consideration of both the benefits and the burdens that will accrue to each stakeholder group if the proposed action is taken. In other words, the utility dimension focuses thinking upon all reasonably foreseeable consequences, which include micro and macro, short-term and long-term, and total and stakeholder consequences of a proposed action. The model thus adequately distinguishes between, and incorporates fully, *total utility* (which looks at the overall benefits or burdens to all stakeholders) and *stakeholder utility* (which calculates whether a greater number of individuals within the stakeholder groups are benefited or burdened), as well as act utilitarianism (with its narrow focus on a specific action at a specific time) and rule utilitarianism (with its broader, longer-term consideration of certain types of actions guided by general rules) (Velasquez, 2002).

Although classical utility focused on only one correct action—that is, on the act with the most net utility to the most people, utility under the URJCO Model of stakeholder management strives to identify the best decision among acceptable alternatives.

Rights

Rights generally are defined as guarantees or entitlements to do or not to do something or to be treated or not to be treated in a certain manner. The consumer's right to product information, the employee's right to a safe workplace, and the employer's right to loyal employees are just a few of the many recognized rights in the business world. The rights dimension of the stakeholder model is a deontological[3] ethical theory that focuses on stakeholders' rights instead of consequences. The rights dimension focuses the decision maker upon the rights possessed by each stakeholder and on the corresponding duty of the decision maker to protect these rights.

Under the rights dimension, the decision maker first must identify the specific rights of stakeholders and then determine the corresponding duty that the business has to safeguard such rights. Such a determination, especially in cases of conflicting rights and obligations, usually will require the decision maker to prioritize stakeholder rights and corresponding business duties.[4]

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[3]*Deon* is the Greek word for duty, necessity, or obligation.

[4]Prioritization occasionally proves a challenging aspect of the rights dimension within the stakeholder model. Placing rights into classifications such as legal, moral, specific, general, negative, positive, natural, human, inalienable, and basic, with their inherent valuations, may help decision makers meet this challenge. The power, legitimacy, and urgency of stakeholders' rights will combine with stakeholders' overall relationships with business to clarify the value of rights and duties. A utility analysis of the rights and duties themselves also can be undertaken. Finally, the justice dimension attempts to address this potential challenge by addressing basic or essential rights. This challenge, and the listed responses, reveals how the Five-Dimension Model is inherently integrative.

Ultimately, consideration must be given to how proposed actions or decisions might best protect these prioritized rights and satisfy their corresponding duties.

Justice

The justice dimension of the stakeholder model refers to distributive justice more than to procedural, compensatory, or retributive justice and is based primarily on the egalitarian concept of justice presented by John Rawls in his *A Theory of Justice* (1971). For Rawls, justice is fairness, and fairness exists only when certain basic rights are protected and when benefits and burdens are distributed in an equal way. Thus, in determining the rightness or wrongness of an action, the justice dimension of the stakeholder model refers back to rights and utility and integrates these into its ethical analysis.

The first step under the justice analysis must be to determine if the most basic and essential rights of stakeholders are protected. This step is crucial for, according to Rawls' concept of distributive justice, no action is just or correct if it denies fundamental rights such as the right to enfranchisement, to personal property, to food and shelter, to speech, to privacy, to certain information, and to related liberties (Rawls, 1971). Rawlsian justice "implies that it is unjust for business institutions to invade the privacy of employees, pressure managers to vote in certain ways" or "use force, fraud or deception in contractual transactions" (Velasquez, 2002). Second, a determination must be made as to whether the distribution of benefits and burdens is just, i.e., fair and equitable. Distribution among stakeholders usually is considered fair and just when one of four circumstances occurs:

- the distribution is <u>reasonably equal</u>,
- the distribution is unequal, but <u>every stakeholder is better off</u>,
- the distribution is unequal, but the <u>least advantaged stakeholder</u> is <u>better off</u>, or
- the distribution is unequal, but a <u>morally relevant reason</u> such as need, effort, ability, education, production, skills, or performance justifies the inequality to some degree (Rawls, 1971).

Although criticisms of this perspective exist, justice incorporates many important and accepted ethical values, e.g., fairness, freedom, and equality, into the decision making process. The justice perspective also responds, to some degree, to the imperfections of the market system (and especially to the unequal distribution of benefits and burdens) by balancing the benefits to people for their skills, efforts, and contributions with the needs and burdens of the least advantaged or less fortunate (Velasquez, 2002). The justice dimension of this stakeholder model incorporates a simplified version of Rawls' theory of justice in creating a comparatively comprehensive and integrative model of ethical reasoning.

Care

The care dimension in the stakeholder model focuses on the type of relationships that the organization has with certain stakeholder groups. In her seminal work *In a Different Voice* (1982), Carol Gilligan argues that women tend to make moral decisions based on their relationships with others. Under the care dimension, compassion and partiality enter in, and an acknowledgement of increased responsibility to some stakeholders may be warranted due to longstanding or extraordinary relationships between them and a business, or to their high level of vulnerability. Specifically, the rightness or wrongness of an action is determined by how well an action cares for

and sustains important personal relationships rather than through the application of impersonal and impartial ethical principles to an action.

The URJCO Model of stakeholder management integrates the personal and relational aspect of care into the decision making process through a consideration of the gender diversity that is clearly present and growing in the workforce. Inclusion of the care dimension in the model underscores the belief that all businesspeople, men and women alike, factor relationships into their decision making, at least to some degree. As stated, discounting the principle of care in a company's ethical framework is potentially shortsighted insofar as stakeholder relationships are essential to the success of any business. The care dimension is thus another way in which the URJCO Model is comparatively comprehensive in its approach to ethical reasoning.

Organization

Finally, to ensure the comprehensiveness and applicability of ethical analysis, the organization dimension is included as an additional compelling category of moral principles within the stakeholder-management model. Not only does this principle contribute a distinct dimension, thereby allowing a more thorough analysis, it enables the business to employ ethical considerations that uniquely reflect its core organizational values or company charter. Alternatively, special obligations to specific stakeholders may be recognized in this dimension, as a result of ongoing pledges, assurances, or accommodations.

Frequently used principles of organizational ethics[5] include

- the golden rule*: do unto others as you would have done unto you;
- the disclosure rule*: act as you would believe to be right if all your friends, family, colleagues, and general public learned of your decision;
- intuition ethic*: act according to gut-feelings that are not readily explained by rational thought;
- professional ethic*: act in manner that would be acceptable to professional peers;
- role-model, or exemplar, ethic*: act in a way that the person you admire most would act or would advise you to act;
- religious ethic: act according to specific religious beliefs (Fort, 1996);
- covenant ethic: consider the organization a moral community, and place people above profits (Walton, 1988); and
- virtue ethic*: act in a manner that will nurture important values such as honesty, loyalty, respect, diversity, and transparency and help you become a better person (Aristotle).[6]

Considering the organization dimension, decision makers can integrate the values emphasized in a firm's mission statement or code of ethics fully, through stakeholder management. When used effectively, the organization dimension of the model enables key documents to help guide an organization's ethical development.

Recommendations

Once the five analytical dimensions of stakeholder management have been applied, the decision maker must formulate an overall recommendation (including potential alternatives) by comparing the results yielded by each dimension. Based on the reasoning and outcomes of the

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[5]For further explanation of organizational ethics, see T.K. Das (1985).

[6]Arguably, the principles of justice and care have a relation to virtue ethics when the goal is to become a just or caring person instead of simply determining what is just or caring under the circumstances. This is another example of the interrelatedness of the Five-Dimension Model. Moreover, the legal or economic ethic should not be used as the organizational ethic, for these two principles already are integrated into the dimensions of utility, rights, justice, or care, which likewise should not be constituted as a separate fifth principle.

URJCO analysis, a summary recommendation with suggestions and alternatives is presented. If four or all five ethical principles used in the model agree that the action or the policy is right or wrong, then the recommendation should follow the clear consensus. But if principles are more closely split at three to two, then the decision maker needs to determine which principle or principles are most persuasive or pertinent under the circumstances and act accordingly (even going with the minority two principles under certain occasions).

Generally speaking, critical rights and justice may, understandably, have more influence than utility and care (Velasquez, 2002). In difficult cases, however, to rank the right*s* dimension appropriately, the decision maker needs to determine the exact importance of critical rights and duties and the degree to which such rights and duties are protected or infringed on. Reexamination of the real values of benefits and burdens and of the overall number of stakeholders benefited and burdened will help guide the placement of utility. Understanding of the importance of stakeholder relationships and of how they are nourished or impaired will assist managers in prioritizing the care dimension. The organizational ethic, depending on its importance to the organization, should also be considered. Alternatives or adaptations to the original proposal may lead to a clear consensus among the five ethical principles.   (A worksheet outlining this process appears in the Appendix.)

Conclusion and Summary

This chapter presents a model of ethical decision making which is both easier to implement than traditional models and, due to its comprehensiveness and balance, more effective in both business and pedagogical practice. The URJCO Model of stakeholder management

provides a structure that attempts to remedy the commonly noted limitations of traditional applications of business ethics while enhancing their benefits. Employing a straightforward yet comprehensive framework, this model impels decision makers to incorporate a variety of stakeholders and ethical perspectives into the analysis and recommendation processes. Stakeholder management guided by this model becomes a comparatively inclusive, integrative, complete, and practical approach to business ethics and can be implemented effectively by both students and managers. Instructors of business ethics also will find the enhanced model advantageous in the classroom, for the augmenting dimensions of justice, care, and organization frequently stimulate richer discussion than typically occurs with more traditional models focusing exclusively or primarily upon utility and rights.

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Appendix: URJCO Model of Stakeholder Management Worksheet

Identify	
Identify the ethical issue (the proposed action or policy to be resolved):	
Identify all relevant facts and information:	
Identify all potential stakeholders:	
Analyze	
Utility	
List and consider all *benefits* and *burdens* that will accrue to each stakeholder group as a result of this proposed action/decision:	
Calculate *total utility* and *stakeholder utility*:	
Based upon UTILITY principles, proposed action is ethically	**WRONG / RIGHT**
Explain:	
Rights	
List and consider all *rights* for each stakeholder group:	
List and consider the corresponding *duties* of the organization toward each of the stakeholder groups based upon those rights:	
Determine if the proposed action protects said listed rights and satisfies said duties:	
Based upon RIGHTS principles, proposed action is ethically	**WRONG / RIGHT**
Explain:	
Justice	
Determine if any basic or essential rights of the stakeholders (listed under the RIGHTS section) are denied by the proposed action/decision:	
Appraise for fairness the distribution of *benefits* and *burdens* (listed under the UTILITY section) that would result from the proposed action/decision:	
Based upon JUSTICE principles, proposed action is ethically	**WRONG / RIGHT**
Explain:	
Care	
Identify the most important relationships between the organization and stakeholder groups:	
Evaluate the impact of the proposed action/decision upon these relationships:	
Based upon CARE principles, proposed action is ethically	**WRONG / RIGHT**
Explain:	
Organizational	
Specify and explain the organizational ethic that best reflects the *Mission* and *Values* of the organization:	
Apply the selected organizational ethic to the proposed action/decision:	
Based upon organizational principles, proposed action is ethically	**WRONG / RIGHT**
Explain:	
Recommend	
Consensus rule	

At least four of five principles agree that proposed action is ethically	**WRONG / RIGHT**
Priority rule	
Dimensions result in split outcome (3–2 or 2–3); dimensions must be prioritized:	
Explain reasons for the particular prioritization of dimension chosen (Note: Since the outcome resulted in disagreement among the various ethical dimensions of the model, reasons for this prioritization, and justifications for resultant decisions will be crucial to any later examination of these decisions by outside observers or stakeholders.)	
Based upon the thoughtful prioritization of dimensions explained above, the proposed action is ethically	**WRONG / RIGHT**
Document This decision making process in detail: (Include any alternatives or suggestions to the policy or action that may improve its overall stakeholder management result.)	

SITUATING ETHICS
A Case Study in Curricular Choices

Martha E. Hardesty

Many collegiate business programs, graduate or undergraduate, AACSB-accredited or not, are examining the place of ethics in their curricula. Some are adding, some are re-examining, and some are dropping courses in business ethics (Kelly, 2002). Rather than explore the debate about whether to include ethics in a business curriculum, this essay addresses institutions that consider ethics necessary to their business education programs. Such institutions may be engaged in decisions about how to package the ethics element for most effective delivery within their broader product line.

Some of us may recall recurring academic debates around writing across the curriculum, critical thinking, oral communication, or other skills that many of us deem essential for college graduates. Questions typically are phrased as either/or decisions: *either* we offer a stand-alone course on business ethics *or* we embed ethics across the curriculum. Our treatment of ethics is at bottom a question of allocating resources for desired outcomes. We must decide where and how to expend our resources of preparation time, faculty strengths, credit allocations, and institutional political capital, all in the context of continual research into the unique process of how humans learn to make ethical decisions.

This chapter offers a reflection on one program's evolving decisions about professional ethics education across nearly two decades. Faculty and students consistently have expressed satisfaction with the program. The chapter is not a theoretical exegesis, but a story in progress. The narrative is detailed so that the reader might better judge how representative the degree program is or how its uniqueness might suggest other alternatives for his or her institution.

The Program

The Master of Arts in Organizational Leadership (MAOL) was introduced by the College of St. Catherine in 1986, the first multidisciplinary graduate leadership degree in the United States. In its 2004–2005 centennial year, the baccalaureate program is the largest women's college in the United States, and undergraduate business administration is the college's largest department. Its two urban campuses now include coeducational associate, masters and doctoral degrees. The college is noted regionally for excellence in health care education and for a century of producing strong community leaders.

From the outset, the MAOL was dedicated to the cultivation of "ethical, effective and enduring leadership." The program nears its twentieth anniversary with the same goal, enrolling approximately 200 students in weekend courses, three terms per year. Rolling admissions and a noncohort scheduling model encourage a high level of student self-determination in course sequencing.

The MAOL originally offered a single degree-track with required coursework in communications, management, organizational behavior, economics, accounting, research methods, and leadership. A range of electives covered issues such as team development and change

management. Currently, students complete a thesis or a leadership action project, which they present to a public audience. The program offers a choice of concentrations, among them strategic management, spirituality and leadership, information services and technology, healthcare leadership, and dispute resolution. The latter is a cooperative venture with the School of Law at a nearby university, as is a joint JD/MAOL degree, or a degree in either program with a certificate from the other. Client-sited custom-certificate programs have been offered for several years, and conversion rate to full programs has been healthy. Electives have expanded significantly. As part of its general institutional accreditation, the program is under decennial review by the Higher Learning Commission of the North Central Association of Colleges and Schools.

Students are attracted to and reflect the program's multidisciplinarity. From the beginning, nearly all have been working professionals. Professional experience (currently, two years) has always been a requirement for admission. Any class roster will contain careerists in health care, government, corporate, entrepreneurial, educational, and not-for-profit settings—students representing the diverse economic environment of the area. Most classes will include younger students motivated to earn credentials and more mature students seeking credentials, fulfillment, challenge, or redirection for a retirement career. In part because of the college's long-term identity, women significantly outnumber men. Religious affiliation differs, as ethnicity does. The multiple strands of learning in the curriculum, the flexibility of timing, and the ethical emphasis of the curriculum are cited consistently as important factors influencing student choice of the program.

Faculty participation in organizational leadership is voluntary. Most faculty share joint appointments with other departments on campus, including business administration,

communications, economics, education, and theology. Support from the college administration for joint appointments has been key, especially for a college whose enrollment now approaches 5,000. Faculty who share an interdisciplinary perspective, who accept ethics as an integral part of organizational functioning, and who wish to teach on the graduate level gravitate to the program. Several long-term faculty members also have taught with the college's pioneering undergraduate weekend college and are committed to innovative models of adult education. Some are veterans of the undergraduate required core courses examining personal values and social justice. Directors from the program have come from several different departments. Adjunct faculty members, from professional settings or from other academic institutions, accept the program's ideology and frequently maintain long-term roles on the teaching roster.

The Embedded Era

The MAOL was created at an institution with known expertise in adult education models and with a commitment to social justice as part of its mission statement. Program founders understood the need for grounding pedagogy in the impacts of institutional decision making on personal lives and on society. Ethics was conceptualized not as a foreordained response to a set of specific factors, i.e. not a content outcome, but as an attitude requiring specific skills to realize fully. Business skills and techniques delivered in a traditional MBA would not in themselves create ethical leaders. It was, after all, the 1980s, and for the first-time in recent history white-collar criminals had become household names. The MAOL built on institutional strengths to differentiate itself from other professional managerial programs.

In committing itself to ethics as an essential part of leadership, the MAOL adopted a permeation approach and embedded ethics across the curriculum. Acknowledging the relation between business and society in *any* subject emphasized that ethics was a fundamental decision factor, not a compartmentalized technique. Including ethics in every course also reinforced the commitment to interdisciplinary stakeholder analysis and problem solving.

Students have entered the program in either "ethics and leadership" or "strategic communication" (formerly "communication and ethical issues"). The former involves a range of leadership assessment instruments, especially Kouzes and Posner's Leadership Practices Inventory [LPI] (2001). Kouzes and Posner's research (1993, 2003) remains a cornerstone for leadership coursework. Students identify ethical issues within their own professions and create leadership credos, which must include statements on ethics. The communications course requires multiple communication projects designed for disparate audiences and concerning a specific issue, which students must frame as an ethical dilemma. Both courses emphasize a stakeholder model of management and ethical decision-making. The same focus on ethical issues, and consciousness of the ethical dimension, carries through nearly all courses, from international economics to diversity management. Material from "ethics and leadership" is revisited in the final "leadership seminar," with a return to the credo and more overt development of an ethics model.

Students report strong satisfaction with increasing their awareness of ethical issues and their consciousness of personal ethical grounding. One survey of program graduates by this author showed that most respondents had encountered issues in their careers that they personally classified as ethical. They indicated that before their enrollment in the program, they had been somewhat more likely to have left a particular setting than to have participated in what they

regarded as unethical conduct. After their degree, they were more likely to stay within the organization and endeavor to influence institutional culture by using skills acquired from the MAOL.

For well over a decade, both students and faculty reported satisfaction with this model. The program in the late 1990s displayed a number of features that contribute to a successful embedding program (Lisman, 1996). The MAOL operationalized an institutional philosophy emphasizing interdisciplinary learning and social justice. Academic administration was congenial to the curriculum, and campus library resources complemented program goals. The campus-sponsored continuing-education programs and speaker series addressed a holistic professional lifestyle. Program and college mutually reinforced brand image.

The curriculum was delivered by a faculty group small enough to meet regularly and collegially and was open to critical discussion of individual courses and projects. Faculty generally were familiar with the entire curriculum and with common cases, themes, and terminology. In classes of fewer than two dozen people, with age spreads of a quarter of a century, instructors employed highly interactive teaching styles and become adept at fostering "students teaching students." Students often clustered into "mini-cohorts" that chose the same classes and became peer coaching teams. Small and large discussion groups, individual and team projects, readings, online exercises, film study, and interview assignments acknowledged students' range of learning styles.

Promotional materials highlighted the emphasis on ethics and on adaptation to adult-learning models. Students in the program were working professionals who had self-selected this educational philosophy. Embedding ethical issues and values in all courses was successful with

adult learners, who from their first class participated in active group discussion with fellow professionals from a wide range of industries. These students did not need consciousness-raising or assigned readings to understand that there are challenges in the workplace that are very important to them personally and to the society in which they would like to live.

Students, as well as program and institution, were committed to a philosophy of adult learning that supported lifelong development of moral sensibilities. Once again, an institutional perspective provided a distinct advantage. Any discussion of ethics education that goes beyond scheduling and operations must consider life-span moral development theories, such as Kohlberg's, with their implications for influencing the ethical perspectives and behaviors of individuals. Important research states, in sum, that a person's moral reasoning is significantly in place by his or her early twenties. Thus, formal education in ethics after this point might influence knowledge but not necessarily behavior. Kohlberg based his work on studies of a small coterie of white males from relatively secure social milieus, a demographic not representative of the MAOL's founding college. As a women's college, faculty were aware of Carol Gilligan's work on women's psychological development (1982). Such research posits a model of ethical development throughout the life span and acknowledges variation in ethical developmental patterns across gender and ethnicity.

Re-Evaluation

As the program approached its fifteenth anniversary, several factors, including introduction of a range of concentrations beyond the general major, stimulated a modification of our curriculum. The faculty reviewed the curriculum closely within the contexts of both

preparation for the decennial review and proliferation of local and online professional degrees, including leadership degrees. And the United States again faced a wave of corporate and institutional scandals. This time around, even journalists labeled the crimes "ethical" lapses. The MAOL's framework had gained widespread currency. This programmatic strength needed to be exploited for both pedagogical and marketing goals.

Assessing the strengths of our then-current program confirmed that students left the program with a distinct awareness of the ethical dimension of organizational life. They had entered the program because they acknowledged this dimension. They developed greater acuity in recognizing issues, with classroom crossdisciplinary exchanges especially productive. Students became adept at applying their new range of business and research skills to the analysis of stakeholder impacts. They could articulate their own values with ever-increasing eloquence. They could apply ethical decision-making models to a range of topics.

On occasion, though, students themselves expressed a lack of confidence in ethical reasoning. They could trace the evolution of their personal values but were less able to connect these to historically powerful philosophies of ethics. Only cursory attention had been paid the nexus between ethical, economic, and political systems. And although the curriculum was strong on general communication skill development and on knowledge of organizational structures, resources on strategies for influencing the ethical culture of an organization were not a focus.

Yet students had values and personal commitment to those values; they had knowledge of ethical issues, and skill in applying decision making models. As a result, we decided to create a course to increase knowledge and enhance skill. In the sixteenth year of the program, "professional and organizational ethics" entered the curriculum as an elective; the following year,

it became a requirement. Again, institutional support for faculty research and course development facilitated a timely product rollout. MAOL faculty participation in campus governance structures also have streamlined approval from relevant educational policies committees. Faculty members involved in creating and teaching the course have come from eclectic academic backgrounds, including the traditional liberal arts; one member has designed an undergraduate sales ethics course.

Students must have completed one-third of the program to enroll in the course. This requirement ensures a background familiarity with program philosophy and terminology. Because the course was introduced nearly simultaneously with several concentrations, it lends coherence to a curriculum that already was noncohort and now has become increasingly particularized. Together with the introductory course and the final seminar, the course has become one of three mileposts in all concentrations.

Modeled around communication themes, the course reflects the program's emphasis on communication as a key leadership skill. The majority of ethical challenges arise, after all, from decisions around what to communicate, when, how and to whom. The dyadic relationships between an individual and colleagues, customers, competitors, and community members become models for recognizing inherent ethical challenges as well as resources for managing them. Earlier coursework in strategic communication is reinforced as students add an understanding of ethical argument to their audience analysis and expand their repertoire of communicator strategies.

An overview of major philosophical perspectives, including nonwestern and historical value systems, generates more than mouth-tingling syllables: a professional who can recognize an outcome-based argument from a teleological one will gain strategic understanding. The course

covers more detail of comparative models of ethical decision making than introductory courses do and provides more case studies from organizational life. Students revisit Kouzes and Posner's LPI (2001) and pay special attention to the five practices of leadership as they contribute to establishing an ethical organizational climate.

Each student completes a major research project exploring the ethical terrain of his or her own profession or industry, identifying past and emerging ethical issues, and finding relevant law, codes of ethics, or other formal resources for dealing with these issues. A major unit examines the role of corporate or professional codes, mission statements, and other formal verbal paraphernalia in providing effective guidelines or enchanting smokescreens.

A major strength of the course has been the participation of leaders from the diverse local economic environment. Repeat guests include, for example, both a founding member of the Caux Roundtable, promulgator of the Caux Principles for international business ethics (2005), and a corporate legal counsel for a large multinational. Visitors usually deal with one theme, e.g., how a growing institution plans proactively to foster an ethical culture or how an organization perceives the territorialities of ethics and law. Guests and class members report high satisfaction with these candid exchanges. Campus sponsorship of nationally known speakers such as Sherron Watson, formerly of Enron, and Colleen Rowley, of the FBI, offers further opportunities for dialogue around ethics.

The first assignment on one instructor's syllabus for the course illustrates several goals. Students are required to read the 1996 letter from T. J. Rodgers, CEO of Cypress Semiconductor, to Sister Doris Gormley, who had protested the lack of diversity on his board. Representative of the tone is "(G)et down off of your moral high horse." Sister Gormley's original letter is

deliberately not included. Before the first class meeting, each student submits a brief "elevator talk" they would deliver to Mr. Rodgers should they find themselves in his neighborhood. No class grouping yet has failed to generate a spectrum of judgments on Mr. Rodgers, from hero to hellion. Thus we have an immediate demonstration that within a group of people self-selected into a course and program identified by its concern with ethics, conscientious people will not come to the same conclusions nor share identical values. We have immediately created a climate of respectful yet sometimes passionate disagreement, as well as a recognition of the need for further information before judgment can be passed. Inevitably, some participants will have located Sister's original letter or charted Cypress' stock prices or board membership through the decade. This same exchange of letters remains a useful exemplar when we contrast deontological and utilitarian ethical systems. The paired pieces also illustrate the continuing program emphasis on the value of powerful communication, as certain students always acknowledge that they have been persuaded, against their original inclinations, by the rhetoric of one of the correspondents.

The course, as now packaged, is rated positively because it expands rather than contradicts material from other courses. Students come in with values. The course extends knowledge of issues and of resources, leading to increased strength in skills, in ethical reasoning, and in ethical discourse. Students have responded strongly to this opportunity to bring ethics from "an ensemble player to the star of the show," as one phrased it. Course evaluations also cite the value of exposure to multiple professions, with their concomitant array of issues and strategies for dealing with ethics. And, most consistently, students cite that the opportunity to reflect on the ethical dimension of organizational life even more deeply than in other courses is highly beneficial to them.

At present, this weekend-format graduate program for working professionals is dedicated to the model of a course in context: a stand-alone course in professional ethics, sequenced midway in a set of courses permeated with ethical awareness. A brief look at another department on the same campus, however, can show that a similar model may not be adapted easily to other audiences or formats. The undergraduate Department of Business Administration at this college is engaged in the same discussion about embedded versus stand-alone courses. All courses in all business majors consistently have presented ethics as a factor. Ethics has permeated the curriculum so pervasively that it has been treated as an assumption and sometimes has not even been noted in syllabi.

In 1998, the department introduced the first of three innovative majors in sales. From the start, "ethics and integrity in professional sales" has been a required junior-level course for all sales majors. Given the popular stereotype of sales professionals, this was both a pedagogic and a strategic marketing decision. Pedagogically, it offered the same opportunity for students to bring to the forefront what was background material in other courses and to focus on ethical decision-making strategies for sales professionals. This piece of the curriculum has been marketed assertively to bring corporate partners on board.

The undergraduate program introduces constraints not felt by the graduate. As part of a liberal arts college, departments are restricted in the number of credits that they can require of students. Offering an accounting or a marketing degree with sufficient coverage of a range of business skills, including a separate course in ethics, is a challenge. Taking an upper-division business ethics course from the philosophy department, as well as its prerequisites, is often not possible for business students. Therefore, the department has had to be flexible in approach. It

recently has offered an elective on organizational ethics, which likely will continue to be offered. All syllabi in all courses within the department specifically identify ethics now, and an expanded introduction to management course will include a major unit on ethics. Faculty members are knowledgeable of the intents and outcomes of required core courses in personal values and social justice, which can be referenced within the context of business courses.

To this author, the ideal is a stand-alone course in the context of a curriculum in which every course rates ethical thinking of a piece with subject concepts and techniques. A conceptual basis for business ethics could be accomplished without a solo course if a significant unit of one course foregrounds ethical philosophies, methodologies, and resources. This option, however, lacks the persuasive advantage that the message of a required course dedicated to ethics communicates to the student and to the public.

To the Future

Each institution, once committed to the significance of ethics education for a business professional, must respond to its own circumstances when choosing its model. An invaluable resource for any examination of ethics in the business curriculum is *Can Ethics Be Taught? Perspectives, Challenges, and Approaches at Harvard Business School,* by Thomas Piper, Mary Gentile, and Sharon Parks (1993), a book-length study of the philosophy and process of including ethics in Harvard's MBA. Excellent chapters conceptualizing ethics education, and especially the curricular effects of moral development theory, lead to pragmatic discussions of politics and operations of curricular change. Knowing that the best and brightest have struggled as others have can be reassuring.

We must charge ourselves with continuing to pay attention to research in life-span developmental models of moral reasoning. We must also include crosscultural research such as that of Geert Hofstede (2003) as we prepare students for work in a globalizing economy. Interpretations of this material must be the foundation for ensuing considerations of the nature of the program, the students, and the faculty.

Fundamental factors are whether the program is graduate or undergraduate and what the level of material and the age and the experience of students are. Graduate programs could benefit from both an embedded and a stand-alone course, which together would provide consistent reference to, and the opportunity to focus deeply on, ethical issues. Any undergraduate program for adult learners well might benefit from the same model. The significant variable in this instance is the experience level of the student. Students with little work experience may underestimate the existence or significance of dealing with ethical issues in their careers. Instructors in sections of the undergraduate sales ethics course that enroll both nontraditional- and traditional-aged students have expressed frustration that working adults arrive with personal experience of ethical conflict and are eager to engage the material while younger students often need additional knowledge to be receptive to the need for such a course and require more attention to the existence and types of ethical challenges. Such contextualization also may be necessary in full-time graduate programs geared toward recent bachelor's degree recipients.

The situating of a program and its source of accreditation well may affect curricular decisions. An AACSB school of business may mandate a course, but without reinforcement across the curriculum this mandate can degenerate into a requirement to be ticked off a list. Situating may be more difficult in a large school of business with a wide range of courses and an extensive

faculty. A business department in a liberal arts institution, on the other hand, can capitalize on the inherent multidisciplinary background of students to create ethical sensitivity. But such a department may be more likely to experience constraints in increasing requirements, and competition for resources across the campus may make it impolitic for a business department to presume to teach a subject so directly derivative of a traditional liberal arts course. In this setting, however, the typically smaller size of a business department can facilitate the faculty development needed to support an embedded curriculum.

Perhaps, in the end, we as faculty are the crucial variable. Whether we create our own curriculum or teach one mandated externally, we engage our students in the classroom (or on the keyboard) in the process of ethics education. We personally communicate the significance of ethical decisions in organizational life by careful attention to or by hurried summaries of those pieces of the syllabus. We demonstrate through our own ongoing education in ethical issues and reasoning that a professional must strive to be fluent in this central dimension. We convince our institutions that research, retraining, and course or curriculum revision around ethics is credible scholarly activity. Only when we as faculty are committed fully to this ongoing, rigorous effort will our choices regarding courses and curricula enable us to fulfill our obligation to ethics education.

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ASSESSMENT OF ETHICS IN THE BUSINESS CURRICULUM

Brian K. Burton

For many reasons, well explained by others, business ethics education is a front-burner topic among those who operate and observe collegiate schools of business. One need only turn to the web site for the Association to Advance Collegiate Schools of Business International (business schools' most important accrediting body), where one of two resource centers focuses on ethics education, to understand the importance of ethics to the community of scholars engaged in business education. The other topic to which a resource center is devoted on AACSB International's Web site is assessment, or, as it is sometimes called, assurance of student learning. There is an important connection between the two topics. The calls for increased emphasis on ethics education in business schools began to crescendo in the wake of the corporate scandals in the early years of this century. Calls often were for business schools to train "ethical business leaders." Yet in setting the goal of training ethical business leaders, we open ourselves to the question, "How will we know if we succeed?" Such a question cannot be answered easily or, perhaps, satisfactorily in the minds of many.

This essay examines the place where ethics and assessment meet. It discusses the goals of ethics education, including the expectations that business schools should have in the area. It also

considers means of assessing whether business educators are meeting these goals, as demonstrated by student learning. Finally, it considers to what use the results of assessments should be put, in the contexts of both the classroom and the general business curriculum.

What Do We Want Students to Know?

Adapting James Rest's framework for an ethical life, David Ozar (2001) identifies four goals of ethics education:

- awareness of values, principles, and ideals;
- reasoning and reflective skills;
- motivation/conviction to live according to the first two; and
- implementation of what the person is motivated to do.

The first element, awareness, can be thought of as the nuts and bolts of normative ethical theory, or, in essence, the values, principles, and ideals that have been judged important over time. Awareness can be reached through the acquisition of basic knowledge of moral theories or considerations (throughout this essay, the terms *moral* and *ethical* will be used interchangeably) and of an understanding of the considerations relevant in various situations. Through the study of moral theories and considerations, students learn to identify criteria, such as net benefits, duties to others, strengthening of relationships, and so forth, that have been important in determinations of whether business decisions are moral. Such study is important for business students (though some may see it as outside the purview of business school), for foundational knowledge empowers students to reason and to use their knowledge in practice.

The instructor can take several approaches to providing this knowledge and thus helping students achieve awareness. Typically, the resort is to coverage of basic moral theories, such as

Kantian deontology, utilitarianism, virtue, justice, rights, and caring. Less often, moral considerations such as duties, consequences, character, and relationships are covered. Even less often, one specific conceptual framework, such as pragmatism, guides an ethics course.

The second element, reasoning and reflective skills, concerns the process of moral reasoning. Through this process, the student weighs the facts of the situation in the light of theories and other considerations, and forms a moral judgment regarding alternatives. It is one thing to understand moral theories and considerations, but quite another to be able to apply them in decision making. Typically, instructors in ethics courses present at least one model of moral reasoning to students. Most are variations on a theme of gathering the facts, identifying the stakeholders involved, creatively thinking about alternatives, and using relevant criteria to determine the best alternative.

The third and fourth elements, motivation/conviction and implementation, concern a person's willingness and ability to follow through on her/his considered moral judgments. With these two elements, we move from the conceptual to the practical. According to most definitions of morality, one's actions (motivated by will, desire, or some other internal force) are key determinates of whether one is a moral person. Motivation/conviction concerns whether the will exists whereas implementation concerns whether the will is translated into action.

Instructors can and perhaps should address these elements, for they concern obstacles to acting in ways dictated by considered moral judgment. Obstacles can be external or internal, in that individuals may be constrained by others or by a situation from taking an action or may have emotional or other internal responses that hinder implementation of a judgment. Discussing these

obstacles conceptually may make students better prepared to confront and to surmount them in practice.

Most instructors, and thus most business schools, have goals of producing graduates who are motivated to implement and capable of implementing the result of their considered moral judgments. In terms of assessment, however, such goals are problematic at best because teachers can influence but not control student's behavior outside the classroom. Admittedly, teachers can do no more than attempt to persuade students of the importance of "being ethical" during classes. It is not that business schools do not want students to be ethical, but rather that business schools cannot easily assess class-based student learning outcomes based on this goal. Of course, we often attempt to achieve goals although assessing whether they have been achieved may be difficult.

There are at least two types of audience for assessment efforts: faculty and administrators of the school, and external reviewers such as prospective students, employers, and accrediting bodies. For certain audiences, it is important to list ethical behavior as a goal in order to demonstrate that it is on our minds. Other audiences, however, expect demonstration of results, and when such results are difficult to demonstrate convincingly, problems can result. It may be, then, that the school will devise different sets of ethics goals for different types of audiences. These goals should not be conflicting, but will differ according to the aspects of moral life addressed.

Beyond the classroom, business school faculty, staff, and administrators can model appropriate behavior for students. Again, however, the question of assessment arises, as when, for instance, a graduate is faced with an ethical dilemma 20 years after completing coursework on ethical decision making. Some schools have resorted to self-reported measures of the impact that

ethics education, whether classroom-based or behavior modeling, has had on graduates' daily work. These measures are subject to the same problems as self-reported measures of ethical behavior or attitudes are: although they constitute evidence, the strength of that evidence is open to question.

In essence, then, it is desirable that graduates of business schools be ethical people, and it should thus be a goal of business schools to create a climate in which ethical behavior is modeled. In the curriculum, however, at least for some purposes, the most we can reasonably expect is that students achieve learning outcomes based on the first two goals—awareness and reasoning/reflection skills.

How Do We Assess Whether Students Have Learned Ethical Behavior?

Once we know what we want students to know, the next step in the process of continually improving ourselves as business instructors and schools is to assess whether students exit our programs knowing what we want them to know. The assessment process thus is a vital part of a business school's efforts to maintain currency and relevance for key stakeholders, including students and employers.

If the two relevant curriculum-based goals of ethics education in business schools are awareness and reasoning/reflective thinking, then at least part of the assessment process in stand-alone courses, or in the ethics segment of other courses, should focus on those goals. For example, student-learning outcomes, assessable statements of our expectations for students, should concentrate on those goals and should specify a level of achievement derived from a taxonomy of

educational outcomes such as that of Bloom et al. (2001). Level specified is important to the curriculum but can differ across curricula, depending on which outcomes are desired.

Means of assessing student learning outcomes in ethics, as in other subjects, are various. But because of the nature of ethics as a subject, assessment might be accomplished appropriately through a narrower set of instruments than are used in other fields. For example, a typical multiple-choice test might not be a useful instrument in assessing a student's reasoning/reflective thinking ability.

Ozar (2001) points to the use of cases as the best way to assess both awareness and reasoning/reflective thinking. Cases need not be of the traditional Harvard-type although that is a viable alternative. Current events, hypothetical or fictional cases, literature, cinema, and events from the students' own lives can be used as material for case discussion. Ozar also notes that it is important to provide a variety of modes for case analysis. These include oral discussions in class, written assignments, and small-group exercises. The importance of multiple modes is that different students learn differently and demonstrate learning best in different settings.

Such methods seem appropriate for small classes, but their nature and the intensity of instructor observation required seem to preclude their use in the large sections often seen in business schools. One possibility is to use sampling, which is perfectly acceptable for assessment purposes. A more creative approach for larger sections might be to use a small case as the basis for questions that ask the students to rank responses from best to worst, giving them four or five options to rank in each question. Such an approach allows testing of the fundamental knowledge students have gained in the course, their awareness of the applicability of knowledge to the case, and their reasoning skills. For example, one might pose as a question "Alternative A is the best in

this situation because:" and list several possible explanations. The student shows reasoning/reflective ability to the extent that s/he ranks the explanations from best to worst. The answers are numeric or letter based and can be machine graded, easing the instructor's burden without forcing the instructor to resort to multiple-choice questions.

Some type of rubric or other standard against which to measure student learning is desirable, no matter which method or combination of assessment methods the instructor chooses. Concerning the fundamental knowledge of moral theories and considerations, the desired level of student accomplishment might be the ability to explain the theory's assumptions and criteria for making moral judgments, as well as the ability to describe generally when a theory or consideration is relevant.

Concerning reasoning/reflective thinking, one approach is to adapt a rubric for assessing critical thinking to moral reasoning, for there is an obvious connection between the two activities. Rubrics specific to moral reasoning have been developed and are available through an Internet search.

Rubrics can help students understand what an instructor is looking for and can help the instructor as well, for they provide more consistent grounds for grading and lead easily to assessment of student learning. For grading purposes, rubric weights can be summed by student. For assessment purposes, weights can be summed by subject area. This approach can save time in what admittedly can be an arduous process.

This discussion has focused on assessment in stand-alone ethics courses or in the ethics-specific component of other courses. Further demonstration of the effectiveness of ethics education would come in courses without an ethics component or in the nonethics portions of

courses including an ethics component. Such a demonstration might include, for example, assessment of the degree to which students recognize ethical issues in cases not labeled as "ethics" cases or develop the ability to integrate stakeholder analysis into a strategy case. Such demonstrations would focus on awareness and reasoning/reflective thinking.

How Should We Use the Data?

Once we know the goals of ethics education and have assessment data gathered from students, our next concern is how to use the results. Obviously, we first must determine whether students have attained the awareness and reasoning/reflective thinking goals set for them, but we also must understand the context in which learning occurs.

Two elements of that context stand out. The first is teaching method. Ethics courses often are taught in a discussion-oriented atmosphere, but this is not the only possible method, by any means. Lectures, cases, and a combination of both are used extensively in ethics courses within and outside business schools and in ethics modules of courses concentrating on other subjects such as marketing or accounting.

The second important context is the method of infusing ethics into the curriculum. Again, at least three approaches are possible—devoting a stand-alone course to ethics, covering ethical issues in functional and capstone courses devoted primarily to other topics, and incorporating a stand-alone course with coverage of ethical issues throughout the curriculum. Most ethics educators advocate the third option, but resource constraints (including time) and faculty's lack of background in moral theory often argue against that option.

Because the goals of accredited business schools, as well as of those seeking accreditation, include continuous improvement, the primary use of assessment data is to examine whether the methods used to teach ethics are accomplishing what we want them to. This last phrase requires elaboration. At our business school, we might want every graduate to demonstrate exemplary ability in all learning outcomes related to ethics. Perhaps such an objective would reflect what those who call for business schools to educate "ethical business leaders" mean. Although it seems an extremely high expectation, some business schools might adopt it.

A different goal would be to have, say, 75% of students demonstrate acceptable levels of ability on ethics-related learning outcomes. This expectation explicitly acknowledges that not everyone can be expected to learn what we teach, an assumption that may encounter resistance.

Meeting a goal might be an impetus to raise the bar and to try to improve ethics education. For example, if 75% of students reach an acceptable level of ability but only 10% reach an exemplary level, instructors might decide to attempt to increase the latter percentage to 25%. The ultimate value of assessment is the spur it gives us to think about what we are doing and how we can do it better.

One important question that assessment data will help answer concerns the approach that schools take to infusing ethics into the curriculum. The option of including both a stand-alone course and coverage of ethical issues in other courses is conceptually the best approach to helping students understand the nature of ethical issues in all aspects of business. Given the constraints, however, assessment data can help faculty and administrators determine whether another approach can serve the purpose in the short term while efforts are made to remove constraints over the long term.

Conclusion

Because ethics and assessment are vital issues among those currently confronting business schools, additional research into assessment-related issues in business ethics education would be welcome. Research into the effectiveness of curricular approaches and of methods of teaching ethics to business students will help educators decide how to proceed.

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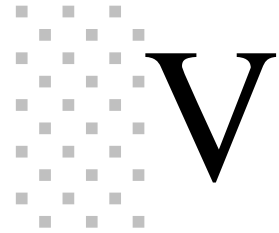
*Additional Thoughts
on Business Ethics and Higher Education*

BRANDING THE BUSINESS SCHOOL
Considerations and Concerns

Debbie Thorne McAlister
Denise T. Smart

In 1999, the University of Florida accepted a controversial $10 million gift from Fredric G. Levin to name the law school. Levin, who made his fortune by handling high-profile personal injury cases, once admitted to occasionally placing illegal bets with bookmakers and subsequently was reprimanded by Florida's Supreme Court. The gift prompted the university's Board of Regents to create a new policy on naming colleges, schools, and programs. Before this change, the university president could accept naming gifts unilaterally; soon after, the University of Florida accepted the resignation of the dean who had secured Levin's gift (Klein, 1999).

University of Missouri fans and alumni protested when the university accepted $25 million from billionaires Bill and Nancy Laurie to name a sports arena after their daughter, Paige. That Paige had never attended the university prompted one columnist to call the arena "the equivalent of a $25 million vanity license plate" (Miklasz, 2004). Weeks after the arena opened, Paige was the subject of a "20/20" television report on academic cheating, after a former roommate claimed to have been paid to write papers for her while she attended the University of Southern California (Stossel, 2004). The Laurie family soon relinquished their naming rights, and

the stadium was renamed Mizzou Arena, after the nickname used to refer to the Columbia, Missouri campus (Franey, 2004).

Several months after Enron declared bankruptcy, 28 University of Missouri (MU) professors voiced concerns about a $1.2 million gift from Enron Corporation CEO and MU alumnus Ken Lay. The 1998 gift consisted of Enron stock and established the Kenneth L. Lay Chair in International Economics, which at the time of this writing has not been filled. University officials state that Enron's troubles and Lay's indictments have not affected the search. They cite, instead, a highly selective process as the reason the chair remains vacant. Some MU professors believe Lay's gift is linked to fraud and insider trading and should be returned whereas others opine that several great universities were built with money from businesspeople with questionable ethics. University officials are waiting to learn the result of the judicial process before taking action but have suggested that the gift is likely to be returned if Lay is found guilty of serious crimes (Zagier, 2004).

Obviously, individuals whose names are to be linked prominently with an institution must, at the very least, be unconnected to criminal activity; at best, their names will conjure in the public mind a range of strongly positive qualities. Administrators also can encounter difficulties when an individual after whom a school is to be named is at the center of, or intimately linked with, intellectual and/or ideological controversy. For instance, Columbia University accepted funds to endow the Edward Said Chair of Middle East Studies, a position that is of concern to many U.S. political conservatives and supporters of Israel, partly because of Dr. Said's well-known sympathies for Palestine and partly because of those of the current holder, Dr. Rashid Khalidi. Critics believe that Dr. Khalidi, like Dr. Said, is too critical of U.S. policy on the Middle

East and that Columbia should present a view of the region more in line with their own (Dobbs, 2004). In this instance, administrators have had to determine to what extent the academy should align itself with sound business practices at the expense of its function as critic and shaper of culture. Although Columbia had agreed to keep the donors' names secret for some time, it has revealed that the United Arab Emirates was among the contributors, a point that confirms critics' assertions that the Chair should be scrutinized by stakeholders in the university (Hedges, 2004).

These examples, and others like them, illustrate that alumni, parents, students, state officials, faculty and staff, and other stakeholders are demanding greater transparency, meaning that university decisions, especially financial ones, must be open for debate. Historically, universities, including business schools, have been free from much scrutiny. Technological advances, government attention, increased competition, media interest, student expectations, and other factors mean, however, that universities should communicate a strong value proposition to cultivate support from stakeholders (Harvest Communications, 2003). Academic leaders must use traditional marketing and business tools to better manage their brand names and to achieve successful relationships with a variety of constituents.

In this paper, we briefly discuss the importance of branding, with an emphasis on colleges of business. We also review the current status of branding in business schools. We introduce a case study of one college of business that recently was named and rebranded. Throughout, we discuss the practical measures that administrators can take to improve in this area.

Brand Management

Brands typically are comprised of a name, a term, a symbol and/or a design that convey expectations of what will be delivered and how these benefits are different from those of the competition. The concept of branding is multidimensional and brings several points to the forefront, including the importance of visual cues, clear benefits, points of differentiation, quality, attitudes and perceptions, tangible and intangible elements of a product, and other factors far beyond choice of logo and name. In essence, a brand is a psychological phenomenon that must be managed carefully, as an intangible strategic asset (Webster, and Keller, 2004).

Beyond individual product brands, firms also are interested in leveraging the "corporate or organizational brand," which serves a key role for the entire organization (Aaker, 2004). Organizational brand messages are addressed to multiple stakeholders, not only to customers. These messages are managed and supported by upper management to ensure a long-term strategic orientation. Many stakeholders, especially consumers, also are interested in the corporation behind the product, which emphasizes the importance of managing brands at multiple levels.

Branding, which usually is associated with consumer and industrial products, is of increasing interest to a variety of managers and leaders, including those in not-for-profit or educational institutions, government agencies, and other settings. Because the competitive nature of markets is not isolated to the for-profit arena, most organizations are searching for ways to define, communicate, and differentiate their services, values, and missions. Whether a firm manages its brand or not, stakeholders will form perceptions and opinions that contribute to its viability. Conversely, a well-managed branding effort provides the mechanism for developing strong brand awareness and brand image. *Awareness* refers to constituents' knowledge of the

organization's products and service whereas *image* relates to the features, benefits, and unique elements that make the brand distinctive in stakeholders' minds.

As the introductory examples demonstrate, naming and branding within a university is not a value-free exercise. The decision to accept funds is laden with expectations concerning the new name, performance levels, expanded programs, university-level support, and/or other special requests. This situation is akin to branding alliances, where two organizations agree to shared goals and visibly produce a new brand that draws on the strengths of each partner (Rao and Ruekert, 1994). The decision to align also must be based on compatible values and ethical standards. There is the possibility that the alliance may diminish or attenuate one or both of the partnering brands, for the reputations of the partners now are linked. Thus, determining an appropriate brand name and implementing programs and values that support it are strategic decisions. In the naming of a university entity such as a college of business, the long-term effects imparted by a particular name must be considered carefully.

Business School Brands

Business school administrators who experience competition for faculty and students, the need to raise external funds, review by accrediting bodies, and pressure for high external rankings often are attuned to the importance of branding. For example, one business school dean recently wrote, "The power of the brand drives admissions, attracts faculty, influences corporate recruiting, and enhances our ability to develop funding" (Robertson, p. 17, 2002). The brand may simply be the "College of Business" or may take on another moniker, as with named and endowed schools. Table 1 provides several examples of business school brands.

Burch and Nanda (forthcoming) conducted an empirical review of business schools with

MBA programs that were named in 2000 or before. At that time, there were nearly 60 such

Table 1: Sample of business school brands.

University	Business School	Mission/Positioning
Emory University	Goizueta Business School	Principled leaders for global enterprise
University of California–Berkeley	Walter A. Haas School of Business	To graduate students with the skills to make the most of the economic opportunities available in our country and our world—and the values to share what they create
Harvard University	Harvard Business School	We educate leaders who make a difference in the world.
University of Minnesota	Carlson School of Management	Solving for tomorrow. Transforming today. To provide the highest quality education for present and future business and academic leaders and advance the understanding and practice of management through research and outreach
Pepperdine University	Graziadio School of Business and Management	The new world of business is here. To develop values-centered leaders for contemporary business practice through education that is entrepreneurial in spirit, ethical in focus, and global in orientation
University of Virginia	Darden Graduate School of Business Administration	To better society by developing leaders in the world of practical affairs

schools, most named in exchange for a financial donation. In a few instances, schools have been named at inception (e.g., Wharton and Tufts) or after a public figure who had served the institution and the state (e.g., Darden). For most, however, a significant financial donation has been tied to the naming. This lucrative arrangement often is afforded schools ranked highly by *Business Week* and other sources, although several top-ranked business schools such as Harvard, Columbia, and Stanford have not been named by or for an external source. Many lesser-ranked colleges have received significant funds and new names, however.

A naming gift presents many opportunities, with funding being the most obvious benefit. Gifts provide for additional programs, scholarships, endowed faculty positions, new facilities, or other projects enabling the college to serve its constituencies better. The naming of a business school also may decrease the credibility gap that sometimes exists between academia and the business world (Crainer and Dearlove, 1999). A college named after a well-respected businessperson may be viewed as high quality because it has been endorsed by someone who is successful in the college's curricular enterprise. A gift and a new name also may spawn additional donations.

A college must be careful that the donor's values, standards, and aspirations are consistent with its mission, vision, and operating principles, however. An organization with a strong identity and set of priorities is in a position to say to prospective donors, "Here's what we're trying to do. Where do your interests coincide?" (Anonymous, p.12, 2000). Discussions must take place early in the development process so that the ethical and legal boundaries of a donor's ability to influence or to control the organization are understood from the beginning. The

following case study illustrates a situation in which college and donors had consistent values and a mutual understanding of the college's mission, vision, unique needs, and other characteristics.

Case Example: McCoy College of Business Administration

On February 27, 2004, the president of Texas State University–San Marcos, a comprehensive university with more than 26,000 students, announced that Emmett and Miriam McCoy had pledged the largest gift in Texas State's history—$20 million earmarked for the university's College of Business Administration. The gift funded endowed chairs and professorships, undergraduate scholarships, graduate fellowships, and development opportunities for faculty, staff, and programs. The college and the new building that would house it were to be named in honor of the McCoys. The new building has been funded through state appropriations, so the gift was dedicated solely to support people and programs. The university president commented, "This is a truly transformational gift and will benefit our students now and for generations to come. It also comes at a pivotal time in the history of the College of Business Administration, when enrollment is breaking records and when we are preparing to move to a new building. To have the McCoy name on this building is a mark of distinction for Texas State." Emmett McCoy is the retired chairman and chief executive officer of McCoy's Building Supply Centers, a family-owned company with a unique approach to business.

The Story of McCoy's

In 1923, Frank McCoy opened a contract roofing business in Houston, Texas. After four years, Frank decided to move his family and his business out of the big city and into Galveston,

Texas. Twenty years later, Frank's son, Emmett, dreamed of selling roofing and other building materials. Emmett expanded McCoy's roofing business into a retail operation known as McCoy's Supply Company. After Frank's retirement in the 1950s, Emmett became president of the McCoy's Supply Company and McCoy's Roofing Company. He quickly expanded the retail product mix and opened a second store near Texas City, Texas in 1960.

Tragedy struck the Texas Gulf Coast when Hurricane Carla hit in 1961, and the McCoy business helped to rebuild. Millions of dollars were spent to repair damages caused by the hurricane. Like others, the company could have taken advantage of the crisis situation, but McCoy's chose a different path. Emmett refused to pursue "opportunistic pricing" and chose to deal fairly with and to support the community. This ethical approach to business helped the company's sales reach $1 million for the first time.

Partly because of the success of the McCoy Supply Company, Emmett decided in 1964 to discontinue the contract roofing business. Almost simultaneously, lumber was introduced into retail operations, which transformed the McCoy Supply Company into a true building supply center. Shortly after, a third McCoy's store opened and McCoy's headquarters was moved to San Marcos, Texas. In 1981, the $100 million mark was achieved, and in 1991 sales surpassed $300 million. By 1999, McCoy's had stores in five states and sales in excess of $450 million.

The mission that guides McCoy's business today appears in Table 2. The company offers comprehensive building materials and services to customers who are "born to build." McCoy's focus is not only on building supplies, but also on devoting resources and talent to community involvement and employee investment. These commitments have constituted the family-owned business's core values. In an effort to express respect for employees and their private lives, all

stores are closed once a week, on Sundays. Employees appreciate working for a company that gives them regular time off.

Table 2: McCoy's Building Supply Centers Mission Statement.

What we do: We provide quality building products and services to our "Born to Build" customers with our valued team of unique people who are committed to both professional and personal growth.

Why we do it: Our "Business as UnUsual" philosophy demonstrates the vision and values of our family business. We celebrate an intense work ethic; yet we affirm that life is more than work. We must be profitable in our operations while always striving to make McCoy's a safe and enjoyable workplace.

Source: http://www.mccoys.com/web/website.nsf/pages/aboutus, accessed January 6, 2005.

McCoy's also devotes time and support to nonprofit organizations and strives to educate and bring together the community in times of need. Providing shelter for individual families in tough times and lending support to those in need also is a common practice in the business. McCoy's makes contributions and encourages employees to volunteer with the American Red Cross, Christmas in April, the Good Neighbor Settlement House, and other charitable organizations. Many groups are linked directly to McCoy's products, which indicates its dedication to strategic philanthropy.

A central tenet of McCoy's is that people (i.e., customers, employees, and business partners) make the company successful. McCoy's website states that ". . . ethical business practices are not an afterthought or a learned technique, but rather, the only way to do business. It is this approach that has brought about stable, long term relationships with our employees, our

customers and our vendors." These practices and values have been fundamental since the early years of McCoy's and remain important guidelines.

Branding the College

Since its beginning in 1918, business education at Texas State has been known by many names: first, the Department of Commerce, followed by the Division of Practical Arts, and then the School of Business, which became the College of Business Administration in 1999. Each new name brought a change in the scope of the educational mission and aspirations of the faculty. The college first was accredited, in 1997, by the Association to Advance Collegiate Schools of Business.

By 2002, the business college, which had grown to nearly 5,000 students and included degree programs at the undergraduate and graduate levels, had become a fairly large business school. The main campus is located in San Marcos, along the Austin–San Antonio corridor, which is a center of higher education for the state of Texas. Within a two-hour radius of San Marcos are several high-profile business schools, including those at the University of Texas–Austin and at Texas A&M University. Both schools have been named through large endowments by successful businessmen—Red McCombs and L. Lowry Mays, respectively.

The McCoy gift rebranded the Texas State business college to the Emmett and Miriam McCoy College of Business Administration. The college's new building was named McCoy Hall. Concerning the McCoy legacy, the college commented as follows:

> Emmett McCoy's business career was characterized by ethics, hard work and integrity. As a couple, Emmett and Miriam McCoy are known as people of generosity and principle. The McCoy name is synonymous with ethics, character, hard work, integrity, the value of continuous learning, and the importance of caring about people; the very characteristics we strive to instill in

> our students. It is an honor to name our College of Business Administration for them. It is a name that will carry us forward, and one we accept with great pride.

The emphasis on ethics and integrity evidenced in the McCoy's mission statement and the family's actions made this branding alliance highly attractive to both college and university. At the same time, the McCoy family had to ensure that their name and resources were being entrusted to a worthy organization. The college's mission and values, which include excellence, integrity, professional and personal development, respect, and accountability, were aligned with the McCoy's perspective. The alliance serves as a distinct reminder that business must balance stakeholder interests and concerns, not just focus on the bottom line. This broad view is consistent with recent calls for companies and business schools to enhance their emphasis on ethics and societal concern (e.g., Mintzberg, Simons, and Basu, 2002).

Conclusion

Business schools are the gateways to many successful business careers. This responsibility dictates that colleges identify ethical standards, stakeholder responsibilities, and partnerships that will allow them to achieve their objectives, work with constituents effectively, and continually monitor and improve themselves. A purposeful vision, mission, and set of values define the college brand, but they are just the beginning of an effort to manage a college's long-term relations with students, faculty, staff, employers, and other groups. Ultimately, a college needs to establish a strong ethical reputation based on collective perceptions about the college's performance. The decision to name and rebrand a college can be fundamental to reputation.

Reputation management is the ongoing process of building and sustaining an organization's good brand-name and generating positive feedback from stakeholders. Reputation

is affected by every contact with every stakeholder, so it can be either an asset or a liability in developing and implementing strategic plans and initiatives. Reputations take a long time to develop or to change, and it is far more important to monitor and to manage brand and reputation than many believe. Branding alliance decisions must reinforce and enhance a college's ethical reputation while ensuring that the college can fulfill the donor's expectations responsibly for years to come. Although situations, administrators, and reputations may change, it is vitally important to understand the issues involved in naming and branding opportunities before making such decisions. Compatibility over the long run, in terms of trust, shared values, transparency, and the ability to work toward common goals, is paramount.

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ETHICAL ISSUES IN ACADEMIA
An Appropriate Time for Assessment

Brent A. Hathaway

For decades, a great deal of attention has been paid to ethical issues, regardless of the region of the world or sector of the economy. Debates have raged about the ethical implications of economic development, global trade, health care, biotechnology, energy, the environment, and styles of governance. The media, reporting unethical behavior by senior management in prominent corporations, initiated finger pointing in many directions and have prompted questions about business ethics education. Perhaps like others in business schools in higher education, I have observed a great deal of finger pointing, especially from colleagues across campus that are looking to blame someone or something for these high-profile cases. When confronted with complex and uncomfortable situations that are not explained easily, human behavior tends to defensiveness and deflection. Regrettably, self-reflection is all too rare an outcome.

Several challenging questions remain after the firestorm of popular attention to ethical issues in business culture. Is integrity mostly a function of one's early childhood upbringing? Are there more ethical problems in business today than there were 50 years ago, or have technology, the information age, and our modern media simply made discovery and visibility more possible? Has there been a broad cultural shift in this society's ethical norms, which has negatively affected

individual and institutional behavior? What effects can a revamped management education have on the root issue of a lack of personal integrity, which becomes a lack of institutional integrity? What role has management education played in creating the "wealth maximizing" culture that evidently dominates business leadership? Have decades of "wealth maximizing" culture in our business schools had a direct effect on recent business ethics scandals?

If we become more successful at identifying answers to these questions and to the possible reasons for a decrease in personal and institutional ethics, we are faced with a host of additional difficult questions about remedies. Can passive knowledge transfer of ethical components in key disciplines really make a difference in society? If knowledge transfer does work, which instructional approach is most effective? Will new stand-alone ethics courses or an increased integration of ethical content into the current curriculum be more effective? Is there an effective reward structure to reinforce improvements in ethics education and research? What role should industry play in funding this investment, or would industry funding somehow taint progress in the business education profession?

An Academic Conference Raises Issues

As with any challenge to long-standing tradition and practice, thoughtful and impressive discourse has been generated on the topic. A recent conference titled "Teaching Business Ethics" was a collaborative effort between key faculty from the University of Colorado, Colorado State University, the University of Wyoming, and AACSB International.

I enjoyed debates about the trends of cultural and moral norms in modern society and about whether institutions of higher education should attempt to tackle these issues alone.

Individuals accepting this challenge often are confronted with the pedagogical issues of whether instruction should be embedded in current coursework or emphasized through stand-alone course offerings. It is very encouraging to observe the international energy and leadership as well as the passion of several faculty within my own institution who are active in this important area in business education. Especially impressive is faculty energy dedicated to determining how best to integrate ethics education into traditional programs of study and to improve ethics education. I left the conference convinced that positive change would occur in business education, including expanded outlets for ethics research and increased importance placed upon ethics teaching effectiveness.

Reflecting since the conference, however, I have become concerned that too much attention was devoted to "finger pointing" at others' unethical behavior in the business world. It seemed to me it had been too easy to allow our focus to remain on saving those poor souls (our future graduates) from themselves when they enter the real world. We not only should concern ourselves with educating students about the ill effects of unethical behavior on them and on society's trust in our free enterprise system, but also should evidence some degree of self-reflection on ethical issues in our own profession—although such self-reflection will be challenging.

Academe and Business

Most of my professional career has been in industry, and I can appreciate and empathize with the pressures on business leaders to hit quarterly or annual business goals to maximize shareholder wealth. Having spent the last three years in higher education, I am now more

sensitized to the pressures on faculty to maximize vita wealth and administrators to maximize academic or institutional wealth. Perhaps my hybrid professional background in education and industry has caused some confusion, but I see some of the ethical issues business leaders face today as similar to issues being faced by faculty and administrators in higher education. Just as the recent ethical shocks in business and society have led to self-reflection for many business leaders, stakeholders, and business educators, additional self-reflection and scrutiny seems warranted in academia.

With every challenge, there comes opportunity. What a great opportunity to increase the level of scrutiny within our profession and to examine our personal integrity, institutional integrity, and accountability. When better than now can we fully consider the implications and consequences of our actions in academia on stakeholders? Is it time to refine who our "customer" really is and whether there are any other "stakeholders" beyond our students, employers of our students, parents of students, and taxpayers that finance our public institutions. Some critics claim that higher education has sold out to commercialization as tuition swells to fund "state of the art" everywhere but on the academic side. Other critics point out that we spend more on higher education than any nation in the world but receive a suspect return on investment. Has the commercialization of higher education led to an over-reliance on external funding, a proliferation of obscure journals absent any substantial readership, and students herded into large lecture halls and taught too often by unqualified graduate students or part-time adjuncts?

As a relative newcomer to higher education with no experience in business ethics instruction, I am not in a position to provide thought leadership. Nor is it my intent to provide a comprehensive review of the literature or to identify the key issues. I will outline several issues

that seem fraught with negative consequences or externalities that go well beyond our obvious customers or stakeholders, however. Some issues I will not address, for they clearly are legal issues (e.g., plagiarism, inappropriate student-teacher relations, fraud, abuse, or misuse of university resources). Some issues seem only nuisances, given the increasing pressures applied to institutions of higher education to stimulate replacement funding in light of shrinking state budgets and the desire to measure faculty performance quantitatively. Other issues are much more complex than they might appear, whether ethical in nature or not; these deserve additional scrutiny. It is my intent to offer observations and, perhaps, a new perspective on both ethical and nonethical issues troubling academia.

To practice more effectively what we preach in the ethical dimension of our profession, change is essential. In the business community, change in process, personnel, product/services, business units, customer segments, technology usage, and institutional leadership occurs at breakneck speed. In higher education, change in process, personnel, curriculum, departments, programs, technology use, and institutional leadership often is less rapid. One would not expect the pace of change to be identical in business and higher education, but improvement in both sectors seems necessary. One area where this difference is most evident is with advisory boards comprised of business leaders who quickly become frustrated with the cumbersome pace associated with effecting change in the academy. It is true that many faculty members pride themselves on being rebels, but outside theoretical or methodological debates I have observed a strong conformist tendency: just try changing class schedules (time or location), office assignments, college core curriculum, or standard credit hour courses.

Accepting that ethics education is an important component of the business management curriculum, we have several new roadmaps to assist us. A recently released report by AACSB International outlined four broad themes that should inform and anchor business ethics education (AACSB, 2004): [1] responsibility of business in society, [2] ethical decision making, [3] ethical leadership, and [4] corporate governance. Additionally, a new web-based Ethics Education Resource Center offers information targeting different methods and models to create and to evaluate business ethics education. As helpful as these new resources are for embracing change in teaching business ethics, I am left with several related questions about our own behaviors.

Academic Ethical Dilemmas

The reality is that student ethical behavior is dismal. Multiple studies show alarmingly high rates of cheating at high school and on college campuses. Results from a 2003 study led by Rutgers University management professor Donald McCabe revealed that 63% of students in U.S. business schools confessed to cheating during the prior year (Carroll, 2005). Just as astounding as the student survey, a survey of 2,500 faculty members discovered that 44% acknowledged they had suspected at least one incident of cheating during the 2002–2003 academic year and ignored it (McCabe and Pavela, 2004). Related to this behavior is that greater than one-third of faculty never bother putting information in their syllabi about expectations for academic integrity (McCabe and Pavela, 2004). Does classroom behavior by our own faculty negatively affect the norms of behavior by students?

One of the more tenacious controversies in higher education is whether there is a natural conflict between teaching and research. Arguments as to whether these two activities support or

detract from each other or are independent activities can be supported with research validating each of the three positions (Hattie and Marsh, 1996). Although the appropriate balance of teaching and research is debated widely, the tenure and promotion decision at many top universities is based largely on research productivity. Few would argue, especially at teaching-intensive colleges and universities, that the move towards rewarding professors for research, external grants, and publication activity has been uncorrelated with a neglect of teaching. Scholarship and discovery clearly are essential elements of higher education, and external funding is one important tool stimulating and validating cutting-edge research—while also making significant contributions to an institution's operating budget. We must not allow this positive resource to change our reward system so radically that it undermines other important obligations.

Decades ago, Kerr (1975) identified the folly of our changing reward system at universities, whereby teaching no longer is valued as greatly as research. We can question the tradeoffs associated with this change and arrive at several observations for academic leaders who hire faculty. First, reviewing the academic myth that research productivity and teaching effectiveness are complementary constructs, Marsh and Hattie (2002) found no positive reciprocal relation between teaching and research. Second, if research and teaching are independent constructs, then increasing a university's research competency in order to increase academic reputation and/or attract external funding does not affect faculty teaching effectiveness directly. Third, we must be prepared to respect the various balances achieved between research and teaching in different institutions with unique strengths, customer bases, and institutional goals.

The desire to have a faculty staffed with Nobel-Prize-winning scholars who can also ignite a passion for learning in a large undergraduate classroom is a wonderful but largely

impractical goal: obviously there are exceedingly few Nobel Laureates gifted or interested in teaching. We have all encountered a great researcher who is unable to communicate effectively with students or the general public for that matter, and we all know a great teacher who either lacks the motivation or the ability to produce quality research. It has been my observation at the University of Wyoming, however, that many very excellent teachers also are active and skilled researchers, and many excellent researchers are outstanding in the classroom.

A disturbing perception on the part of the general public is that research is a distraction from the primary mission of undergraduate instruction. Society questions how faculty time spent on scholarly output (targeted to a small subset of peers) can possibly be helpful in the classroom, especially with undergraduate students. It is true that professors in U.S. research or doctoral-degree granting universities believe that the pressure to conduct research has hurt the quality of teaching (Boyer, 1990). It is also evident from the same survey that professors in U.S. junior colleges and liberal arts institutions do not feel the same pressure (Boyer, 1990). Although the tension between expectations for teaching and research is a concern for higher education, we should not allow only one model of higher education (the Research I Institution) to represent the many educational institutions that serve society. The free-market system allows faculty to self select into an appropriate institutional fit.

Academic culture is founded upon discovery, knowledge, wisdom, creativity, love of learning, and service beyond self. In our current culture, energetic and forceful personalities achieve success and near "superstar" status in an age that celebrates greatness. Are professors misusing their positions of power? We all likely have cringed in classes when faculty misuse freedom of speech to indoctrinate students, despite data that either disconfirms or questions their

theoretical or political bias. Teaching devoid of a strong personal orientation (beliefs, feelings, or practice) fosters free inquiry and pursuit of learning for students. While not taking a position or strongly defending a point is typically not a recommended strategy for research and scholarship, we should consider neutrality sound teaching strategy.

One of the outcomes of the national trend of shrinking state support is an increased focus on external funding. Although Wyoming is one of a very few states enjoying a state budget surplus, this clearly is not the situation nationally. Regardless of the status of the state budget, business schools often are marginal players in external grant generation, given the limited pool of social research spending that applies to business disciplines. Clearly, many faculty productive in external grants often "buy out" their teaching responsibility with research funding. This raises an additional dilemma. Should we endorse the practice of removing from the classroom some of the very best faculty who are successful in generating external grants? I am certain that the position of the general public would be "absolutely not"—we send our youth to you and expect the best faculty you can offer! By not managing an appropriate "buy out" formula, we can err on the side of caution by not allowing any "buy out" and creating a strong disincentive for our most productive faculty. Or we can err on the side of external fund generation in the pursuit of new discovery and scholarship and further endanger public trust in our commitment to teaching.

A related dilemma is associated with the desire for endowed professorships to enhance academic competency and reputation. Often, such professorships secured by private funds are used to attract prominent research faculty. In addition to the higher status and financial benefit for such faculty, the attractiveness of the endowed position is a lighter teaching load to concentrate more time and energy on research activity. The result is that as we attract more endowed professorships

to enhance our competency and academic reputation in targeted disciplines, we typically have a lighter teaching commitment in these positions than for our average tenure-track faculty positions. One positive action taken at the University of Wyoming's College of Business is to include in our endowed professorship agreements a statement of commitment to teach an undergraduate course regularly. This makes the donor very happy about the impact of the sponsored professorship because it is evident that the endowed professor will interact with a larger pool of undergraduate students. But it also helps us attract top faculty in targeted disciplines who are excellent in research *and* teaching. Perhaps we miss attracting a few premier scholars who are hoping to escape undergraduate instruction. Given our land-grant culture and our commitment to both research and teaching at the University of Wyoming's College of Business, this is an excellent tradeoff.

One result of securing endowed professorships, which often are linked to existing faculty lines, is an increased reliance on adjunct professors for undergraduate teaching. Certainly, escalating starting salaries in business disciplines for newly minted Ph.D.s and shrinking budgets nationally contribute to this trend. Another issue is the proper balance between tenure-track faculty and adjunct or academic professionals. Accreditation standards from AACSB International offer helpful guidelines regarding this balance as it relates to establishing or retaining accreditation. Promotional material highlighting the best faculty can be viewed as a "bait and switch" practice by parents, employers, and taxpayers, when students are taught by adjuncts or other academic professionals after being promised, in effect, a "superstar." It has been my experience that our students are often very pleased, if not ecstatic, with the overall teaching effectiveness of adjunct professors or academic professionals, however. As the parent of two undergraduate students, I

welcome the opportunity to defend the practice of employing a percentage of faculty that focus primarily on teaching undergraduates. In my opinion, a more glaring ethical issue is the status, respect, and compensation that these professionals justly deserve but rarely receive.

Through emphasis on grant-funded research, ease of faculty communication, and collaboration through technology, we are seeing an increasing trend in multiple authorship. While the reasons just noted are all positive outcomes, this trend is particularly troublesome in medical research, where multiple authorship rose from slightly more than one in 1915 to an average of more than six by 1985 (Jones, 2000). Although business research has not seen this nearly exponential growth in multiple authorship, the trend is evident in our disciplines, as well. Having a name placed on a publication when an author provides only a noteworthy pedigree, methodological twist, grant funding, or status as an advisor can also be an ethical dilemma—and not only for professors. Regrettably, a majority of graduate students believed they could not report problematic or ethically suspect situations to administration without expecting retaliation (Swazey, Anderson, and Lewis, 1993). Have the pressures for research and scholarly output put such pressure on faculty that they have responded with unethical behavior including questionable multiple authorship, data manipulation, or repetitive publications? Has the requirement of tenure and promotion to full professor at our top universities created an environment that diminishes broad scholarship and promotes collusive-like behavior and microscopic theoretical specialization?

Refreshingly, business educators are not bombarded with as many ethical issues related to research publication and multiple authorships as our peers in the sciences are. Prominent stories of several pharmaceutical product recalls traceable to pressure from funding agents are another

evidence of ethical misconduct or clear conflict of interest. These scandals and the lawsuits that followed them have been nearly as sexy for the media as business executives such as Kenneth Lay and Martha Stewart have. Whether questionable ethics and negative influence include governmental agencies, pharmaceutical companies, or research and development firms, it is evident that financial incentives are having a negative effect on research outcomes and public trust. The biomedical arena may be the most affected by ethical controversies surrounding publication of accurate and unbiased results. As many as one-third of the authors submitting papers in biomedical publications may have a conflict of interest, and increasing the awareness of ethical issues is crucial for that research profession (Kempers, 2002).

There is another delicate issue for professors and administrators, which is related to textbook authorship and sales. Most academic departments regard textbook authorship as desirable scholarship. The element of personal financial gain for faculty from textbook sales to local students can be problematic, however, and especially so for faculty who mandate textbook selection in multiple sections of large undergraduate classes. Logic suggests that professors should select their own textbook for local instruction given their knowledge of the content material and their need to improve and to refine the next edition. I have been pleased to observe the quiet demonstration of ethical leadership by faculty members who donate their profits to the university from local sales of their textbook.

Many other stark and troublesome issues in our profession should at least be mentioned and do warrant additional attention. Several research or publication issues include unprofessional behavior during the peer review process, confidentiality leaks, referee or editor bias, wild escalation of journal prices, conflict of interest regarding intellectual property rights, misuse of

student subject pools, or some form of direct or indirect financial linkage to research. Other teaching-related issues include neglecting students, dishonoring regular office hours, distorting curricular needs to support narrow personal interests, inflating grades by, for instance offering excessive extra credit, enrolling too many students in a class, teaching students with learning disabilities in a manner that does not respect their needs, assigning large classes regularly to graduate assistants, giving exams that limit learning (e.g. multiple choice), and failing to ensure overall balance, fairness, and competency in the classroom. Additional interesting issues of a more generic nature include the "sacred cow" of tenure; use of university resources for consulting work; abuses in graduate education; service obligations vs. outside based personal gain; the permeating mentality of faculty as free agents; obsessive focus on school ranking/rating scores, or on the assessment of faculty/student performances; intolerance for variance in job descriptions; intolerance for diversity, whether gender, ethnic, or political; lack of respect for our students, peers, and administrators; and fundraising opportunities' driving academic planning.

Many elements may hamper our addressing these issues, but there is little scholarship in this area, and few doctoral-degree granting programs offer a field of study in ethics. General guidelines and/or generic codes of ethical conduct are useful tools, but they existed in the business world and did not prevent ethical problems there. Why should we expect codes of ethics to be more effective in academia? Interestingly, materials outlining the rights of the professor are exhaustive, especially so in unionized institutions, whereas materials available outlining the obligations, responsibilities, and ethical behaviors of the professor are relatively small. I challenge us, as academics, to expend a small fraction of the energy we will expend in business ethics education over the next decade on ethics in our own profession.

How To Proceed

Sandra Waddock outlined a need for radical change in management education and suggested a number of skills that needed to be included in the curriculum in order for students to develop integrity and integrated thinking. To instill these skills, she suggests five major elements that needed to be embedded into a radical new curriculum (Waddock, 2004). These are [1] a sense of balance, [2] integration of body, mind, and heart, [3] holistic understanding, [4] respect for diversity, and [5] a grasp of complex change. Her suggestions go to the heart of the change needed within ourselves when developing stronger integrity and more integrated thinking.

Change in ethics education seems to be occurring more rapidly in private AACSB institutions, where 68% of schools require a specific course in ethics. Only 30% of public AACSB institutions do so (Buff and Yonkers, 2004). Fifty-nine percent of all AACSB schools have no reference in their mission statement to ethics, values, morals, social responsibility, or religious affiliation—nor do they require an ethics course (Buff and Yonkers, 2004). We can also go back to the four broad themes outlined in the 2004 AACSB International report. These intended to inform and to anchor business ethics education and addressed business' social responsibility, ethical leadership, and corporate governance. Adjusting these themes slightly, we have another lens through which to examine our responsibilities, obligations, and personal/professional ethics:

- responsibility of business education in society,
- ethical and responsible decision making,
- ethical leadership, and
- institutional and faculty governance.

Such a framework is just one of many ways in which to initiate and to conduct the needed discussions. I suggest that faculty leaders and administrators initiate discussions that expend at

least as much effort as expended to review one academic program or one faculty member for a tenure or promotion decision. I would also suggest that, given the dynamic nature of faculty, this review happen every two or three years.

Despite the level of anxiety it can occasion, action is required to initiate change. Whether action is initiated at department, college, university, or professional association level, progress towards open discussion of the ethical issues I have outlined is important. Grouping issues into categories such as legal, ethical, or troublesome is a straightforward way of initiating discussion. Another helpful grouping could be into categories of power, entitlement, or neglect. Another approach would be to examine faculty roles such as teacher, scholar, mentor, advisor, service provider, fundraiser, etc. and their interactions with various stakeholders. Certain expertise we have or are developing in ethics education currently focused on solving industry woes could be applied readily to building a reflective culture of process improvement in academia. We possess a talent for dissecting every segment of business society and have an increasing need to apply that talent internally.

Although my thoughts could be viewed as condemnatory of higher education, that is neither my intent nor my feelings. True, we have issues in our profession that desperately require thoughtful discourse and change. We are in the enviable position, however, of being able to let our actions speak louder than our words and to influence our future business leaders positively. Let us not neglect our duty to ourselves and to our stakeholders and risk having another party dictate our future. Proactive approaches in this area can be uncomfortable for many, especially for those fearful of change, but the business world we research and teach about is changing, and we should expect no less of ourselves.

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Fulfilling Our Obligation

Perspectives on Teaching Business Ethics

Because the backgrounds of the contributors and their perspectives vary, like a copious buffet, this collection offers a wide and varied selection. The articles address some key questions about business ethics, e.g., what it is, whether it can be taught, whether it should be "infused" in business courses or taught in a stand alone course, who should teach it, how it ought to be taught, and how the results of teaching business ethics can be assessed. There is much food for thought here.

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Given the long history of ethical and legal abuses by business leaders, there can be no debate about the importance of ethics in the curriculum. We may differ on how it should be integrated into the curriculum and this volume effectively explores both what to do and how to do it. The important thing is that business schools will abdicate their own moral obligations of educating future business leaders if they do not embrace this vital of business leadership education. If not us, who will do it?

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Sheb True, Linda Ferrell, and O.C. Ferrell have assembled a truly outstanding collection of faculty and practitioners who offer leading edge insights into the application of ethics inside and outside the classroom. Cases, articles, vignettes and theoretical constructs from an incredibly talented array of contributors makes for must reading in any business courses dealing with ethics today.

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ISBN 10-1-933483-01-6
13-978-1-933483-01-6

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