Introduction: The Role of Universities in Training Business Leaders in Ethics

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The recent rash of corporate scandals involving Enron, WorldCom, Tyco, and Martha Stewart has prompted speculation about their origination. While many people have been defrauded of millions of dollars, some people have made money and managed to elude civil or criminal prosecution. Many of those who caused scandals, misrepresented, and benefited from illegal corporate activity remain uncharged. This has lead to a pervasive distrust of corporate leadership. The recent conviction of Martha Stewart only underscores that distrust, as her crime, one of lying to federal investigators, represents the least financial harm of the most infamous corporate scandals.

Ethical standards have existed for hundreds of years in many different professions. Doctors, nurses, teachers, real estate agents, bankers, lawyers, advertisers, retailers, and many other professionals honor established codes of ethics that regulate their activities. In a recent discussion on teaching ethics in business schools, Professor Ken Friedman explained the history of ethics in the professions:

Ethics has been interwoven with every aspect of professional education since the first professional schools were established in the great river civilizations of China, Egypt, and Sumeria. These were schools of administration and not business administration. The point is nevertheless the same. For five millennia, professionals have defined their role and standing in society in part by their relationship to society, and that relationship entails ethical obligations.

An example of the discussions going on in various professions about ethics is provided by David Carse, deputy chief executive of the Hong Kong...
Monetary Authority, who said in a speech in fall 1999 on the importance of ethics in banking:

It means, I would suggest, trying to be a good corporate citizen; trying as an organization to adhere to certain ethical values; and trying to do the right thing by all the various stakeholders—customers, employees, suppliers and shareholders—that any business organization has. It means, as one writer has put it, “choosing the good over the bad, the right over the wrong, the fair over the unfair.”

The ethical standards of many professions are published widely. A part of every professional training program is training in ethical standards of that profession. After receiving certificates and degrees in professional fields, those who obtain state board licensure or business licenses are subject to further scrutiny and the possibility of losing their licenses if their professional actions break ethical standards.

Government response to scandals has been primarily through the Sarbanes–Oxley Act from Congress and changes in SEC (Securities and Exchange Commission) rules and regulations. Sarbanes–Oxley 2002 is a piece of legislation that has sixty-seven parts. The Act has redefined existing rules and regulations and created new ones on data collection and management, auditing and reporting procedures, corporate and criminal accountability, rules for persons with specific job descriptions, and what constitutes conflicts of interest in accounting and reporting procedures.

While Sarbanes–Oxley was intended to protect companies and shareholders in public companies, it has become clear that private companies are also affected by the changes. John Hagerty, AMR Research Inc. analyst, states the following:

For instance, public and private companies alike must adhere to the so-called whistle-blower provision of the financial reporting law. That section specifies that employees must be given the means to anonymously notify federal regulators or corporate audit committees of any potential wrongdoing within their companies. In addition, privately held companies would have to take many of the other steps mandated by Sarbanes–Oxley if they decided to go public or agreed to be acquired by a public company.

In addition to the changes in corporate behavior required by Sarbanes, the SEC and the stock exchanges have made their own revisions to standards. The SEC has issued twenty-seven regulation changes that dovetail with Sarbanes rules.

The number and seriousness of recent corporate scandals have lead to a discussion in business and in the academy about a possible link between university training and corporate behavior. Board members, managers, and faculty have discussed from various points of view what universities might do in response to the crisis of confidence in corporate management and ethical behavior. Katherine S. Mangan, Chronicle of Higher Education author, writes:

Not since the days of the insider-trading poster boy Ivan F. Boesky and the junk-bond king Michael R. Milkin have MBA programs been so assailed for their role in preparing future corporate executives. Many of the schools are scrambling to rewrite case studies, dust off their ethics lessons, and defend professors who have worked for the very companies now under scrutiny.

Some even believe that business schools have caused the current crises. Mangan further writes:

In Leading With Purpose, to be published next month by Stanford University Press, a former professor at Harvard Business School argues that the seeds of the destruction of companies like Enron and WorldCom were sown at prestigious American business schools.

“The idea that the most important goal of business is to maximize shareholder wealth has permeated the entire curriculum of many business schools,” writes

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2 David Carse, Banking Conference on Business Ethics, Hong Kong, September 15, 1999, http://www.bis.org; (accessed March 29, 2004). The Bank for International Settlements (BIS) is an international organization which fosters cooperation among central banks and other agencies in pursuit of monetary and financial stability. Its banking services are provided exclusively to central banks and international organizations.


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"The idea that the most important goal of business is to maximize shareholder wealth has permeated the entire curriculum of many business schools," writes John Hagerty, qtd. in Thomas Hoffman, Direct and Indirect Impact of Sarbanes-Oxley Hits Private Companies, June 25, 2003, http://www.computerworld.com/governmenttopics/government/legalissues/story/0,10801,83457,00.html; (accessed March 29, 2004).

Richard R. Ellsworth, a professor of management at Claremont Graduate University's Drucker School of Management, "That notion establishes a foundation that builds upon greed. It can prompt people to put their own financial interests ahead of the general good."

In Enron's case, the company maintained the illusion of huge profits by setting up shaky partnerships to conceal its debts. In business-school classrooms, students learn to juggle the numbers to put the best spin on a company's portfolio.

Marianne Jennings, professor of legal and ethical studies at Arizona State University, agrees:

For the past decade, business schools have focused too heavily on financial models. "Students learn that careers are made or broken on whether they can come up with the next hedge fund or the next creative financial gimmick. We shouldn't be surprised by these stunning failures of companies. This is what we taught our students to do."

Harvard Dean Kim Clark disagrees:

The current scandals go far beyond what anyone would condone in the classroom. Even the most strident advocates of maximizing shareholder value...qualify their support by saying people need to do it within the bounds of the law. What we're seeing today are people who have not just confronted ethical dilemmas, but rather have lied, cheated, and committed fraud.

ROLE OF UNIVERSITIES IN TEACHING ETHICS

Friedman outlines the history and role of universities:

The first universities were born around professional schools in medieval Italy and France. These professional schools taught medicine, law, and theology, along with fundamental administrative management skills for the business of state and church that would be practiced by legal and priestly graduates, clerks and clergy.

These professions had...ethical dimensions as well as technical dimensions. So did the trade and craft guilds in which master standing defined the other major professions of medieval and early modern society.

The claim of professional education is a claim of service to society. It is bounded by the oath of service that each physician, lawyer, or priest takes on entering office, and it stands for the highest professional ideals of humanity.

The oldest extant professional oath is the Hippocratic oath. Physicians half a millennium before Christ was born first swore it. It is still sworn by everyone who practices the medical arts today. This professional oath is ethical, and every physician is obliged to understand his or her work in the ethical terms that give meaning to the skills and techniques of healing. Lawyers and priests swear an oath, as well. So, too, do specialized professionals such as military officers who swear an oath of service on leaving the academies. In medieval society, guild members swore an oath on entry to the guild, on promotion to journeyman status, and finally on rising to master status that distinguished the professional or executive level of guild membership from worker roles. All of these were declarations of ethical obligation and a promise to meet the ethical responsibilities of the profession.

He added the following:

The purpose of each of the three professions was to serve society. The professions ministered to the social, physical, and spiritual needs of human beings. However well or poorly any one physician, lawyer, or priest fulfilled a professional role, the goals were located within and bounded by the larger society to which all human beings belong.

GRADUATE SCHOOL TRAINING

As business schools and graduate training programs have evolved and created curriculums and mission statements, the faculties have grappled with their goals to produce a student well aware of ethical challenges and duties. Two business school mission statements regarding ethics, Harvard Business School and Wharton School of Business at the University of Pennsylvania, show that schools can address their goals pointedly.

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The mission statement at Harvard Business School reads as follows:

The mission of Harvard Business School is to educate leaders who contribute to the well-being of society. Achieving this mission requires an environment of trust and mutual respect, free expression and inquiry, and a commitment to truth, excellence, and lifelong learning. Students, program participants, faculty, staff, and alumni accept these principles when they join the HBS community. In doing so, they agree to abide by the following Community Standards:

- Respect for the rights, differences, and dignity of others
- Honesty and integrity in dealing with all members of the community
- Accountability for personal behavior

HBS can and should be a living model of these standards. To this end, community members have a personal responsibility to integrate these standards into every aspect of their experience at HBS. Through our personal commitment to these standards, we can create an environment in which all can achieve their full potential.

Harvard Business School has a long tradition of weaving ethics and leadership into the very fabric of the community. Prior to entering the MBA program, students agree to uphold the basic tenets of the school. Student Leadership and Values representatives in each section work with faculty and staff to communicate and uphold these standards and to explore additional ways to integrate ethics and values into the student experience. The curriculum today includes a wide range of both required and elective courses that deal with the issues of ethics and leadership. Also, more than five hundred cases developed by HBS faculty explicitly address ethical concerns.10

Wharton explains their position on ethics in the following code:

The mission of the Wharton Graduate School of Business ethics code is to promote the growth of ethically responsible business managers at the graduate division of the Wharton school through adherence to the highest standards of academic integrity and overall ethical conduct, and to develop a sense of individual responsibility on the part of each member of the Wharton community, to participate actively in maintaining such standards, to foster an environment of honor and trust within the Wharton community and to engender respect for the ethical standards of the Wharton graduate. Fulfilling this mission is the collective responsibility of the members of the Wharton community.11

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AACSB International (Association to Advance Collegiate Schools of Business) was founded in 1916 “devoted to the promotion and improvement of higher education in business administration and management.” They are the “accrediting agency for bachelor’s, master’s and doctoral degree programs in business administration and accounting.” AACSB sets standards of academic programs and professional business practices in business. However effective they’ve been in the past at creating high standards, Duane Windsor, professor at Rice University claims, “in the 1970s, those standards effectively required some form of course in business and society or social issues in management but in the 1990s the AACSB adopted a more flexible approach.” This might explain part of the resulting problems.

UNDERGRADUATE SCHOOL TRAINING

One reason one would advocate for broad ethics training at the undergraduate level is that many future business students often do not come out of business departments. They come from humanities, social science, physical and biological sciences, and the colleges of arts and communication. Teaching ethics in those departments at the undergraduate level prepares students by providing a foundation for business schools to build upon at the graduate level. Each discipline provides a unique construct through which professors can apply ethical challenges to student assumptions.

In addition, because most business schools require or suggest a minimum of one year, and preferably two years, of work experience before a student returns to the halls of the academe, it is imperative that ethics be introduced to them while they are undergraduates. When they enter the workforce to gain the requisite experience, they will be prepared to address the various ethical challenges that they will face.

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ISSUES REGARDING THE TEACHING OF ETHICS

There are many issues regarding the teaching of ethics on university campuses. Ironically, during a time in which unethical corporate behavior is being uncovered on almost a daily basis, some schools are dropping or downgrading the credits they award for courses in ethics. A partial list of schools which have dropped ethics course requirements includes Pittsburgh (MBA only; undergrads still required), Virginia Polytechnical Institute (VPI), and the State University of New York (SUNY). Some of the schools that have downgraded the academic credit assigned to ethics courses include Marquette, Villanova, and Georgia.  

Another issue regarding the teaching of ethics is that at some schools, ethics courses have been forced out to make room for other kinds of courses. “The problem is that ethics faculty lack the strength of numbers to outvote other areas, like economics or accounting, so they generally cannot influence curricular decisions. When push comes to shove, ethics can be shoved out of the curriculum,” concludes Windsor.  

One unacknowledged potential reason for the changes that have occurred in the ability of business schools to stress ethical standards may be what Patricia Meyers, dean of the University of Dayton, School of Business, identifies as ethics and religion:

“We, in the United States, talk freely about money; we talk about sex or about problems with our in-laws. But talking about ethics on the job is maybe the last forbidden topic. In marketing, finance or other disciplines, standard terms are used in conversation, but in ethics, when people freely respond to the word ethics you hear the terms: Religion, God, Ten Commandments. Those are things we don’t readily talk about in business. To discuss business ethics, another set of basic terms is needed [and] a business school can help with that.”

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Another issue related to teaching ethics is resolving these questions: Should ethics be taught in specific classes or should they be addressed across the curriculum in a variety of classes? If one were to choose the latter, how would one assess how much and in what way would a faculty be able to create quality control to make sure that the topic was covered sufficiently? Friedman weighs in on this issue by saying,

[There is] some aspect of ethics involved in most of the courses we teach other than purely technical courses. Two approaches: ethics as a subject field, the other is preparing adult students to work as leaders of other human beings. Since leadership by definition involves working with groups of human beings to reach goals, every leadership decision affects human beings. Every leadership decision therefore has an ethical dimension.17

A fifth challenge business school faculties face when designing programs is resolving whether or not training in ethics should be an elective or a required part of their program. In addition to that dilemma, if faculties choose to require ethics courses, they struggle with how many courses one should take and how to assess mastery of the issues.

One author suggested that Jesuit schools seemed to be able to uphold ethics training through required ethics courses. Some of those schools include Santa Clara, Boston College, Loyola, Chicago, DePaul, Fairfield, Notre Dame, and Georgetown.18

CASE STUDY

One way to examine how universities handle teaching ethics is to provide a case study which evaluates the number of ethics courses universities offer, both as electives and required courses. The number of courses of sixteen public and twelve private universities offering a traditional two-year MBA program are listed in Appendix A. The selected schools represent different regions of the country. Only 53 percent of the public schools offered ethics courses. These statistics do not reflect the number of courses in which

16 Ibid.
17 Ibid.
ethics topics were included. The numbers suggest that there is a low priority given to ethics-specific courses as part of the business school curriculum.

One way to measure the value of ethics teaching is to measure the impact ethics courses have on students. A study was conducted by researchers at the University of Michigan—Dearborn to discover what international students report as changes in their thinking about earning American business degrees. They used the “Survey of Ethical Theoretical Aptitudes,” a business ethics and social issues exercise. They wanted to measure how education in the U.S. affected foreign students’ ethical views, if there were attitudinal shifts as a result. They compared the ethical orientation of newly arrived foreign students to foreign students who had been in the U.S. for a considerable time. In addition they compared international student views to American student views. They reported:

It is interesting to note that the overall effect of the American business education on the ethical orientation of foreign students appears to be increased utilitarianism. This is not surprising because the decision frameworks commonly taught in U.S. business schools often focus primarily on advancing organizational interests and the bottom line.19

These results indicate that there is a shift in ethical orientation as students participate in ethics courses as part of their business education. Another interpretation of these findings might be that perhaps international students come to America with value systems in place that emphasize other social values that would not be consistent with utility as the highest form of behavior. Utility, rather than social responsibility, may increase as the numbers and quality of ethics courses and programs decreases. This would be ironic as many companies are increasing their focus on social responsibility and partnering with communities with whom they interact.

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Faculty Position on the Teaching of Ethics

Like many business professors, Friedman believes the following:

Business schools are professional schools. We are obliged to challenge our students to reflect on the ethical dimensions of their behavior in professional life. The argument that a business school curriculum has no necessary ethical dimension overlooks the fact that business schools are now located in universities or function as their equivalent. This argument also overlooks the purpose for which b-schools were first established. This purpose becomes clear when we examine the birth of universities.31

However, some professors doubt that it is the responsibility of the academe to address ethics as a field of study or a legitimate part of a business school curriculum. Skeptics question the impact of teaching ethics as part of the business school curriculum. For example, Jeffery Skilling graduated from the Harvard MBA program. During his studies he took a required business-ethics courses. Critics of ethical teaching argue that the required ethics class did little to prevent Skilling's involvement in the Enron scandal.32

According to Neal M. Stoughton, professor of finance at the University of California at Irvine, ethics has no place in a business school:

The whole notion of business is about profit and competition and trying to defeat your opponent. Ethics implies that there's some social good at stake. If you worry about social good, you'll end up being clobbered by the competition.

Irvine has no required ethics courses in its MBA program, although ethical issues are addressed in a variety of classes. Perhaps none will scrutinize them with the intensity of "The Enron Case," a new, six-week course that started this fall. The speakers will include Sherron Watkins, the former Enron employee who became a whistle-blower.33

Conclusion

For those who've watched the corporate world shaken by scandals, at least one opinion seems constant: something must be done. Shareholders, American taxpayers, government leaders, families, retirees, and current employees are all at risk if business practices continue to unfairly benefit those who've had access to insider information, accounting errors, and asset management. Government has responded by changing the rules, heightening the scrutiny on public companies, and beginning to hold the principals civilly and criminally responsible. Universities can help in this effort. Friedman summarizes what universities can do to address corporate scandals:

We are not responsible for the choices that individuals or our students make. But we can address the challenges they will face by teaching ethics in our classes and programs in a way that should prepare them for future ethical dilemmas they will face.34

It is hoped the academe will take the opportunity to address the many, complex issues through courses, programs, and centers of research and become the leaders in solving these serious problems.

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When Greed Goes Bad
And What America Can Do to Make It Good Again

Chris Brooks*

When [the] ethic of acquisition combines with a strong disposition to regard liberty as the dominant political value... you have created a society in which people believe it is their right to get what they can and to keep what they get.

In the 1980s movie Wall Street, the character Gordon Gecko, corporate raider, made a statement that embodied the prevailing corporate and economic thought of the day. “Ladies and gentlemen,” he stated, “greed. for lack of a better word, is good.” Even up until the corporate scandals of the past few years broke, “greed is good” was still the existing sentiment among economists who espoused Adam Smith's Invisible Hand as the miracle of the free marketplace. It seemed that greed was indeed good, and people trusted in the Invisible Hand to watch over the markets in combination with existing regulations and laws. However, almost overnight, the glitter of “greed is good” was discovered to be nothing more than fool’s gold, as scandal after scandal rocked corporate America. It was not so much the occurrence of the scandals—corporate crime has been a part of economics throughout history—but their scale that was so shocking.

* Chris Brooks, from Thousand Oaks, CA, graduated in 2003 with a BS degree in computer engineering and works as an embedded software engineer. He is interested in pursuing a career in intellectual property and copyright law.

1 Lawrence E. Mitchell, Corporate Responsibility (New Haven: Yale University Press, 2001), 36. His argument that today’s market is more concerned about short-term stock price jumps than long-term growth is a pivotal focus point of this article.


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