

# On **Course** With **Ethics**

Four experts discuss why it's critical to cover ethics in the classroom — and they offer a range of ways to do so.

by **Sharon Shinn**

**T**emple University's Robert Giacalone closes every e-mail with a quote from Martin Luther King: "Our scientific power has outrun our spiritual power. We have guided missiles and misguided men."

Setting up "guidance systems" for business leaders has become a passion for Giacalone, who runs the school's Center for Ethics and Organizational Integrity. But he is far from being the only management educator who is obsessed with the topic of ethics and how it percolates through every aspect of society—nor is he the only one who believes business schools can help ethical leaders develop their moral compasses.

Giacalone and three professors who hold ethics chairs at major universities recently shared their insights about how schools might approach ethics in the classroom and what kind of long-term effect these efforts might have. Their ideas vary widely, from operating the business school under an honor code to integrating an ethical component into typical case study discussions. One point is unanimous: They believe that business schools have a clear responsibility to create ethical guidance systems that will help graduates stay on course.



As more and more employees with post-materialist values enter the workforce, employers who fail to consider the changing ethical standards that accompany these values will suffer the consequences of their choices.

## New Ethics in the Office

### Robert A. Giacalone

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Most of the ethics violations that catch the public attention these days are related to loss of money, loss of power, and loss of esteem. When a society considers ethics violations only in materialistic terms, the response is to create laws like Sarbanes-Oxley, which are designed to protect against financial misconduct.

Unfortunately, that's not the whole story. There is evidence that, around the globe, people are becoming relatively less interested in materialistic values and more interested in an emerging set of post-materialistic values. I say *relatively*, because there's no expectation that people are going to live in mud houses and give up their cars. But people whose basic security needs have been met are shifting their attention to post-materialistic values that revolve around community connectedness, interpersonal relationships, quality of life, and family.

The numbers of people adopting these values are staggering. In 1970, for every four materialists, there was one post-materialist; by the mid-1990s, the ratio was four to three. These values are changing in industrialized countries throughout the world.

As one might imagine, post-materialistic people are interested in working at companies whose values match their own. They want to know if their organization is socially responsible and ecologically sound. They're interested in issues of community well-being. In my work with companies, I have heard stories about senior-level executives who won't accept positions if the job will require them to spend too much time away from their families. I know of companies that are losing well-paid employees because workers are more interested in quality of life than money. It isn't just that these individuals have different values than traditional materialist employees, but that they increasingly are redefining their values preferences in moral terms.

As more post-materialists join the workforce, we will see

a change in what's considered ethically acceptable behavior in the workplace—a shift toward concern with unethical actions that harm people in nonfinancial ways. One current example is the increased interest in bullying. There have always been mean kids on the playground and abusive bosses in the corner office, so why is there an interest in the topic now? There's been no change in the law—what has changed is people's sensitivity. We also see more companies wrestling with environmental issues or making provisions for employees who need child care or elder care services. As time goes on, companies that ignore these issues will be

seen as ethically cavalier or socially irresponsible.

At the moment, we as a society haven't quite sensitized organizations to these types of ethics violations. Years ago, in a similar fashion, society slowly became aware of the mistreatment of women and minorities. Long before any laws were instituted, people had a sense that such mistreatment was occurring. The first step toward correcting a problem is for a significant percentage of the population to agree that one exists.

Very few business schools are teaching their students about these post-materialistic values, yet I think it's important that we train business students to consider them. In my classes, I'm enlarging the scope of ethical concerns to include issues that have little financial implication. I talk about trends in society that business has instigated and ask students about the impact of these trends on people. I have students look at what is and isn't acceptable in the workplace, including issues of supervisor abuse and long hours. Many students are familiar with these issues from their own life experiences, but never considered them from an ethical stance. More and more are beginning to understand that issues such as quality of work life are not simply about profitability, but about human dignity and ethics.

Students need to see that the competitive edge will go to the first companies to figure out how to deal with these new kinds of ethical issues. From a practical standpoint, managers are going to have to rethink their definitions of what is ethical in the workplace. Of course, no one is asking companies to ignore those ethical issues with financial implications. But as more and more employees with post-materialist values enter the workforce, employers who fail to consider the changing ethical standards that accompany these values will suffer the consequences of their choices.

Most of my American students used to believe in the information provided by companies and the government. Only recently have they begun to question it.

## Other People's Ethics

### Georges Enderle

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Many years ago, when I was a research fellow at the University of St. Gallen in Switzerland, I took a business ethics trip to the U.S. When I returned to Switzerland, I told a colleague that in the U.S., ethics had become a serious subject in business schools, supported by textbooks, case studies, journals, endowed chairs, and an active professional association. He replied, "Of course, the Americans need business ethics!"

Some years later, when I lived in the U.S., I took an appointment teaching business ethics in Shanghai. When I described my experiences to an American colleague, his quick answer was, "Of course, the Chinese need business ethics."

These kinds of reactions reflect a widespread, though rarely articulated, assumption that the level of morality in a foreign country must be lower than the morality level at home. Consequently, people in other countries need ethics much more than we do in our own country. Having spent many years teaching business ethics in China and the U.S., I have reached the conclusion that we all need ethics training.

A colleague, a student, and I developed a case study about the corporate responsibilities of a Chinese state-owned enterprise (SOE) that needed to downsize to increase efficiency. Although my MBA students in Shanghai clearly understood the need for improving productivity—two-thirds of them had worked in SOEs themselves—they were extremely reluctant to lay off workers. Instead, they tried to restructure the organization, set up relatively autonomous operation units, and keep the workers on the books. My American MBA students, however, were much quicker to fire people.

How can we understand this difference? Chinese students were aware of the harsh consequences of layoffs because there was no established safety net that could support jobless people. Certainly, the SOEs were no longer the organizations that used to provide not only work and the "iron rice bowl," but also social services such as kindergarten, hospitals, and support for the elderly. In the course of China's economic reform, SOEs had transformed into more economic organi-

zations exposed to increasing competition. But a sense of community still remained, influenced by Confucian and socialist ethics. This attitude did not permit the tough and cold-hearted downsizing sometimes practiced by Western countries with more individualistic cultures and better established social security systems.

As a part of discussing the responsibilities of companies in society, I had both my Chinese and U.S. students read Milton Friedman's famous article, "The Social Responsibility of Business Is to Increase Its Profit" (1970). I then had them

write a fictitious letter to him, expressing their agreement or disagreement with his view. American students, particularly after the Enron scandal, had difficulty accepting Friedman's exclusive focus on profit, even though Friedman maintains that such profit-making must abide by the "rules of the game" in business. They still expected companies to take on leadership roles, especially in terms of environmental responsibility.

In contrast, a surprisingly high number of Chinese students—though not a majority—liked Friedman's call for separating business and government. They believed government was still interfering too much with business. On the other hand, they were willing to have government take a strong position in some areas, such as environmental protection.

An unforgettable experience was teaching business ethics in Shanghai during the SARS epidemic in spring 2003. Students and faculty realized how much we depend on a healthy environment for the most basic function of our lives. We also needed the government to inform us about the health risk in a comprehensive and timely fashion. This real-life lesson reflected our class readings about Amartya Sen's capability approach, which requires "transparency guarantees" so individuals can make informed decisions. Students in China expected transparency guarantees from their government and were suspicious of the ways information was being provided.

By contrast, most of my American students *used* to believe in the information provided by companies and the government. Only recently have they begun to question it, disturbed by the recent accounting scandals and the government's misinformation about the war in Iraq. As a result, teaching students to discern truthful and reliable information has become a major responsibility in business education, be it in China or in the West.

We may ask, "Where is the greatest need for truth in business? What country needs to focus on business ethics?" I believe none of us can point anywhere else. All of us have plenty of work to do at home.

Honor codes allow students and employees to cultivate their values, develop their integrity, and pursue their goals in an environment that frees them to do their best.

## The Honorable Student

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Some business schools are adding courses designed to instill ethics in their students, but a complementary way to reinforce learning about behavioral standards would be to institute an honor code. Honor codes allow students to learn ethical behavior by living it every day.

Honor codes provide students with a definition of acceptable and unacceptable behavior and the knowledge of the consequences if their behavior fails to meet those standards. Honor codes also parallel the codes of conduct that are in place at many corporations and, thus, prepare students to work in such companies. Employees follow the dictates of ethics or compliance programs, sign commitment statements, attend ethics training, and are held responsible for their behavior.

Honor codes and ethical codes of conduct have many benefits, but one is paramount: They allow students and employees to cultivate their values, develop their integrity, and pursue their goals in an environment that frees them to do their best.

To institute an honor code, a business school might start with a document that states aspirations, principles, and standards of conduct for academic integrity. Included are goals for creating a community of trust, as well as creating an environment where cheating and plagiarizing are not tolerated. The document might also address behavior outside of the classroom, such as how students are expected to behave during the job recruitment process.

Students might be required to sign these documents as a condition of attending the school. It might be particularly effective if they commit to an honor code in a public forum. Literature on behavioral commitment indicates that performing any act in a public way has a profound impact on a person's psychological commitment.

Once a school implements an honor code, it should offer students orientation programs that outline acceptable behav-

ior. Most companies with a code of conduct also offer annual ethics training. It's unfair to expect people to conform to a code of conduct without telling them expressly what conduct is required.

Another component of most honor codes is the peer reporting requirement, which demands that participants report code violations by their fellow students. Peer reporting is very difficult for students, but it's an essential part of an effective honor code because it makes students responsible for code implementation.

Students who do violate the code are subject to a judiciary process, which is generally run by the students themselves. Students investigate the violation, while giving accused students the opportunity to present their side of the story. Then they decide on the sanction.

In the workplace, someone who is found to have violated the code of conduct will likely be disciplined or even fired. At schools, the approach varies with the institution. Some schools have a single sanction policy—expulsion for any code violation. Other schools use a range of sanctions from grade changes to suspension or expulsion. Still others have more of a rehabilitative orientation. Sanctions also generally can be appealed to a higher authority.

It's important for students to understand how to operate under an ethical standard of conduct, because a growing number of companies are instituting such behavioral codes. In 2005, the National Business Ethics Survey reported on a number of gauges of ethical standards in American work organizations. The survey found that formal ethics and compliance programs have become more prevalent over time, with 86 percent of respondents saying that their organization has written standards of ethical business conduct.

Evidence shows that—both for students in an honor code environment and employees working under an ethics code that is part of a broader ethical culture—the experience is overwhelmingly positive. Individuals learn what it means to live in a community of trust where values and standards are upheld. They often make comments like, “This gives me a renewed sense of what is possible. It allows me to believe that humans are basically good.”

In so much of the literature about teaching ethics, the focus is on forcing people to conform to certain standards. What is often overlooked is the aspirational element of an ethics program or an honor code—which allows both students and employees to perform at their highest levels.



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Given that almost every business decision affects people, every decision has an ethical dimension. Therefore, ethics should be covered in practically every course.

## The Character of a Leader

### Domènec Melé

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Ethical business leaders are defined by their characters, which are revealed by the positive moral habits they develop during their lifetimes. These virtues have an obvious place in the corporate environment. A manager with courage, for instance, will make and implement hard choices. A just manager will treat all people fairly. A manager with practical wisdom will make thoughtful decisions.

Other positive virtues are also critical for ethical managers. Integrity promotes credibility. Humility leads a manager to listen to others and, hence, detect errors in their earliest stages. Moderation fosters personal harmony and prevents excesses such as rage in the workplace.

Classic management theorists such as Mary Parker Follett and Chester Barnard placed great importance on the moral integrity of managers. A few more recent management experts also stress integrity. For instance, in his book *Good to Great*, the author Jim Collins shows clearly the important role played by leadership virtues he categorizes as “professional will” and “humility.”

However, nowadays an opposing view is just as prevalent in many places. Many believe the primary role of managers is to adapt their organizations to social pressures and continually maximize shareholder value. In addition, some mainstream managerial theorists—such as those who subscribe to transactional cost theory and agency theory—position managers as completely egoistic beings who need strong incentives for aligning their interests with those of the shareholders. They argue that this is the only way to stop managers from behaving opportunistically. But this position is under increasing criticism from other scholars.

Many believe that virtuous managers will do what they consider best not only for shareholders, but also for other stakeholders and the organization overall—whether or not they are under tight control and incentives exist for them to do so. Obviously, it would be naïve to assume that all managers are virtuous and that there is no need for appropriate controls and incentives; but it is also unrealistic to believe that managers are

completely egoistic individuals. If businesses operate under this last assumption, managers will suffer pressures to act only in favor of short-term shareholder interests. The hypothesis of opportunistic behavior easily becomes a self-fulfilling prophecy.

Consequently, integrity, courage, humility, and other virtues are important qualities in a manager and should be considered and evaluated as part of recruitment, selection, and promotion processes. Similarly, when business schools are deciding which students to accept, they should consider factors other than GMAT scores and other cognitive and skill criteria. After all, schools are training students to become executives. The managerial aptitude of executives depends not only on their skill, intelligence, and experiences, but also on their characters.

I think that business education should foster moral character development in students, or at least avoid its erosion. Case studies should allow for the discussion of character and the consequences of unethical behavior. Unfortunately, cases often are written only for the purpose of strategic analysis. Students are not encouraged to consider other important aspects of business decisions, such as the effect on human relations, the generation or destruction of social capital, and the impact on the physical environment.


In the effort to create more ethical managers, courses on business ethics or corporate social responsibilities offer good starting points. They encourage students to reflect on the purpose of business in society, for instance, or the difference between subjective or social values and human or ethical values. They also make students consider ethical rationality as opposed to instrumental rationality. But such standalone classes are not enough. Given that almost every business decision affects people, every decision has an ethical dimension. Therefore, ethics should be covered in practically every course.

Some faculty try to introduce ethics in courses such as marketing, corporate finance, general management, and industrial relations by showing the limits of certain management and organizational theories and their ethical consequences. These professors also promote student awareness of ethical issues and encourage moral reasoning among students—not just economic and politic reasoning.

Not all faculty stress to their students the role that virtues play in the lives of business managers. Yet I believe more faculty need to follow this path if we want to increase the ethical standards of our business students and, by extension, our business leaders.

### A Critical Topic

The subject of ethics is hardly new, yet recent management scandals have made it a particularly urgent one for business schools to teach. AACSB International's revised accreditation standards require business schools to address ethics in their curricula, although schools have the freedom to decide exactly how the subject should be addressed. Yet it is clear, as demonstrated by recent world events, that the topic is essential for today's business leaders.

As the rest of the world shows increasing interest in issues of corporate social responsibility, the role of business in society, and what constitutes true leadership, today's CEOs are being forced to reconsider their roles as well. It is no longer enough to run a company; stakeholders are demanding that a company be run *well*. It takes an ethical leader to carry out such a task, and business schools can provide the guidance that will produce the leaders that the modern business climate demands. 

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