



Ethics Education in Business Schools

Report of the
Ethics Education Task Force
to AACSB International's
Board of Directors

Ethics Education Task Force Members

Susan M. Phillips

Chair, Ethics Education Task Force
Dean, School of Business and Public Management
The George Washington University
Phone: 202-994-6380
E-mail: sbpmdean@gwu.edu

Milton Blood

Managing Director, Accreditation Services
AACSB International
Phone: 314-872-8507, ext. 230
E-mail: milton@aacsb.edu

Neil Bosland

Director, Finance and Accounting
AACSB International
Phone: 314-872-8507, ext. 238
E-mail: neil@aacsb.edu

Leo Burke

Associate Dean for Executive Education
University of Notre Dame
Phone: 574-631-3622
E-mail: leo.burke.77@nd.edu

Clifton F. Conrad

Professor
School of Education
University of Wisconsin-Madison
Phone: 608-263-3411
E-mail: conrad@education.wisc.edu

John Fernandes

President and CEO
AACSB International
Phone: 314-872-8507, ext. 246
E-mail: john@aacsb.edu

Anne Graham

Chief Operating Officer
AACSB International
Phone: 314-872-8507, ext. 240
E-mail: anne@aacsb.edu

Laura P. Hartman

Associate Vice President for Academic Affairs
Professor of Business Ethics
DePaul University
Phone: 312-362-6569
E-mail: lhartman@depaul.edu

Daniel R. LeClair

Director of Knowledge Services
AACSB International
Phone: 314-872-8507, ext. 263
E-mail: dan@aacsb.edu

Monica Medina

Vice President
FannieMae
Phone: 202-752-1839
E-mail: monica_medina@fanniemae.com

Bernard J. Milano

President and Trustee
KPMG Foundation
KPMG
Phone: 201-307-7662
E-mail: bmilano@kpmg.com

Frank J. Navratil

Dean
John M. and Mary Jo Boler School of Business
John Carroll University
Phone: 216-397-4391
E-mail: navratil@jcu.edu

Stephen D. Potts

Chairman, Fellows Program
Ethics Resource Center
Phone: 202-737-2258
E-mail: steve@ethics.org

Judith Samuelson

Executive Director
The Aspen Institute
Business and Society Program
Phone: 212-895-8000
E-mail: jsamuelson@aspeninstitute.org

Linda K. Treviño

Professor of Organizational Behavior and Cook
Fellow in Business Ethics
The Mary Jean and Frank P. Smeal College of
Business Administration
The Pennsylvania State University
Phone: 814-865-2194
E-mail: ltrevino@psu.edu

Howard Thomas

Dean
Warwick Business School
University of Warwick, United Kingdom
Phone: 44-024-7652-2839
E-mail: howard.thomas@wbs.ac.uk

Carolyn Y. Woo

Dean
Mendoza College of Business
University of Notre Dame
Phone: 574-631-7992
E-mail: carolyn.y.woo.5@nd.edu

Jean C. Wyer

Partner
PricewaterhouseCoopers
Phone: 646-394-4610
E-mail: jean.wyer@us.pwcglobal.com

Stephen B. Young

Global Executive Director
Caux Round Table
Phone: 651-265-2761
E-mail: sbymn@msn.com

Contents

FOREWORD	7
<hr/>	
Ethics Education in Business Schools	9
RESPONSIBILITY OF BUSINESS IN SOCIETY	10
ETHICAL LEADERSHIP	11
ETHICAL DECISION-MAKING	12
CORPORATE GOVERNANCE	13
SUMMARY AND RECOMMENDATIONS	14
<hr/>	
Suggested Questions About Ethics Education for Business Leaders	16
<hr/>	
AACSB International Current and Past Accreditation Standards Related to Ethics	20

Foreword

The Ethics Education Task Force was established by the AACSB board of directors on the premise that the crisis in business ethics is not only a challenge for companies but also an opportunity to strengthen management education. At issue is no less than the future of the free market system, which depends on honest and open enterprise to survive and flourish. While financial markets have seen the beginnings of a recovery in the past year, the threat of corporate malfeasance similar to Enron or Parmalat continues to weigh on investors' trust of the marketplace.

The main purpose of this document is 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. The ideas, examples, and other information put forth here and in AACSB's Web-based Ethics Education Resource Center are intended to stimulate interest in alternative approaches and models for developing the design, delivery, and evaluation of business ethics education.

All of us in management education need to ponder more deeply and creatively on how to advance the awareness, reasoning skills, and core principles of ethical behavior that will help to guide business leaders as they deal with a changing legal and compliance environment. We must ground students in the duties and rewards of stewardship, including the concerns of multiple stakeholders and the responsible use of power.

While many schools have initiated new ethics instruction, we must not fall into the trap of assuming the majority of students are adequately prepared to meet the ethical challenges of the modern workplace. More work must be done, and through the auspices of AACSB, we will continue to provide practical information and dialogue to assist faculty and administrators with this important task. To that end, this report contains suggested questions about ethics education that may be used by accreditation review teams as they consider a business school's commitment and support of ethical conduct and curricular content.

On behalf of AACSB, I wish to thank all of the members of the Ethics Education Task Force, whose names are listed on preceding pages. I am greatly indebted to them for their powerful insights into how business schools can bring home the value of ethics education to students.

The future of ethics leadership in business schools may lie beyond our immediate horizon, but it is certainly not beyond our control. "Making the world a better place" isn't the exclusive province of business schools. But with your help, business schools can guide students to be ethical and successful managers and leaders.

Susan Phillips
Chair, Ethics Education Task Force
Dean, School of Business and Public Management
The George Washington University

June 2004

Ethics Education in Business Schools

From the family to society at large, from government to the private workplace, ethical violations—breaches of private and public trust—have become a conspicuous feature of the contemporary landscape in the United States and throughout the world. Tellingly, even our colleges and universities have been plagued by ethical misconduct ranging from widespread cheating by students to faculty who have falsified data and manipulated research findings.

Few professions have been immune from public embarrassment and accusations, but some—such as business—have become the target of highly visible publicity in the wake of travesties like those at Enron, WorldCom, and Parmalat. While there have been business scandals throughout the last century, the recent debacles have brought the focus to ethics and business schools. Some critics have charged business schools with teaching students to bend the rules to make the numbers. Others have maintained that business schools glossed over ethical conduct in examining business transactions and might go so far as to encourage students to bypass policies, procedures, and even the law, to ensure favorable financial results.

To be sure, business schools cannot be expected to assume total responsibility for ethical debacles in corporations and throughout the business world. Education is hardly the sole determinant of human behavior, and responsibility for ethics education is not the exclusive province of business schools. Nonetheless, ethics education has always been part of business curricula; and AACSB International accreditation standards have long mandated that ethics be taught as part of management degree curricula.

While a number of business schools have developed innovative strategies for engaging students in the challenge of providing ethical leadership, the assumption of many faculty and program leaders that the majority of students are being adequately prepared in this domain is highly questionable. This report is based on the premise that the time has come for business schools—supported by AACSB—to renew and revitalize their commitment to the centrality of ethical responsibility at both the individual and corporate levels in preparing business leaders for the twenty-first century.

From the undergraduate to the master's and doctoral levels, business schools must encourage students to develop a deep understanding of the myriad challenges surrounding corporate responsibility and corporate governance; provide them with tools for recognizing and responding to ethical issues, both personally and organizationally; and engage them at an individual level through analyses of both positive and negative examples of everyday conduct in business. All of us involved in business education need to think more deeply and creatively about how to advance ethical awareness, ethical reasoning skills, and core ethical principles that will help to guide business leaders as they respond to a changing legal and compliance environment as well as complex, conflicting, and sometimes highly problematic interests and opportunities. We must socialize students in the obligations and rewards of stewardship, including the concerns of multiple stakeholders and the responsible use of power. Such efforts may require different approaches for undergraduate, master's, and doctoral students.

Anchored in the premise that the crisis in ethics is not only a challenge but also an opportunity to strengthen business education, the overarching purpose of this document is to invite and encourage administrators and faculty in business education to reflect on their current approaches to ethics education and what they might do to bolster this critical component of the curriculum. The concepts,

examples, and other information presented here and in AACSB's new Web-based Ethics Education Resource Center are aimed at stimulating interest in alternative approaches and models for forming the design, delivery, and evaluation of business ethics education. We fully recognize that each institution may identify different challenges and may use different approaches to ethics education consonant with their own missions.

Four broad themes that, in our collective judgment, should inform ethics education are addressed in this document: the responsibility of business in society; ethical decision-making; ethical leadership; and corporate governance. While many other topics could have been included, these four areas are widely viewed as cornerstones of a comprehensive and viable ethics education curriculum in business schools.

RESPONSIBILITY OF BUSINESS IN SOCIETY

In addition to providing a return to owners, business is charged with other straightforward tasks—acting lawfully, producing safe products and services at costs commensurate with quality, paying taxes, creating opportunities for wealth creation through jobs and investments, commercializing new technologies, and minimizing negative social and environmental impacts. Unless management attends to all its responsibilities, achieving fair returns to shareholders will not be possible.

There is more to the story of business, however. Business and society are mutually interdependent: Society depends on business for wealth creation while business depends on society for an environment wherein it can meet its obligation to create that wealth.

It is essential for business in general—and management education students in particular—to understand the symbiotic relationship between business and society, especially in terms of the moral dimensions of the power placed in the hands of owners and managers. The actions of business leaders affect not only themselves, but customers, employees, investors, suppliers, governments, citizens, and communities. Moreover, abuse of dependency by corporations undermines trust in business and in the markets needed to ensure commercial success. A society where those holding power are neither moral nor accountable creates a state where the strong do what they will and the weak what they must. In short, the power of business must be exercised so that it does not punish or exploit those who are dependent on its largesse or vulnerable to its demands. Business must faithfully exercise its responsibility in the use of power.

Business also has a responsibility to foster improved conditions for wealth creation. It must enhance its own future success and its ability to create more wealth by contributing to the communities where it hopes to prosper. Businesses cannot thrive in environments where societal elements such as education, public health, peace and personal security, fidelity to the rule of law, enforcement of contracts, and physical infrastructures are deficient. The responsibilities of business go far beyond a financial accounting concern for the bottom line of short-term profit and loss. Emerging conceptual frameworks, such as social reporting, social impact management, and triple bottom line, can help business to understand and assess these broader responsibilities. By defining the purpose of a business in terms of its social context, the various broader impacts on different constituencies, quality of life, regional economy, security, safety, or environment can be better understood and measured in the near and longer terms. Indeed, many firms are beginning to expand the transparency of their social reporting and efforts are now being directed to developing benchmark data and standardized approaches to social reporting.

Business schools are addressing these societal responsibilities in myriad ways. In many instances, traditional, functional-area MBA courses are overlaid with courses that explore the relationships between businesses, managerial decision-making, and leadership in the context of the societies wherein the

businesses exist. Students frequently confront and analyze complex dilemmas in global, social, political, ecological, and ethical contexts in business.

Special centers and programs that encourage responsible leadership are offered in many schools. Students often participate in projects that involve them in the realities and vagaries of real business environments. These exercises help them to understand how business decisions affect groups, organizations, and societies. By developing a perspective on the shared or common good, these programs challenge leaders to balance the impact of decisions and actions on themselves, their organizations, and societies.

ETHICAL LEADERSHIP

Business schools should help students to see the criticality of ethical leadership to effective and successful management. Significantly, findings from cognitive moral development research verify that most working adults are at the conventional level of cognitive moral development. That is, they look outside themselves, primarily to peers and leaders, for guidance in ethical dilemma situations. The messages leaders send and the contexts they create are potentially the greatest motivating force behind ethical conduct in business organizations.

To be considered ethical leaders, executives must be both “moral persons” and “moral managers.” As noted in the literature, executives become moral persons by expanding their awareness to include multiple stakeholder interests and by developing and applying their own ethical decision-making skills to organizational decisions in ways that are transparent to their followers.

Executives become moral managers by recognizing and accepting their responsibility for acting as ethical role models. They must also “manage ethics” by communicating about ethics and values on a regular basis and by holding organization members accountable for ethical conduct.

Most students will not be executives early in their careers; but they need to understand that, even as supervisors, they will play a key ethical role in the organization by influencing the daily conduct of their direct reports. Supervisors demonstrate ethical leadership through being open, fair, trustworthy, and caring with employees; by communicating about ethics and values; by role modeling ethical conduct; by focusing on means as well as ends in reward systems; and by disciplining unethical conduct when it occurs.

Within business education, interaction with executives can communicate to students the realities of the current business environment and the ethical expectations of real businesses. Business school boards of advisors can often be involved in these interchanges. Students, especially traditional undergraduate students, tend to get their information from the media; and, as a result, they are often cynical about business ethics. Yet, research shows that a majority of businesses expect their employees to be ethical, and they expect business schools to prepare students to take on ethical responsibilities. Students not only should learn about examples of scandalous and unethical behavior, but about corporations that operate at high levels of integrity and social responsibility.

Business schools should also ensure that students are familiar with the formal programs that support ethical conduct, such as the Cadbury Code and the King Report, and with legislation such as the U.S. Sentencing Guidelines for Organizations and the Sarbanes-Oxley Act. Particular features of formal ethics programs, such as appointment of a responsible senior executive, implementation of codes of conduct, training programs, reporting systems, and disciplinary systems, should also be considered.

In many schools, the commitment to ethics education cuts across the business school curriculum at all levels, starting at the undergraduate level. Honor codes for all students, a practice endorsed in the AACSB Standards interpretations, is frequently an element in the business school curriculum. These codes emphasize the importance of proper behavior for administrators, faculty, and students in their professional and personal actions. Many schools also adopt disciplinary systems, oaths, service projects, and other concepts to stress the importance of ethical behavior.

Learning experiences can encourage students to explore the cognitive and managerial/leadership influences on ethical thought and action in organizational settings and to envision their responsibilities as business leaders who will manage their own ethics and the ethics of those who report to them. Many schools have developed innovative and provocative strategies for encouraging student involvement. For example, student teams at the MBA level might draw on personal work experiences to analyze the wide array of cultures existing within the business community. Faculty who have taught this type of module indicate that students are usually eager to reflect on their own experiences in work environments. Informal faculty reports also suggest that some students speak with pride and warmth about the ethical cultures with which they have been associated, while those who have been exposed to unethical cultures express delight at no longer being a part of those organizations. The major individual assignment in these modules might be to have each student analyze an ethical dilemma they faced at work from the perspective of normative ethical decision-making frameworks, along with the cognitive, managerial, and organizational culture influences on their decisions and actions.

Another way students learn about ethical behaviors is through the ethical culture they observe in their respective business schools. Students cannot be expected to internalize the importance of ethics and values unless business schools demonstrate such commitment within their own organizations. This means that business school deans need to think of themselves as ethical leaders who communicate regularly about ethics and values; who model ethical conduct; and who hold community members—faculty, staff, and students—accountable for their actions. Academic policies and systems should clearly be an integral, living part of the school's culture, and not simply a stack of documents in the file drawer.

ETHICAL DECISION-MAKING

Most students, especially undergraduates, will not soon face, or be in the position to influence, situations such as the Tylenol recall or the Exxon Valdez oil spill. But almost all business people, regardless of their levels in the organization, face issues of potential harm and fairness on a regular basis; and preparing students for ethical decision-making should be a key component of the preparation of ethical business leaders.

Business schools typically teach multiple frameworks for improving students' ethical decision-making skills. Students are encouraged to consider multiple stakeholders and to assess and evaluate using different lenses and enlarged perspectives.

Traditionally, ethical decision-making frameworks have included consequentialist, deontological, and virtue ethics approaches. The consequentialist approach requires students to analyze a decision in terms of the harms and benefits to multiple stakeholders and to arrive at a decision that produces the greatest good for the greatest number. A deontological approach raises issues related to duties, rights, and justice considerations and teaches students to use moral standards, principles, and rules as a guide to making the best ethical decision. Virtue ethics focuses on the character or integrity of the moral actor and looks to moral communities, such as professional communities, to help identify ethical issues and guide ethical action.

In some environments, new frameworks—with new names—combine these precepts in different ways. Regardless of the terminology or particular features, the central purpose behind understanding and applying these frameworks lies in giving students the tools they need to identify and think through ethical issues. Above all, they learn what questions should be asked—of themselves and others—and what factors need to be considered in their decision-making.

As emphasized by several members of the task force, a particularly useful exercise in helping students to heighten their moral reasoning abilities is to ask them to reflect on ethical decisions from their own experiences and to analyze them using multiple perspectives. Throughout this exercise, it is essential for students to be fully engaged in these processes so that they aren't simply mastering facts or theories, but are also wrestling in a personal way with complex ethical dilemmas that exist in the world of business and elsewhere.

Learning experiences should expose students to cases and types of ethical issues that they are likely to face in the business world—both to enhance their abilities to recognize ethical issues and to increase their ethical sensitivity and awareness. While general business courses can present these topics effectively, specific functional areas of business should also prepare students for the types of issues that arise in those areas. For example, an information systems course should consider privacy rights, and a finance course should address fiduciary responsibilities.

Resolving ethical issues requires reflection on underlying values. An important part of the values clarification process involves prioritizing one's values and being prepared to deal with values conflicts that might occur, for example, when success and security clash with justice or honesty. In recent years ethics education has advanced a number of exercises aimed at helping students to clarify their personal values. One approach requires students to identify five or six values that they would choose to guide behavior in an ideal society or business. Research indicates that people around the world tend to identify a similar set of values, suggesting that people from different cultures generally agree that honesty, fairness, and respect for human life, for example, are important.

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.

CORPORATE GOVERNANCE

Although ethics education is vital, it is unrealistic to expect that it can, with a single stroke, negate the likelihood of management wrongdoing. Situational pressures often occur many years after graduation, when classroom discussions or a course in ethics are far from the consciousness of the stressed manager. Knowing the principles and practices of sound, responsible corporate governance can also be an important deterrent to unethical behavior. Moreover, understanding the complex interdependencies between corporate governance and other institutions, such as stock exchanges and regulatory bodies, can be an important factor in managing risk and reputation.

In recent years, several schools have established centers for corporate governance. While governance concepts and practices may be mentioned in management education degree programs, few business schools have designed curricula that include each element, establish learning goals, and measure outcomes. Nonetheless, it is difficult to refute the premise that students who understand the principles and practices of corporate governance are much more likely to emerge as effective leaders.

Management degree programs should not only offer students ethics education, but also solid background in corporate governance. Appropriate topics may include:

- The role and responsibilities of the governing board of directors.
- The role and responsibilities of the audit committee.
- An understanding of internal controls, the role and responsibilities of management, and critical monitoring activities such as internal auditing.
- Elements of an effective code of conduct.
- Understanding of U.S. Federal Sentencing Guidelines and Sarbanes-Oxley, the U.K. Cadbury Code, the King Report from South Africa, and similar regulations and recommendations from other parts of the world.
- Components of an effective corporate compliance program.
- The role and responsibilities of independent public accountants, counsel, and regulatory bodies.

These topics are applicable to any organization, including nonprofits or governmental agencies. With prudent corporate governance, any business entity seems much less vulnerable to corruption. Bringing governance into the classroom helps to prepare students for the realities of the business world and arms them with powerful insights for operating within business environments.

SUMMARY AND RECOMMENDATIONS

While many schools are already deeply involved in renewing and reinvigorating their commitment to ethics in business education, assessment and continuous improvement are as important in this field as in any other. “Making the world a better place” isn’t the exclusive province of business schools; but business schools can—and want to—equip their students to be ethical and successful managers and leaders.

While the task force does not prescribe a particular curriculum or course, it recommends that AACSB encourage its member schools and their faculties to renew and revitalize their commitment to ethical responsibility at both the individual and organizational levels. Schools should be encouraged to demonstrate this commitment throughout their academic programs, assessment processes, research agendas, and outreach activities.

The task force recommends that AACSB support and encourage a renaissance in ethics education and exercise its leadership role to ensure the commitment of business schools. We must strengthen ethics components of our curricula in all disciplines to emphasize the importance of individual integrity and corporate responsibility to business success. We must offer courses that introduce frameworks that may help in resolving ethical business and managerial problems; courses that lay out the larger societal context in which business operates; and seminars and workshops that bring executives to campus to focus

on the link between leadership and values. We must work to build a community of scholars and students in which ethical principles are not platitudes, but reality.

For its part, AACSB should support and encourage business schools as they renew their commitment to ethics education in business school curricula. Several key initiatives are suggested to accomplish these recommendations:

1. ***Ethics Education Resource Center.*** The task force recommends continuous support for a Web-based ethics education resource center (EERC) to motivate and facilitate achievement in business ethics education in business schools. The EERC, which will be housed on the AACSB Web site, will provide access to information about ethics education, including published articles, guidelines for meeting AACSB accreditation standards, examples of effective practices, conferences and seminars schedules, and tools. Other online resources and topics will include tools such as syllabi, pedagogies, curriculum design, surveys, cases, service learning, action learning, and links to particular sites. The EERC will also support networking and discussion about ethics education.

The EERC is envisioned as a key mechanism for engaging business and professional communities in ethics education. Participants are expected to be diverse, representing a variety of disciplines and cultures. The task force is convinced that the EERC will be a critical resource to schools.

2. ***Accreditation Team Training.*** When AACSB's new accreditation standards were adopted in April 2003, the focus on ethics was strengthened. Now it is critical to assist schools in understanding and achieving these standards. As part of an overall training program, accreditation reviewers should receive guidance that will assist them in working with schools to assess and enhance their ethics programs. This resource document, suggested guidelines for accreditation reviews, and the ethics education resource center can help to support team efforts to understand and evaluate schools' ethics education programs.
3. ***AACSB Publications and Educational Events.*** The task force recommends that AACSB publications such as *BizEd* and *eNEWSLINE* be utilized to communicate with members about ethics-related topics. In addition, AACSB should capitalize on its conferences, seminars, and other educational events to generate awareness, innovation, and action with regard to ethics education in business schools.
4. ***Curriculum Development.*** The task force recommends that AACSB explore the possibility of engaging the academic disciplines in discussions, joint programs, or other initiatives to recognize and encourage development of ethics in disciplinary education and research.

Suggested Questions About Ethics Education for Business School Leaders

The following sample questions may be helpful to business schools seeking to evaluate and confirm their commitment and support of ethical conduct and curricular content. The questions, which are related to specific AACSB International accreditation standards, may help schools to prepare for their work with accreditation peer review teams. Although the suggestions are intended to encourage thought and discussion about ethics education, they do not create new accreditation standards or supercede current standards. Both the questions and the responses that follow them are intended as general guidance that can be tailored to the specific needs of all schools, including those not currently engaged in accreditation.

Schools and accreditation peer review teams are encouraged to consult the white paper Ethics Education in Business Schools issued by the Ethics Education Task Force (EETF) of AACSB International for additional background. They may also find the Ethics Education Resource Center (EERC) on the AACSB Web site useful for identifying current benchmarks and best practices (<http://www.aacsb.edu/eerc>).

The AACSB Business Standards specify that "...ethical behavior is paramount to the delivery of quality business education," and the report of the EETF observes that "...the assumption of many faculty and program leaders that the majority of students are being adequately prepared in [the ethics] domain is highly questionable." It is essential for schools and peer review teams to be fully aware of these statements and their implications.

1. Is there any reference to ethical orientation, aspirations, or commitment in the school's mission statement? (Standard 1)

While explicit or implicit inclusion in the mission statement is not required for accreditation, schools should examine any relationship between their mission statement and the institutional commitment to ethics education and ethical conduct. Schools should consider how effectively their leadership communicates the ethical orientation, aspirations, or commitment to community participants. Explicit mention of ethics in the mission statement should lead peer review teams to craft their reviews to ensure that this portion of the mission is appropriately addressed. While some schools may have explicit wording in their mission statements relating to ethical concerns, many will not. Some may have implicit connections through the discussion of cultural, religious, or other social references.

2. Are there any criteria or procedures used in the selection and continuance of participants (students, faculty, and administrators) that emphasize ethical conduct or that would de-select individuals with a demonstrated propensity to act unethically? (Standards 6 through 11)

While it is rare to find a selection criterion focused solely on ethical conduct, many commonly used criteria may give some assurance. Among the indicators are:

- Examination of records from previous institutions, along with a requirement for graduation or good standing.
- Careful use of personal references.

- Procedures for handling identified instances of academic dishonesty.
- Inclusion of ethical behavior as an evaluated dimension of internships.
- Requirement for concurrent employment by, practice with, or membership in an organization known for maintaining ethical standards.

3. Is there any guidance describing appropriate conduct for faculty, students, and administrators? (See item E under Preconditions in the Business Standards.)

Because of the flexibility inherent in an academic environment, the prevalence of authority relationships, and the need to provide performance expectations for less experienced members, schools should have some means of communicating norms for behavior. In some societies, the cultural environment may contain significant direction; but for most environments some school-specific, explicit guidance, such as rules, codes of conduct, or honor codes is needed. It is possible that the institution of which the business school is a part may have policy statements that apply to the unit in question and should be considered.

4. Is there a process for identifying and managing deviations from appropriate ethical conduct? If so, is there evidence that it works? (Standards 13 and 14)

Even in those rare instances where appropriate ethical conduct has not and will not likely be challenged, a process should exist to identify and manage deviations. It is unwise to wait for an egregious example or external pressure to determine how to respond.

Where a process does exist, schools should be able to demonstrate that it is used and works effectively to manage inappropriate ethical conduct. The nature of the process and examples of its use may provide substantial evidence about the ethical climate of the school.

The following questions relate to the ethical provision of Standard 15. Questions five through nine should be addressed for each reviewed degree program. The goal is to ensure that no pool of students lacks adequate coverage. Care should be taken to gain assurance about both the intended coverage and the school's operational processes for monitoring each area to see that the curricular design is carried out.

5. Where do students learn about the responsibility of business in society? What assurance is there that these learning opportunities are effective?

The EETF observes that “It is essential for business in general—and management education students in particular—to understand the symbiotic relationship between business and society, especially in terms of the moral dimensions of the power placed in the hands of owners and managers.” Business schools address this need in many ways and at many points in their curricula. Schools and review teams should confirm that the coverage is adequate to ensure that all students understand this important relationship.

6. Where do students learn and practice ethical decision making? Do any of the examples involve ethical issues from the students' own experience? What assurance is there that these learning opportunities are effective?

Providing students the opportunity to learn and practice multiple models for ethical decision making is an important step in supporting their ability to make good personal choices and business decisions in the future. To ensure that they internalize the application of the model when they are close to the choices, it is helpful to utilize some examples from their own sphere of experience. Schools and review teams should consider whether there is assurance that the opportunities for learning and practicing ethical decision making are adequate for all students.

7. Where do students learn about their responsibilities for ethical leadership in organizations? What assurance is there that these learning opportunities are effective?

While most students will not proceed to leadership positions immediately upon graduation, they still must develop a basic understanding of ethical leadership. With luck they will move quickly to supervisory positions where their abilities in this important area will first be tested. Regardless of their progression, it is important to note that all group and organizational members are in a position to exercise informal leadership at selected times and on selected issues. Schools and review teams should consider whether or not there is assurance that the opportunities for learning about ethical leadership are adequate and effective for all students.

8. Where do students learn about corporate governance? What assurance is there that these learning opportunities are effective?

The EETF observes that "Knowing the principles and practices of sound, responsible corporate governance can also be an important deterrent to unethical behavior." To help reduce the probability of corruption, students should encounter the principles of and practice compliance with good governance in their coursework. Schools and review teams should consider whether there is assurance that the opportunities for learning about corporate governance are adequate and effective for all students.

9. Where do students learn about specific ethical issues and guidelines relating to other content areas? What assurance is there that these learning opportunities are effective?

There is a danger that implicit ethical issues will be ignored in the coverage of disciplinary content. While general ethical education is important, ignoring ethical implications during the discussion of detailed subjects sends a message that ethical conduct may be relegated to certain areas and ignored in others. This encourages students to disregard the ethical implications of some decisions and assume there will be no consequences. A short list of examples of ethical components is shown below to stimulate thinking on the part of schools and review teams. They should be concerned that there is assurance of coverage of ethical issues in the disciplinary content.

Specific Area	Sample Ethical Component
Market research	Use of human subjects
Human resource management	Fairness in selection and promotion procedures
Corporate Strategy	Personal consequences of relocation/closing decisions
Finance	Fiduciary responsibilities
Auditing	Independence
Information technology	Censorship and privacy
Manufacturing management	Environmental impact
Organizational behavior	Privacy management

10. What proportion of the business school faculty are involved in the activities covered by questions five through nine?

Faculty involvement is an important indicator of the salience of issues in academic environments. Relegation of ethical issues to a small fraction of the faculty or to those perceived as having low status vitiates the power of the educational experience. Also, in an environment where concern over ethical issues has risen sharply, lack of business school faculty involvement may indicate a disconnection between the academic experience and the real world. If ethics content is taught primarily by faculty from outside the business school, questions should be raised as to what is done to convey the relevance of ethics in business practice.

11. Overall, does the culture, climate, and curriculum of the school support an ongoing commitment to ethical conduct by all participants and effective delivery of ethics content in curricula?

Given the answers to questions one through 10, as well as any other evidence, the school and the review team must determine whether or not the school demonstrates its commitment to ethics as an essential element in the delivery of quality business education. Failure in this area should be a significant concern to the school and a significant finding in the team's report. Where a team finds successes that can be used by other schools, it would be helpful to provide a reference to the ERC so that best practices may be shared.

AACSB International Current and Past Accreditation Standards Related to Ethics

FROM THE PAST AACSB STANDARDS (Revised February 14, 2001) – Page 17

CURRICULUM CONTENT AND EVALUATION

C.1 CURRICULUM CONTENT

C.1.1 Perspectives: Undergraduate and MBA

C.1.1: Both undergraduate and MBA curricula should provide an understanding of perspectives that form the context for business. Coverage should include:

- ethical and global issues,
- the influence of political, social, legal and regulatory, environmental and technological issues, and
- the impact of demographic diversity on organizations.

INTERPRETATION: The perspectives indicated above might be addressed via individual courses with titles that explicitly identify the perspective being treated. However, it is not the intent of this standard to require a separate course for any one or for any combination of these perspectives. Schools may approach any or all of these topics by interweaving them throughout other required curricular elements.

FROM THE CURRENT AACSB STANDARDS (Adopted April 25, 2003) (Revised January 1, 2004) – Page 14–15

E. The institution or the business programs of the institution must establish expectations for ethical behavior by administrators, faculty, and students.

INTERPRETATION: AACSB 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 behavior through procedures such as disciplinary systems to manage inappropriate behavior and through honor codes.

This criterion relates to the general procedures of a school. In no instance will AACSB become involved in the adjudication or review of individual cases of alleged misconduct, whether by administrators, faculty, staff, students, or the school.

FROM THE CURRENT AACSB STANDARDS

(Adopted April 25, 2003) (Revised January 1, 2004 – Pages 18–19)

**SECTION 2:
ASSURANCE OF LEARNING STANDARDS
STANDARD 15**

15: Management of Curricula: The school uses well documented, systematic processes to develop, monitor, evaluate, and revise the substance and delivery of the curricula of degree programs and to assess the impact of the curricula on learning. Curriculum management includes inputs from all appropriate constituencies which may include faculty, staff, administrators, students, faculty from non-business disciplines, alumni, and the business community served by the school.

The standard requires use of a systematic process for curriculum management but does not require any specific courses in the curriculum. Normally, the curriculum management process will result in an undergraduate degree program that includes learning experiences in such general knowledge and skill areas as:

- Communication abilities.
- Ethical understanding and reasoning abilities.
- Analytic skills.
- Use of information technology.
- Multicultural and diversity understanding.
- Reflective thinking skills.

Normally, the curriculum management process will result in undergraduate and master's level general management degree programs that will include learning experiences in such management-specific knowledge and skills areas as:

- Ethical and legal responsibilities in organizations and society.
- Financial theories, analysis, reporting, and markets.
- Creation of value through the integrated production and distribution of goods, services, and information.
- Group and individual dynamics in organizations.
- Statistical data analysis and management science as they support decision-making processes throughout an organization.
- Information technologies as they influence the structure and processes of organizations and economies, and as they influence the roles and techniques of management.
- Domestic and global economic environments of organizations.

Other management-specific knowledge and abilities as identified by the school.

[MANAGEMENT OF CURRICULA]

INTERPRETATION: There is no implication in these standards that these topics designate particular courses or treatments. Schools should assume great flexibility in fashioning curricula to meet their missions and to fit with the specific circumstances of particular programs. Some of these topics may be emphasized for particular learning needs and others may be de-emphasized. Combinations of topics may be grouped to integrate learning. Various topics and learning goals will call for special pedagogical treatment. Schools are expected to determine how these, or other, topics occur in the learning experiences of students, but accreditation does not mandate any particular set of courses, nor is a prescribed pattern or order intended. The school must justify how curricular contents and structure meet the needs of the mission of the school and the learning goals for each degree program.

2003–2004 Board of Directors

OFFICERS AND MEMBERS

Chair

Carolyn Y. Woo, University of Notre Dame

Vice Chair–Chair Elect

Doyle Z. Williams, University of Arkansas

Secretary–Treasurer

Paul Danos, Dartmouth College

Immediate Past Chair

Jerry E. Trapnell, Clemson University

President and Chief Executive Officer

John J. Fernandes, AACSB International

Angel Cabrera, Instituto de Empresa

Joseph A. DiAngelo, Saint Joseph's University

Richard E. Flaherty, University of Nevada, Las Vegas

Rex D. Fuller, Colorado State University-Pueblo

Adelaide Griffin, Texas Woman's University

Yash P. Gupta, University of Washington

Sidney E. Harris, Georgia State University

Arthur Kraft, DePaul University

Patrick R. Liverpool, Delaware State University

Patricia W. Meyers, University of Dayton

Frank J. Navratil, John Carroll University

Judy D. Olian, The Pennsylvania State University

Helen F. Peters, Boston College

Susan M. Phillips, The George Washington University

Andrew J. Policano, University of Wisconsin-Madison

Sharon Smoski, State Farm Insurance Companies

Richard E. Sorensen, Virginia Polytechnic Institute and State University

Howard Thomas, University of Warwick

Dennis J. Weidenaar, Purdue University

Jean C. Wyer, PricewaterhouseCoopers

AACSB INTERNATIONAL MISSION

AACSB International advances quality management education worldwide through accreditation and thought leadership.

Notes

For more information about this report, contact:

Roxanna Strawn: 1+ 314-872-8481. E-mail: roxanna@aacsb.edu