

## **Business schools: Passing grades in Ethical Education?**

*The world has achieved brilliance without wisdom, power without conscience. Ours is a world of nuclear giants and ethical infants.* - **Omar Bradley**

Ethics as called in Latin is Ethicus and in Greek Ethikos, stems from the word 'Ethos' which means the Science of Morals. A simple definition of ethics is: "a set of principles of right conduct" (Dictionary.com, 2005). Ethics represents the core value system individuals use for everyday problem solving. Ethics serve as guidelines for analyzing "what is good or bad" in a specific scenario. They create a framework for determining "right" versus "wrong. *Ethics* is the "systematic, rational reflection upon a choice of behavior and it can be taught" (Ritter, 2006).

Personal ethics are the moral foundation on which individuals construct their lives. According to David Peters (2003), 'personal ethics have been defined as principles of good behavior, a moral code of conduct, or a system to decide between competing options'. They support in decision making, and guiding them to participate in actions that meet each one's internal moral standards. Personal convictions form the most effective basis for moral and ethical behavior. For many, to define personal ethics is a difficult endeavor. They simply consider their "inner voice" to be all the ethical guidance that is required. Within the context of human resource development, ethics can be thought of as conscience (Hatcher, 2002).

### **Developing Personal Ethics**

Personal ethics grow and develop over time and are crafted and influenced by many factors.

### **Family Influences Personal Ethics**

Parents are the first influence and reveal the ethical boundaries for individuals. They instill a sense of right and wrong and build up the foundation of the child's personal ethics. Children absorb the actions of the family members and imbibe their values and morals through role modeling. Externally schools, teachers and peers too have an impact on the ethical belief systems of an individual.

### **Religious Beliefs Impact Personal Ethics**

Religious beliefs have a unique impact on personal ethics. In general, religion allows people to accept an established set of moral rules. By following these spiritual laws, people feel they are behaving ethically. Religion often promises rewards in the afterlife as motivation for following the "rules". Interestingly, religion can inspire all kinds of acts (both good and bad) including violence.

### **Culture Affects Ethical Norms**

Culture can dictate the ethical norms that people are used to and come to expect. The culture individuals are in, impacts their ethical code, because it surrounds them. The customs and traditions of the society individuals inhabit, become ingrained in their psyche, and the ethics of the group are generally accepted. The media too plays a very important role in shaping individual values and ethical behavior.

## **Experience Can Shift Personal Ethics**

The events that happen in life can also impact individual ethics. Emotions and personal understanding may cause a powerful shift in beliefs.

## **Internal Reflection**

Personal ethics are also developed by our feelings. When individuals act against their moral code, they *feel* bad, guilty or ashamed. Likewise, when they do something that fits into the ethical idea of “right” they *feel* good, proud or happy. This causes a sort of immediate feedback for creating our moral standards and making ethical decisions.

Therefore, concurring with Gandhiji ‘be the change that you wish to see in this world’, it’s critical to be role models for the kind of behavior we wish to see in the generation next. The media should behave responsibly and should realize the immense impact they have over young minds and their value systems. The fourth estate should not surrender to the, ‘TRP ke liye kuch bhi karega attitude’. As a society we should positively reward and support any attempts towards ethical behavior and not condemn it in the name of being too principled or labeled satyavadi. There should be a basic trust in goodness of human nature. The religion we practice should be more of ‘respecting humanity’ rather than mere rituals. Most importantly, there is always a scope of learning and improvements in the understanding of values and ethics through life experiences, education and reflection.

## **Values, Attitude and Ethical Behavior Chain**

A belief is the perception of a relationship between two objects or something and a characteristic of it. Beliefs are translated into attitudes and behavior through values. Allport described a value

as “a belief upon which one acts by preference.” Individuals place importance on something that they cherish whereby they are valuing that trait, ideal, or characteristic. Rokeach, in his book titled *The Nature of Human Values*, says there are two kinds of values that people have: "instrumental values" and "terminal values". Instrumental values consist, primarily, of personal characteristic and character traits. Terminal values are those things that individuals can work toward or they think are most important and that they feel are most desirable. Values have both content and intensity attributes. The fig 1. below explains the role of ethics and values in behavior.

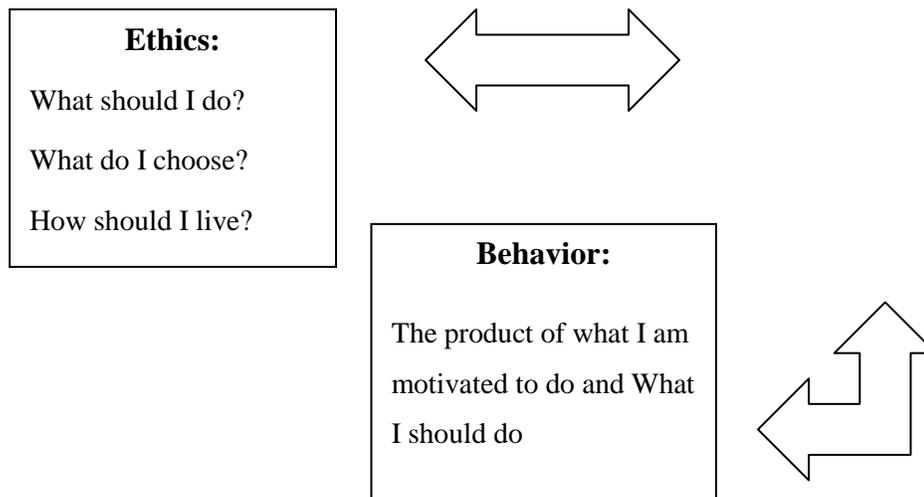


Fig 1. The role of Ethics and Values in behavior.

Values have been shown to influence both corporate strategy decisions (Guth and Tagiuri, 1965) and managerial decisions (England, 1975). Joe Finegan (1994), in a paper published in *Journal of Business Ethics* 1994 titled, ‘*The impact of Personal Values on judgments of Ethical Behavior in the Workplace*’, summarized, ‘the results of this study suggest that people perceive ethical dilemmas in the workplace differently from one another, and that their perceptions of the

morality of particular behaviors are affected by their personal value systems. According to Locke (1991), a person's value plays a direct role in their ability to make sound ethical business decisions.'

### **Approaches to Moral Judgment and Behavior**

In the *Journal of Personality and Social Psychology* in 1980, Forsyth argued that individual variations in approaches to moral judgment and behavior may be conceptualized in terms either relativistic or idealistic. Forsyth recommends a four-fold classification based on both these dimensions. The table below gives a description of the taxonomy of personal moral philosophies.

Table 1. Taxonomy of Personal Moral Philosophies

<b>Ideology</b>	<b>Approach to Moral Judgment</b>
Situationists	Reject moral rules; ask if the action yielded the best possible outcome in the given situation.
Subjectivists	Reject moral rules; base moral judgments on personal feelings about the action and the setting.
Absolutists	Feel actions are moral provided they yield positive consequences through conformity to moral rules.
Exceptionists	Feel conformity to moral rules is desirable, but exceptions to these rules are often permissible

Individuals who are highly relativistic and highly idealistic are called situationists; they feel that people should strive to produce the best consequences possible, but that moral rules cannot be applied across all situations. This ethical outlook is labeled situationism because its adherents

prescribe close inspection of the situation in reaching a contextually appropriate moral evaluation. Absolutists, like situationists, are also idealistic; they approve of actions that yield many positive, desirable consequences. However, unlike situationists, absolutists are not relativistic. They feel that some ethical absolutes are so important that they must be included in any code of ethics.

The remaining two personal moralities are both low in terms of idealism. Subjectivists reject moral rules (high relativism) and are also less idealistic about the possibility of achieving humanitarian goals. This ideology is labeled subjectivism because its adherents describe their moral decisions as subjective, individualistic judgments that cannot be made on the basis of more "objective" information, such as universal moral absolutes or the extent to which the action harms others. Lastly, exceptionists are low in both relativism and idealism; they believe that moral rules should guide our behavior, but that actions that yield some negative consequences shouldn't necessarily be condemned. Hence, they are willing to make exceptions to their moral principles.

### **The Decline of Ethical Behavior in Business**

Enron. Worldcom. Tyco. Cendant. Bernie Madoff, once chairman of the NASDAQ, is now cooling his heels in jail. The ex-CEO of Comverse is arrested in Namibia, the CEO at United Healthcare was forced to step down, and Patricia Dunn of Hewlett Packard was charged in an ethics scandal. Recently, India witnessed the controversy a scam by Andimuthu Raja, a little-known regional politician who became the powerful telecommunications minister in the world's fastest-growing mobile phone market. During his first stint as minister, he was accused of selling lucrative mobile telephone licenses at dirt-cheap prices, costing the Indian treasury as much as

\$40 billion. Subsequently, there were revelations that some of India's most influential journalists were taped having chummy conversations with high-powered Indian lobbyist Nira Radia about Raja's second appointment as minister. The recorded conversations raise questions about ethics in the Indian media and its coziness with corporate and political bigwigs, especially at a time of unprecedented economic growth.

As summarized by Jeffery T. Luftig and Stecen Ouellette ( 2009) , in a article titled , ‘ The decline if Ethical Behavior in Business’, published in the Quality Digest , ‘According to a 2006 *Business for Social Responsibility* brief, “Corruption and Bribery” ( [www.bsr.org/research/issue-briefs.cfm](http://www.bsr.org/research/issue-briefs.cfm) ), an organization has many reasons for operating ethically, including avoiding fines and litigation, reducing damage to the firm’s reputation, protecting or increasing capital and shareholder value, direct and indirect cost control, creating a competitive advantage, and avoiding internal corruption. On the other hand, unethical behavior in firms results in lower productivity, especially among highly skilled employees, as seen in “The Relationship of Ability and Satisfaction to Job Performance,” by Philip E. Varca and Marsha James-Valutis (Volume 42, No. 3 of *Applied Psychology: An International Review*), lower financial performance as measured by metrics such as economic value-added, and market value-added as shown in the 2003 study “Does Business Ethics Pay?” by Simon Webley and Elise More (Institute of Business Ethics, London), and abnormally negative returns to the shareholders for prolonged periods of time. All of these are documented results of unethical business behavior according to “The Wealth Effects of Unethical Business Behavior,” by Michael D. Long and Spuma Rao (Volume 19, No. 2 of *Journal of Economics and Finance*). Worse, as pointed out by Edson Spencer, former chairman of Honeywell, in “The Hidden Costs of Organizational Dishonesty” (Robert B.

Cialdini, Petia K. Petrova, and Noah J. Goldstein, in Volume 45, No. 3 of *MIT Sloan Management Review*); it takes years to build a reputation for integrity that can be lost overnight. Once an organization loses its reputation for integrity, the effect can be permanent, according to the 2004 Josephson Institute report, “The Hidden Costs of Unethical Behavior” ([http://josephsoninstitute.org/pdf/workplace-flier\\_0604.pdf](http://josephsoninstitute.org/pdf/workplace-flier_0604.pdf)).

It is pathetically clear that Ethics is dying a slow painful death. It seems to be increasingly difficult to ‘*choose the right, in the world gone wrong*’. Although organizations can develop formalized ethical codes and ethical training programs, business schools have the opportunity and responsibility to lay the foundation for business students to embrace an ethical environment in the workplace. Nevertheless, there are serious concerns about business school faculty attitudes about corporate ethics lapses, including opinions about root causes, potential solutions, and ethics coverage in their courses.

### **Academic Implications: Can Ethics be taught / learnt in Business schools?**

Business schools have been trying to educate business managers and leaders on lessons on Ethics. Obviously their efforts have fallen short, resulting in business scams, misrepresentation of facts, corruption, frauds etc; that come to light in the business media reports every other day. Critics of business schools lament on the fact that, not only business schools place inadequate importance on ethics education but also encourage a focus on short term profits and the attitude to go to any lengths to increase shareholders profits (Alsop 2006, Giacalone & Thompson 2006). During the early 1990’s a study at Harvard business school identified common barriers that hinder the easy inclusion of Ethics into most B- schools (Gentile 1993);

- Difficulty in defining ethics.
- Lack of willingness to try to change students value systems.
- Faculty lack of confidence in their own value systems / qualifications to teach ethics.

Although ethics education is currently receiving increased attention, the extent to which one is able to teach ethics to students and have an impact on learners' behavior is a millennia-old debate. The premise that moral character is formed in childhood and therefore it does not serve any practical purpose to teach ethics in business schools is proved otherwise by many researchers. As summarized in 'The Case against Business Ethics Education: A study in Bad Arguments' by J.Hooker (2004) , the evidence is found in the developmental psychology literature, which has alternative to Freudian views since 1930's. Robert Kegan (1981) and James Fowler (1982) found parallels with the development of meaning structures and spiritual values. Sharon Park (1986) focused on college age development. Lawrence Kohlberg (1981) was one of the first to look seriously at whether a person's ability to deal with ethical issues can develop in later life and whether education can affect that development.

Kohlberg found that a person's ability to deal with moral issues is not formed all at once it develops in stages. The earliest level pre conventional level of moral development in a person, defines right and wrong in terms of what authority figures say is right or wrong or in terms of what results in rewards and punishments. The second level of moral development, the conventional level the adolescents internalized the norms of those groups among whom he or she lives. For the adolescent, right and wrong are based on group loyalties: loyalties to one's family, loyalties to one's friends, or loyalty to one's nation. Further if a person continues to develop morally, he or she will reach the post conventional level. The adult at this level develops moral

principles that define right and wrong from a universal point of view. Many factors can stimulate a person's growth through the three levels of moral development. One of the most crucial factors, Kohlberg found, is 'education'. Kohlberg discovered that when his subjects took courses in ethics and these courses challenged them to look at issues from a universal point of view; they tended to move upward through the levels.

Hence, the critical point for the present purpose is, there is an interconnectedness of cognitive and moral growth and therefore ethical education in business schools and professional courses do make a difference positively to mould their future business behavior. Having said this, it's imperative that the students too, find the ethics education class interesting and those that add value to their business education repertoire and future growth.

### **Strategies for Effective Ethics Education in Business schools**

The challenge for business schools is to develop a group of people (business students) who are self governing and capable of critical thinking. The purpose of the ethics education class should be to provide students with ethical frameworks to make informed, logical, moral judgments about business activities. Callahan (1980, in Ritter, 2006), "Suggested that the goals of ethics education should be: (1) stimulate moral imagination ...(2 ) recognize ethical issues, (3) elicit a sense of moral obligation, (4) develop analytical skills, and (5) tolerate and reduce disagreement and ambiguity"

Business schools should motivate students to see value in ethics education by making them realize the relevance of 'Ethics Education' to their careers by;

- Convincing students that, ethical conduct is smart business because in their long professional journeys they can ‘do well by doing good’.
- Integrating ethical issues into all the subjects like Finance, Marketing and HR, so they understand the significance of ‘Ethics’ in its relevance to the real world.
- Discussing ethical dilemmas in the real world scenarios (case based approach) with the cultural assumptions, where students come to view ethical questions as necessary and integral components of effective decision-making.
- Encouraging group discussion whereby optimizing the learning experience and increasing students' satisfaction.
- Conducting ‘ Thought Leadership series’ where business leaders, CEO’s and experts talk of real life experiences in the business world , and how ethics is a constant factor in their decision making .
- ‘Walking the talk’. The academic leaders can be role models by practicing what they teach.

To summarize, ethics education in business schools should be conducted with the conviction that all the students wish to be ethical, and the professors , class content and coursework should be able to tell them ‘how’. The approach should neither be preachy, defensive nor presented like a rule book of warnings that would make the students feel wary of taking any business risks at all. Given that individuals seem to adopt a variety of different personal moral philosophies, perfect consensus regarding any given business practice can never be expected. The contemporary approach suggests that problems of ethics could be addressed most profitably through open, reasoned discussion of ethical questions from each of four perspectives: situationism, subjectivism, absolutism, and exceptionism. Ethical perspectives help students identify and

define problems, force them to think systematically, encourage them to view issues from many different vantage points, and provide them with decision-making guidelines.

The ethics education in business schools should invite students to contribute towards 'how to make the world a better place through their business and professional contributions'.

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