

# **ACME Presentation**

## The Ethics Challenge in Business and Marketing Education

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# Corporate Responsibility Crisis...

📄 *“Opinion polls now place business people in lower esteem than politicians.”*

📄 -Jennifer Merritt (2002) “For MBAs, Soul Searching 101,” Business Week, Sept. 16, p. 64.



📄 *“A W.S.J./NBC poll found that 57% of general public believed that standards & values of corporate leaders & executives had dropped in the last 20 years.”*

📄 -Eric Hellweg (2002) [www.business2.0.com](http://www.business2.0.com), Sept. 10



📄 “An ABC News/Washington Post survey indicated 63% of the public felt that regulation of corporations is necessary to protect the public.”

📄 “Seventy-five percent of those surveyed by ABC, expressed limited confidence in large corporations.”

📄 -Gary Langer (2002) “Confidence in Business: Was Low and Still Is,”  
[www.abcnews.com](http://www.abcnews.com), Sept. 10.

# Corporate Confidence Crisis

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## **Bernard Ebbers-Worldcom; Kenneth Lay-Enron**

- financial reporting, personal loans, general oversight

## **Dennis Koslowski-Tyco; Andrew Fastow-Enron; John Rigas-Adelphia**

- conflicts of interest, financial fraud & improper loans

## **Jack Grubman-Salomon Smith Barney**

- provided IPOs to Ebbers & other CEOs based on investment banking relationship

## **Henry Blodgett-Merrill Lynch**

- urged small investors to put money in stocks that he privately down rated


# Companies Under the Magnifying Glass...

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 Adelphia Comm.

 Arthur Andersen

 Bristol-Meyers

 Computer  
Associates

 Dynegy

 Enron

 Global Crossing

 Halliburton

 ImClone Systems

 Merrill Lynch

 Qwest Comm.

 Tyco Intl.

 WorldCom

 Xerox

-MSNBC "A Guide to Corporate Scandals: Companies Under the Microscope,"  
[http://www.msnbc.com/news/corpscandal\\_front.asp?odm=C2ORB](http://www.msnbc.com/news/corpscandal_front.asp?odm=C2ORB). Accessed 9/24/2002.

# Developing Trust & Confidence in Business...

📄 individuals alone did not cause our current crisis

📄 the following stakeholders were all involved in supporting deception, fraud & destruction

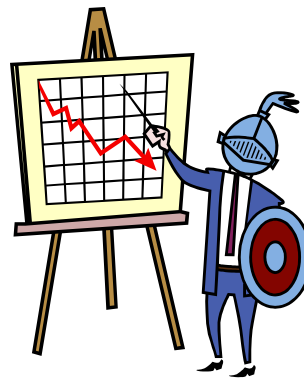
– board members

– top management

– attorneys

– accounting firms

– securities analysts



– regulators

– politicians


– mass media

– investors

– colleges of business

# Corporate Reform...



 The 2002 Sarbanes-Oxley Act was the most sweeping change in corporate governance and the regulation of accounting practices since the Securities and Exchange Act of 1934.

- Supported by Republicans & Democrats
- Provides oversight to restore stakeholder confidence
- Requires business ethics infrastructure

# Sarbanes Oxley Reform

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- ☰ Independent Accounting Oversight Board
- ☰ CEOs and CFOs certify financial statements
- ☰ Board Audit Committee to consist of independent members (no material interests)
- ☰ No consulting & auditing by the same firm
- ☰ No loans to officers & board members
- ☰ Code of ethics for senior financial officers
  - register with the SEC
- ☰ Whistle-blower protection
- ☰ 10 year penalty for mail/wire fraud
- ☰ Analysts certify objective reports

# What are colleges of business doing?


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- 📄 Developing programs & courses to address business ethics & corporate responsibility
- 📄 Leaving ethics education to the liberal arts college (philosophy departments)
- 📄 Encouraging faculty to integrate ethics into current curriculum
- 📄 Maintaining the status quo



# Philosophy Departments Teach Business Ethics...


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 “The University of Akron Business College is urging students to enroll in a new ethics course in the philosophy department”

- “Certain words are sort of owned by certain departments...one of the words that is sort of owned by the philosophy department in lots of universities is the word ‘ethics’.”
- Stephen Hallam, Dean-Akron’s College of Business

# The Philosophy Department's Philosophy on Business Ethics...

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 “The attitude of a lot of liberal-arts faculty towards business & towards business-professional education was a certain level of disdain, somewhat born in a liberal mindset. Anti-business sentiment is strong in philosophy departments.”

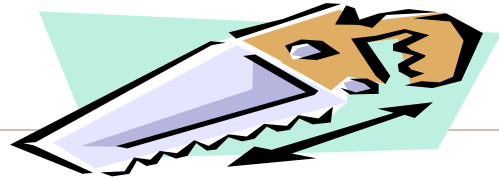
- Kenneth Goodpaster,
- University of St. Thomas College of Business

# Integrating Ethics...



- ☞ “The curriculum is under so many pressures-to do technology, the Internet, globalization, the environment...ethics is competing with so many other things. The curriculum is finite. You can’t put everything in it.”
- David Vogel, University of California-Berkeley

# Eliminating the Business Ethics Course...



“Eliminating business ethics as a separate class is the approach at the Katz School of Management (University of Pittsburgh). It may be better to integrate ethics into other classes, so students see it as an integral part of other subjects...such as finance, accounting or marketing.”

– Frederick Winter, Dean

# How does ethical decision making occur in organizations?

📄 #1 influencer of ethical/unethical behavior is the influence of significant others & the corporate culture

📄 business ethics in an organization relates to a corporate culture of values, programs, enforcement & leadership

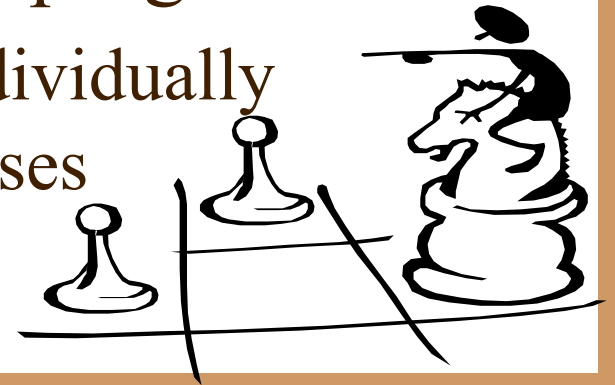
📄 stakeholders must support organizational ethics initiatives-it's good business

– stop focusing on the short term!!!

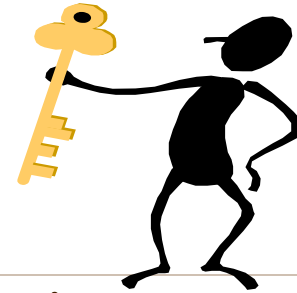


# Our Recommendation for Colleges of Business...

- Take responsibility for educating your students about corporate responsibility, business ethics & social responsibility
- Both in colleges of business & business top management needs to make sure there are visible & supported programs
  - do not rely upon faculty to individually integrate ethics into their courses



# The Solution...



- 📄 Teach courses such as Business & Society, Business Ethics, Social & Regulatory Issues
- 📄 Integrate business ethics into core coursework
- 📄 College of Business faculty need education & support to achieve the above objectives
- 📄 AACSB will put greater pressure on COB's to prove they are using due diligence in addressing the business ethics needs of our students