

Integrating Business Ethics in Business Courses

INTRODUCTION

Teaching business ethics requires an understanding of the organizational dimensions of ethical decisionmaking. Although most people believe that employees learn to be ethical at home and school and through life experiences, the work environment creates challenges for even the most ethical person. For example, employees cannot always make independent ethical decisions due to a corporate culture that has many types of managers and employees using their own concepts of right and wrong. Managers sometimes pressure employees into questionable activities. However, business ethics becomes more transparent once an organization establishes codes of ethics, as well as compliance requirements and ethical leadership. The objective of this chapter is to provide some essential strategies for integrating business ethics into business courses. The authors examine the role of stakeholders, implications of the global financial crisis, and important issues in teaching business ethics, as well as providing resources to integrate business ethics successfully into a course.

THE IMPORTANCE OF BUSINESS ETHICS

Business courses provide an essential and dynamic foundation for students developing their business careers. Although it is important to teach many traditional concepts such as human resources and marketing, emphasizing emerging topics that are reshaping the changing world of business today, including business ethics, is crucial. Trust—or the lack of it—in business has become a major issue in our society. In fact, only 46% of consumers in the United States trust business to do what is right, according to the 2011 Edelman Trust Barometer. Trust of business is a global issue too, as only 48% of French consumers and 44% of U.K. consumers trust business to do what is right (Edelman, 2011). There is no doubt that the recent financial crisis has destroyed trust in business due to a decline in housing values and to high unemployment and government bailouts. Even governments are facing difficulties in meeting their financial obligations, as can be seen by Standard & Poor's downgrade of the U.S. debt from a AAA to AA+ rating ("Looking for someone to blame," 2011). Questionable ethical decisionmaking in the financial industry has probably contributed to an overall drop in trust of business. Addressing business ethics is important in providing a foundation for understanding how to succeed in business. Many educators have limited experience in addressing business ethics, and providing a framework to teach this important topic can be helpful (Sims & Sims, 1991).

Incorporating business ethics into coursework as early as possible is important so that students may begin to explore their own morality juxtaposed with how an organization might view ethics and ethical behavior. This first requires that they understand their own values and ethical principles and how they can use their personal moral compass to assist them in an organization.

Students may find that, while working in an organization, their personal ethics do not always coincide with the values and codes of conduct of that organization (Lewis, 2002). Individuals experience ethical conflict when they think their own personal values do not align with their organization (Navran, 2002). In such cases, students and newly hired employees lack the knowledge and experience needed to deal with complex business ethics issues (Elango, Paul, Kundu, & Paudel, 2010). Telling students to just do the right thing fails to consider the “gray areas” associated with most organizational ethical issues. The nature of an ethical decision is to examine alternatives and select the right one based on more than one person’s opinion. Therefore, the first step in understanding ethical issues is recognizing what constitutes individual and organizational interests and concerns.

A key concept that students must learn is that they may have problems making the correct ethical decisions based on the many conflicts that can exist. According to Tseng and Fan (2011), an organizational ethical climate influences employee attitudes toward ethics as well as how they participate in activities. The first step is to know more about one’s personal ethical perspective and the second is to understand the organization’s ethical perspective. Ethical leadership by top managers clarifies roles, generates approaches to ethical decisionmaking, and establishes fairness. Research indicates that having conscientious, agreeable leaders is positively related to ethical leadership (Kalshoven, Den Hartog, & De Hoogh, 2011). Instructors can explain this ethical decisionmaking environment to help students assess their own ethics and explore the ethical dilemmas in the workplace. One way to discuss balancing interests in ethical decisionmaking is to introduce the stakeholder perspective.

STAKEHOLDERS AND ETHICAL DECISIONMAKING

Stakeholders are individuals, groups, and communities who can directly or indirectly affect a firm’s activities. Although most corporations emphasize shareholders as the most important stakeholder group, failure to consider all significant stakeholders can lead to ethical lapses. Stakeholders include employees, investors, regulators, suppliers, communities, clients, and shareholders (Maignan, Gonzalez-Padron, Hult, & Ferrell, 2011). Some executives believe that if their companies adopt a market orientation and focus only on customers and shareholders, everything else will take care of itself. Unfortunately, failing to recognize the needs and potential impact of various stakeholders can lead to regrettable consequences.

A strategy to ascertain the needs of stakeholders is to recognize the relationship among ethics, social responsibility, and quality management (Tari, 2011). Research has shown that a culture that focuses on all stakeholders and values a team orientation and openness in internal communications leads to improved financial performance (Maignan, et al., 2011). Therefore, those stakeholders with interests or concerns must be identified, and the organization needs to gather information and respond to these important stakeholders in a positive manner.

Hence, business ethics programs must identify and prioritize stakeholders and their concerns about organizational activities as well as gather information to respond to significant individuals, groups, and communities. For example, at one time Walmart focused mainly on customers and on the lowest prices possible. This approach likely contributed to the abuse that led to an employee class-

action lawsuit against Walmart filed in 2001, in which Walmart managers were alleged to have denied employees meal and restroom breaks and forced them to work off the clock (“Wal-Mart to Face,” 2005). Today, Walmart recognizes the importance of employees and community issues such as sustainability. Stakeholder groups apply their own ethical values and principles to their perception of many diverse issues. They supply resources—for example, capital, labor, expertise, infrastructure, sales, etc.—that are critical to a firm’s long-term survival, and their ability to withdraw these resources is power.

One approach to stakeholders is to deal proactively with their concerns and ethical issues and stimulate a sense of bonding within the firm. When an organization listens to stakeholder concerns and tries to resolve issues, the result is tangible benefits that can translate into customer loyalty, employee commitment, supplier partnerships, and improved corporate reputation. This requires going beyond basic regulatory requirements and making a difference by genuinely listening to stakeholders and addressing their concerns. Firms that do this demonstrate a fundamental interconnectedness of all entities in the market system (Mish & Scammon, 2010).

In the financial industry many ethical issues are related to transparency and truthfulness about complex intangible products such as derivatives. When firms look only at the financial incentives for employee performance, they lose sight of important stakeholder responsibilities, such as providing relevant product information. To achieve expected results, employees may bend the rules and their firm can limit transparency to manipulate decisions or use legal loopholes. These firms fail to recognize today’s changed societal context of business, which necessitates addressing multiple stakeholders. According to Smith, Drumwright, and Gentile (2011), businesses must (1) identify stakeholders, (2) determine stakeholder salience, (3) research stakeholder issues and expectations and measure impact, and (4) engage with stakeholders and embed a stakeholder orientation in all of the firm’s activities.

LEGISLATION RELATED TO BUSINESS ETHICS

The beginning of the 21st century was marked by a number of corporate scandals that prompted the need for major legislation. It started with the accounting scandals discovered at Enron and Arthur Andersen in 2001. The scandal caused thousands of employees to lose their jobs and their retirement savings, as well as the demise of the firms. The next year saw even more incidents of fraud at WorldCom (2002) and Tyco (2002). While Tyco was able to recover, WorldCom filed for bankruptcy. These scandals prompted the government to pass the 2002 Sarbanes-Oxley Act (referred to as SOX), which mandated a new way of doing business. This corporate reform legislation responded to growing concerns over the financial reporting of firms. SOX was designed to help assure distrustful stakeholders that corporations would now be subject to greater oversight in order to restore key stakeholder confidence. At the time the legislation passed, a poll by the *Wall Street Journal* and NBC found that 57% of the general public believed that “standards and values of corporate leaders and executives had dropped in the last 20 years” (Hellweg, 2002). SOX improved financial disclosures, offered whistle-blower protection, and encouraged ethical standards and expectations of financial officers.

Unfortunately, SOX did not deter the disastrous corporate misconduct that occurred less than a decade later. Perhaps no event highlights the importance of ethical business conduct in recent years as much as the global financial crisis beginning in 2008. Subprime mortgages (loans provided to people who would not normally qualify for a loan) and the use of complex financial instruments were major contributors to the crisis. Although a variety of different factors led to the crisis, most originated from the willingness of businesses to sacrifice ethics and long-term sustainability for short-term gains (Crotty, 2009). Many companies had an incentive system that rewarded executives and employees for bringing in profits without monitoring how these profits were generated. This lack of accountability led employees to engage in questionable conduct to obtain desired incentives (Crotty, 2009). For instance, Countrywide Financial was the biggest provider of “liar loans”—loans provided to homeowners without proof of assets or income. Today, we are still trying to unravel the financial crisis, but it all started through risky investments and liar loans to encourage those without enough resources to obtain home loans.

The financial crisis caused the government to create a new law aimed at widespread financial reform. The Dodd-Frank Wall Street Reform and Consumer Protection Act was passed in 2010 to increase “accountability and transparency” in the financial industry, protect stakeholders from deceptive financial practices (Falaschetti, 2011), and establish a new Consumer Financial Protection Bureau to protect consumers from unsafe financial products (Reddy, 2010). Part of the responsibility of this bureau is to make financial products and services easier to understand, curtail unfair lending and credit card practices, and ensure the safety of financial products before their launch into the market (Liberto & Ellis, 2010).

However, not all laws that affect the ethical decisionmaking of business occurred after major misconduct disasters. For the past 20 years, the Federal Sentencing Guidelines for Organizations have provided incentives for organizations to develop organizational ethics and compliance programs (Johnson, 2004). The 2004 and 2008 amendments to the guidelines require organizations’ boards of directors to be well informed about their organizations’ ethics programs regarding content, implementation, and effectiveness. In fact, the board is required to budget adequate resources and provide authority for developing and maintaining ethics programs. There must be confidential mechanisms or hotlines so that employees and agents may report or seek guidance on ethical issues without any fear of retribution. Furthermore, the board must identify ethical issues and design and implement an effective program to deal with organizational risks, modifying the program as needed over time to maximize overall performance.

How does all this legislation relate to teaching business ethics? Students should learn that some aspects of business ethics have been institutionalized through legally mandated directives. This means that requirements for responsible ethical conduct have been mandated through requirements for legal compliance.

NEW BUSINESS ETHICS PRIORITIES AND PERFORMANCE RESULTS

Business ethics is now, it is hoped, a high priority for top corporate executives and boards of directors. Although some aspects of business ethics are being legislated by the Sarbanes-Oxley Act,

Federal Sentencing Guidelines for Organizations, and the Dodd-Frank act, companies are ultimately responsible for improving business ethics in all of their business decisions. The legislation has helped institutionalize business ethics, and today, ethics programs are a core requirement to avoid misconduct and a tool to develop ethical organizational cultures. For example, a code of ethics should address risk for a firm's senior financial officers in their decisions, as well as the immediate disclosure "of any change in or waiver of" the code of ethics. Such transparency should reduce opportunities and temptations to "cook the books." Indeed, the New York Stock Exchange now requires listed companies to create written ethics codes for their employees and board members (Stern, 2002). Business ethics, when properly implemented and infused into strategic planning, provides an opportunity to craft a corporate culture that does not have to be overly concerned about the presence of regulatory oversight in order to do the right thing. *Ethisphere* (2010), a leading business ethics magazine, developed an index of the world's most ethical companies. Proof exists in the 2010 ranking that it pays to be ethical in business. When comparing the stock performance of the world's most ethical companies with the Financial Times Stock Exchange 100 and the Standard & Poor's 500, the World's Most Ethical (WME) Index performs significantly better. This answers an important question about the impact of business ethics in financial performance.

Business educators can demonstrate the importance of ethical decisionmaking through a class discussion that focuses on WME companies. Many students or educators may believe that unethical companies make more profits. The data related to Ethisphere's WME companies indicate that a responsible corporate reputation translates into profits. Students could form teams and discuss some of the WME companies and compare companies not on this list that have been involved in serious misconduct.

WHAT THE GLOBAL FINANCIAL CRISIS TAUGHT US ABOUT BUSINESS ETHICS

Students need to know that business ethics can be a difficult area to manage, especially in areas such as accounting and finance in which very complex products affect many stakeholders. The global financial crisis provides the perfect opportunity to discuss how the complexity of financial instruments such as derivatives and collateral debt obligations are often seen through the narrow scope of a broker or sales agent assigned to provide these products to customers. The same is true in any organization in which employees do not take a holistic view of how their decisions fit into the total organizational outcome. Challenging students to deal with these complex decisions in the classroom will provide them the opportunity to see the need for more than just one individual's perspective about the right thing to do in business ethics.

The failure to understand and manage ethical risks played a significant role in the financial crisis and the ensuing Great Recession. Although there is a difference between bad business decisions and business misconduct, there is also a thin line between the ethics of using only financial incentives to gauge performance and the use of holistic measures that include ethics, transparency, and responsibility to stakeholders. From chief executive officers (CEOs) to traders and brokers, lucrative financial incentives had existed for performance in the financial industry before the crisis (Crotty, 2009). These incentives still exist today, but the consequences of misconduct should help individuals and organizations see the benefits of the responsible use of incentives. A major part of

the financial crisis was the financial industry's culture of focusing on the bottom line. Wall Street is a highly interconnected system rife with opaque decisionmaking, lack of accountability, and unreliable accounting methods. CEOs received sometimes hundreds of millions of dollars in compensation, even for poor performance or when misconduct occurred during their watch. Lower-level traders received huge commissions for transactions, regardless of the firm's economic outcome. Ethical concerns were isolated within a silo, and codes of conduct became mere window dressing. Combine this with rampant leveraging and the widespread use of complex computer models that few understood and the financial system became a volatile house of cards. It did not take much to bring the system to its knees.

Many who should have known were ignorant of the risks because of risk "compartmentalization," wherein strategic business units within corporations are unaware of the big picture in terms of the consequences of their actions. A good example is Google's \$500 million settlement with the Justice Department. The Justice Department charged Google with deliberately accepting hundreds of millions of dollars from Canadian online pharmacies for posting advertisements that resulted in illegal sales of prescription drugs in the United States. Google's sales department for online advertisements either failed to see the consequences of this misconduct or intentionally engaged in misconduct (Catan, 2011). Although most companies endeavor to comply with the legal system, they often look for loopholes and unregulated means of maximizing profits and financial rewards. The regulatory system needed remaking to better govern safety, conduct, and systematic risk to stakeholders. Many companies are trying to do what is ethical; however, because of the complex nature of the global economy, individuals—far too concerned with their own interests—do not always avoid misconduct.

WHY TEACH BUSINESS ETHICS?

The first decade of the 21st century, with its highly visible corporate misconduct, has called our attention to the often underaddressed area of business ethics in business courses. Instructors arm students with tools, techniques, and frameworks to succeed in business. But how much have they done to enlighten students about the risks of misconduct, the importance of standards of appropriate conduct, and an understanding of the complex ethical issues that students will likely face in their careers?

Of course, personal values are extremely important to succeeding in business. Many managers believe that the key to managing organizational ethics is hiring "good" people with strong personal moral development. However, it is often difficult for employees to stand up to superiors or question their authority. No one at Enron questioned their managers until the federal investigations began. They seem to have assumed that if people above them knew what was going on, the burden of responsibility was lifted from their shoulders. Enron's lawyers and accountants were also telling top management that they were operating legally. Many operations were so complex that few employees understood how they all fit together in the organization (Ferrell & Ferrell, 2011). To improve business ethics, organizational systems must support, reinforce, and educate what behaviors are expected of employees. The good news is that research has found that in supervisor-subordinate relationships, attempts to deceive subordinates will negatively impact desired

outcomes. In other words, deceptive managers will destroy relationships and even their own promotability (Carlson, Carlson, & Ferguson, 2011).

CAN ETHICS BE TAUGHT?

All this discussion begs the question, “can ethics be taught?” Looking at the available evidence that psychologists have provided (Velasquez, Andre, Shanks, & Meyer, 1987), the answer is “yes.” Still, many believe ethics cannot be taught because it is developed at an early age and cannot be changed (Churchill, 1982). As a reply, Velasquez, et al. (1987) wrote the following:

The issue is an old one. Almost 2,500 years ago, the philosopher Socrates debated the question with his fellow Athenians. Socrates’s position was clear: Ethics consists of knowing what we ought to do, and such knowledge can be taught.

Velasquez, et al. (1987) agreed with Socrates’s conclusions and cited support from contemporary psychologists. They went on to summarize the studies of psychologist James Rest, whose findings are described as follows:

- Dramatic changes occur in young adults in their 20s and 30s in terms of the basic problem-solving strategies they use to deal with ethical issues.
- These changes are linked to fundamental changes in how a person perceives society and his or her role in society.
- The extent to which change occurs is associated with the number of years of formal education (college or professional school).
- Deliberate educational attempts (formal curriculum) to influence awareness of moral problems and to influence the reasoning or judgment process have been demonstrated to be effective.
- Studies indicate that a person’s behavior is influenced by his or her moral perception and moral judgments (Velasquez, et al., 1987).

Traditional students sit in business ethics classes and say ethics is common sense, black and white. They sometimes look at ethical issues in business and fail to see the gray. However, this seems to happen less to those students coming back to school after gaining several years of work experience. Teachers of business ethics never forget the phone calls or e-mail from former students who are thankful for the class as their careers are developing or who ask for advice about a specific ethics issue they face. When discussing business ethics in class, students usually have personal experiences and want to provide their perspectives.

A TEACHING BUSINESS ETHICS PERSPECTIVE

One approach to teaching business ethics is focusing on the different moral philosophies and looking at personal approaches to making ethical decisions. Instructors who want to take this approach should examine Forsyth’s Taxonomy of Ethical Ideologies. These four distinct ethical perspectives include the following:

- (a) situationism, which advocates a contextual analysis of morally questionable actions;
 - (b) absolutism, which uses inviolate, universal moral principles to formulate moral judgments;
 - (c) subjectivism, which argues that moral judgments should depend primarily on one's own personal values; and
 - (d) exceptionism, which admits that exceptions must sometimes be made to moral absolutes.
- (Forsyth, 1980, p. 175)

This taxonomy can be reduced to the philosophy of relativism versus idealism, in which idealism is associated with universal moral rules (Forsyth, 1980). Learning about these different ethical perspectives can help students in developing individual critical thinking skills and assist them in understanding how values and principles can be part of ethical decisionmaking. Students learn to use their own moral compass to access ethical decisions. It is almost impossible to change these personal ethical perspectives in an organizational context. Firms encourage cultural diversity, which will result in employees with different ethical perspectives or what is sometimes called ethical diversity. There is no agreement on universal moral principles, and many people believe that exceptions must be made to moral absolutes. Therefore, students need to understand how to navigate ethical conflicts and know when to refuse to participate in unethical or illegal conduct in the workplace.

Approaching business ethics from a descriptive, as opposed to normative, approach is not without controversy, of course. A descriptive approach describes how things are being done, whereas a normative approach describes a more idealistic view of what ought to be. Many business leaders believe that personal moral development and character is all that is needed to have effective business ethics.

Hiring ethical employees with good character can provide the foundation for limiting unethical behavior when combined with a strong ethical culture (Treviño, Brown, & Wall, 2004). Business educators often believe that ethical values and business knowledge are two different worlds. One world involves values such as truthfulness, honesty, and transparency, and the other world involves the unique business dilemmas that are faced on a daily basis. The two worlds need to be integrated so that values can be understood in the context of the employee's competence to make business decisions. In other words, there are many gray areas, and it is not always obvious what is honest, truthful, or transparent.

However, for most organizations, ethical leadership can help employees from diverse backgrounds with different personal ethical values gain a shared understanding of what is defined as ethical behavior, thus creating an ethical organizational culture. To help students understand these dynamics in business ethics, changes are needed in both the way business ethics courses are taught and in societal approaches to the development and implementation of business ethics in corporate America. For example, case studies are very useful when discussing different sides of ethical dilemmas. Debate on ethical business issues that encourages students to voice their positions is also helpful. A later section in this chapter provides resources for these teaching tools.

ORGANIZATIONAL AND INDIVIDUAL DIMENSIONS OF BUSINESS ETHICS

Ethics has been called the study and philosophy of human conduct, with an emphasis on the determination of right and wrong. For managers, ethics at work refers to principles, rules, or standards governing the conduct of organizational members. Business ethics can be defined as the principles and standards that determine acceptable conduct in business organizations.

Business ethics in the context of an organization should address ethical risks facing the firm and industry. Besides codes of ethics, training, and compliance requirements, organizations rely on a legal foundation for appropriate adherence to laws and regulations. Laws and regulations can be quite complex and unique depending on the industry. However, strong codes of ethics and training programs can act as a good buffer for avoiding legal entanglements.

Businesses that demonstrate good ethical leadership provide role models for developing an effective ethical organizational culture. For instance, Waste Management CEO David Steiner is leading the company in a new organizational direction. Although Waste Management is the nation's largest waste handler, it is also the largest recycler. Waste Management is investing in ways to capture and reuse the energy and materials that are found in waste, including recycling common products such as compact fluorescent light bulbs. Waste Management is promoting an ethical organizational culture that adopts a long-term perspective to sustainability (Gunther, 2010; "Waste Management named," 2010).

The fundamental difference between an ordinary organizational decision and an ethical decision is the added concern about the decision being right or wrong. Whether a certain behavior is judged right or wrong—ethical or unethical—is often determined by the stakeholders involved, including the mass media, interest groups, customers, the legal system, and/or public opinion. Although these groups are not necessarily "right," their judgments influence society's acceptance or rejection of an organization and its activities. Consequently, their values, judgments, and outcomes all play a critical role in ethical decisionmaking. Society may institutionalize these processes through legislation and social sanctions or approval.

In reality, ethical decisions are often difficult, and in some cases, it is not easy to say that a business decision is either ethical or unethical. For example, although derivatives are not necessarily unethical, the 2008 financial crisis resulted from the use of derivatives in ways that almost caused our entire financial system to collapse (Eisinger, 2008). Business decisions sometimes result in unintended consequences that no one can predict. Decisions have to be reviewed and sometimes reversed after more information from stakeholders is available.

ETHICAL CHALLENGES FROM AN INDIVIDUAL PERSPECTIVE

Most people would agree that high ethical standards require both organizations and individuals to conform to sound moral principles. However, a couple of special factors must be considered when applying ethics to business organizations. First, to survive, businesses must obviously make a profit. Second, businesses must balance their desire for profits against the needs and desires of society. Maintaining this balance often requires compromises or tradeoffs. To address these unique aspects

of business ethics, society has developed rules—both explicit or legal, and implicit—to guide owners, managers, and employees in their efforts to earn profits in ways that do not harm individuals or society as a whole. Organizational practices and policies often create pressures, opportunities, and incentives that may sway employees to make unethical decisions. News articles often describe some “decent, hard-working family person” who had a highly ethical personal life engaging in illegal or unethical activities in business. The *Wall Street Journal* reported that Betty Vinson, a mid-level accountant for WorldCom, was asked by her superiors to make false accounting entries. She balked at least seven times but ultimately caved in to management and made illegal entries to bolster WorldCom’s profits. At the end of 18 months, she had helped falsify at least \$3.7 billion in profits (Pulliam, 2003). When an employee’s livelihood is on the line, it is tough to say no to a powerful boss.

The integrity standards we learn in our personal lives may not always prepare us for ethical pressures at work. It is encouraging that after recent scandals and widespread observation of misconduct in the workplace, more employees appear to be reporting ethical misconduct in their organizations (Ethics Resource Center, 2009). But if employees still perceive misconduct, clearly ethical problems and issues remain.

ORGANIZATIONAL RESPONSIBILITIES IN BUSINESS ETHICS

Understanding organizational ethics is important in developing ethical leadership. An individual’s personal values and moral philosophy are only one factor in the decisionmaking process that can raise potential legal issues. It is true that moral rules can be related to a variety of situations in life and some people do not distinguish everyday ethical issues from those that occur on the job. Students must understand the application of rules and principles in a work environment. They cannot succeed just by using their own perspectives about what is ethical or unethical, as most people judge their own behavior based on intentions and judge others based on their behavior. This means that individuals often hold others to a high standard and rationalize or fail to see their own ethical lapses (Bazerman & Tenbrunsel, 2011).

Just considering yourself to be an ethical person may not be sufficient to handle the ethical issues that arise in the workplace. Students are often told to do the right thing and be ethical. Without both legal and ethical training, how can they define what is “the right thing”? Recognizing the relationship between legal and ethical decisions is important. Although abstract virtues such as honesty, fairness, and openness are often assumed to be self-evident and accepted by all employees, a high level of personal moral development may not prevent an individual from violating the law in an organizational context, where even experienced lawyers debate the exact meaning of the law. Because organizations are ethically diverse, a collective agreement on workplace ethics is as vital as other managerial decisions. For example, would an organization expect to achieve its mission without communicating goals to employees? Would a company expect to implement an information technology initiative without educating every employee on their responsibilities in the process? Workplace ethics needs to be treated similarly: with clear expectations on what comprises ethical conduct.

The 2010 Dodd-Frank act provides financial consumer protection through specific requirements for consumer information. The 2002 SOX created rules and principles for accounting ethics. What are the acceptable ethical practices associated with decisions related to hiring, firing, diversity, and discrimination? What does the Better Business Bureau do to resolve marketplace ethical disputes fairly with the use of self-regulation and consumer education? It is impossible for your students to navigate this complex ethical and legal world of business without a foundation in understanding organizational ethics. Business decisionmaking is based on knowledge, critical thinking, and experience. Making the appropriate ethical decision relies on all of these factors, and good decisionmaking is enhanced through an organization that provides an ethical work environment.

Even experienced managers need to have formal training about workplace ethics to help them identify both legal and ethical issues. Changing regulatory requirements and ethical concerns, such as workplace and consumer privacy issues, make the ethical decisionmaking process very dynamic. With the establishment of values and training, a manager will be in a better position to assist employees and customers and provide ethical leadership.

ETHICAL DECISIONMAKING AND ETHICAL CLIMATE

An individual's personal values and experiences along with organizational factors influence whether he or she will make an unethical decision (Ferrell & Gresham, 1985). Although it is impossible to describe precisely how or why an individual or a work group might make unethical decisions, average or typical behavior patterns exist within organizations: research indicates that managers and coworkers have the most influence on the decisionmaking process. With this knowledge, managers can use their influence to help guide and control the ethical decision making of employees in the business environment (Ferrell & Gresham, 1985).

Students need to recognize the risks associated with organizational pressure in ethical decisionmaking. Certain personality traits are associated with ethical behavior. For example, Boddy (2011) reports "strong, positive, and significant correlations between the ethical issues of bullying and unfair supervision in the workplace and the presence of Corporate Psychopaths" (p. 367). Furthermore, Boddy's study estimates "that about 26% of bullying is accounted for by 1% of the employee population, those who are Corporate Psychopaths" (p. 367).

Perhaps most important, students need to recognize that acquiring knowledge and experience in business ethics is just as necessary as in other areas of business, such as marketing, accounting, management, and finance. Success in business ethics requires lifelong learning about this important topic.

As a component of corporate culture, the ethical climate comprises the character and decision processes used to determine whether a firm's responses to issues are right or wrong. The ethical climate includes key values that determine the rationales for the selection of issues and the choices that relate to the firm and its stakeholders; thus, it indicates whether organizations have an ethical conscience and defines behavioral expectations when addressing ethical issues. The ethical climate encompasses the values, traditions, and pressures exerted in the workplace to make legal and ethical decisions. It involves formal values and compliance requirements as well as an

understanding of how interpersonal relationships affect the informal interpretation of ethics. In an ethical work climate, employees are able to identify ethical issues as they arise and are aware of the company resources available to help them act ethically and according to organizational policy and culture. An ethical climate characterizes businesses that are committed to business ethics and social responsibility.

Students often believe that they will do the right thing in any organizational culture. Organizing a debate around the topic of individual ethics compared with the influence of the organization will promote different viewpoints and discussion.

RESOURCES FOR TEACHING BUSINESS ETHICS

As part of a grant for expanding business ethics education, the authors have developed a Web site (<http://danielsethics.mgt.unm.edu>) with numerous resources for teaching the subject. The Web site contains cases, debate issues, podcasts, and videos for use in the classroom to teach business ethics. The grant was provided by the Daniels Fund, supported by Bill Daniels, a leader and pioneer in the cable industry. Bill Daniels recognized the importance of business ethics to business success, and after he passed away in 2000, he left more than \$1 billion to the Daniels Fund.

In addition to the Web site, you can register for free business ethics abstracts through the *Wall Street Journal* (go to <http://www.professorjournal.com>). Leaders in each subject area summarize three articles each week for classroom discussion. The abstracts also provide questions for classroom discussion and links to the full text articles. These articles and abstracts are searchable by keyword and allow the integration of current examples into the lecture or to create classroom exercises.

SUMMARY

This chapter attempts to defend the perspective that business ethics can and should be taught. In addition, it defines business ethics from an organizational perspective, describes the basic processes of ethical decisionmaking in order to assist in developing an effective approach to teaching ethics in business courses, and provides a link to resources to assist in improving instruction in the area.

Integrating ethics into business courses is crucial to providing an essential foundation for career development. Understanding how stakeholders influence and evaluate the ethical decisions of an organization is the first step in developing a firm's ethical perspective. Understanding how ethical business decisions are made in the context of an organization and the role of individual values in the decisionmaking process is important.

Reviewing some of the ethical issues related to the financial crisis provides a good overview of how ethical decisionmaking interfaces with business success or, in some cases, business failure. An understanding of the legal and regulatory systems is also vital to an understanding of the complexity and inherent incentives for managing ethical risks and engaging in ethical behavior.

Sources:

- Bazerman, M. H., & Tenbrunsel, A. E. (2011). *Blind spots*. Princeton, NJ: Princeton University Press.
- Boddy, C. R. (2011). Corporate psychopaths, bullying and unfair supervision in the workplace. *Journal of Business Ethics*, 100(3), 367–379.
- Carlson, J. R., Carlson, D. S., & Ferguson M. (2011). Deceptive impression management: Does deception pay in established workplace relationships? *Journal of Business Ethics*, 100(3), 497–514.
- Catan, T. (2011, August 24). Google settles pharmacy ad probe for \$500 million. *The Wall Street Journal*. Retrieved from <http://online.wsj.com/article/SB10001424053111904787404576528332418595052.html>
- Churchill, L. R. (1982, May–June). The teaching of ethics and moral values in teaching: Some contemporary confusions. *The Journal of Higher Education*, 53(3), 296–306.
- Crotty, J. (2009). Structural causes of the global financial crisis: A critical assessment of the “new financial architecture.” *Cambridge Journal of Economics*, 33(4), 563–580.
- Dodd-Frank Wall Street Reform and Consumer Protection Act, PL 111-203, 124 Stat. 1376 (2010). Retrieved from <http://www.govtrack.us/congress/bill.xpd?bill=h111-4173>
- Edelman. (2011). *2011 Edelman trust barometer*. Retrieved from <http://www.edelman.com/trust/2011>
- Eisinger, J. (2008, October 15). The \$58 trillion elephant in the room. *Portfolio.com*. Retrieved from <http://www.portfolio.com/views/columns/wall-street/2008/10/15/Credit-Derivatives-Role-in-Crash>
- Elango, B., Paul, K., Kundu, S. K., & Paudel, S. K. (2010). Organizational ethics, individual ethics, and ethical intentions in international decision making. *Journal of Business Ethics*, 97, 543–561.
- Ethics Resource Center. (2009). *2009 National Business Ethics Survey: Ethics in the recession*. Retrieved from www.ethics.org/nbes/files/nbes-final.pdf
- Ethisphere. (2010). *2010 world's most ethical companies*. Retrieved from <http://ethisphere.com/wme2010>
- Falaszchetti, D. (2011, Winter). Dodd-Frank financial reform: Non-market risks and strategies. *Economists ink: A brief analysis of policy and litigation*. Retrieved from <http://www.ei.com/vieweconink.php?id=259>
- Ferrell, O. C., & Ferrell, L. (2011). The responsibility and accountability of CEOs: The last interview with Ken Lay. *Journal of Business Ethics*, 100(2), 209–219.
- Ferrell, O. C., & Gresham, L. G. (1985). A contingency framework for understanding ethical decision making in marketing. *Journal of Marketing*, 49, 87–96.
- Forsyth, D. R. (1980). A taxonomy of ethical ideologies. *Journal of Personality and Social Psychology*, 39(1), 175–184.
- Gunther, M. (2010, December 6). Waste Management's new direction. *Fortune*, 103–108.
- Hellweg, E. (2002, April 15). Mopping up after Merrill Lynch. *CNN money*. Retrieved from <http://money.cnn.com/2002/04/15/technology/techinvestor/hellweg/index.htm>
- Johnson, K. W. (2004, December 31). Federal sentencing guidelines: Key points and profound changes. *Ethics resource center*. Retrieved from <http://www.ethics.org/resource/fsgo-series-part-1>
- Kalshoven, K., Den Hartog, D. N., & De Hoogh, A. H. B. (2011). Ethical leader behavior and big five factors of personality. *Journal of Business Ethics*, 100(2), 349–366.
- Kohli, A. K., & Jaworski, B. J. (1990). Market orientation: The construct, research propositions, and managerial implications. *Journal of Marketing*, 54(April), 1–18.
- Lewis, B. (2002, March 11). The moral compass: Corporations aren't moral agents, creating interesting dilemmas for business leaders. *InfoWorld* 24(10), 54.
- Liberto, J., & Ellis D. (2010, June 30). Wall Street reform: What's in the bill. *CNNMoney*. Retrieved from http://money.cnn.com/2010/06/25/news/economy/whats_in_the_reform_bill/index.htm
- “Looking for someone to blame.” (2011, August 13). *The Economist*, 25.
- Maignan, I., Gonzalez-Padron, T. L., Hult, G. T. M., & Ferrell, O. C. (2011, July). Stakeholder orientation: Development and testing of a framework for socially responsible marketing. *Journal of Strategic Marketing*, 19(4), 313–338.
- Mish, J., & Scammon, D. L. (2010). Principle-based stakeholder marketing: Insights from private triple-bottom-line firms. *Journal of Public Policy & Marketing*, 29(1), 12–26.
- Navran, F. (2002, December 31). Ethical conflicts in ethical companies. *Ethics Resource Center*. Retrieved from <http://www.ethics.org/resource/ethical-conflicts-ethical-companies>.
- Pulliam, Susan. (2003, October 3). How following orders can harm your career. *CFO*. Retrieved from http://www.cfo.com/article.cfm/3010537/1/c_3036075
- Reddy, S. (2010, September 17). Elizabeth Warren's early words on a consumer financial protection bureau. *The Wall Street Journal*. Retrieved from <http://blogs.wsj.com/economics/2010/09/17/elizabeth-warrens-early-words-on-a-consumer-financial-protection-bureau>
- Sarbanes-Oxley Act, PL 107-204, 116 Stat 745 (2002). Retrieved from <http://www.govtrack.us/congress/bill.xpd?bill=h107-3763>
- Sims, R. R., & Sims, S. J. (1991, March 3). Increasing applied business ethics courses in business school curricula. *Journal of Business Ethics*, 10(3), 211–219.
- Smith, N. C., Drumwright, M. E., & Gentile, M. C. (2010). The new marketing myopia. *Journal of Public Policy & Marketing*, 29(1), 4–11.
- Stern, L. (2002, September 23). Is your boss honest? *Newsweek*, 73.
- Tarí, J. J. (2011). Research into quality management and social responsibility. *Journal of Business Ethics*, 102(4), 623–638.

- Treviño, L. K., Brown, M. E., & Wall, S. J. (2004, May). Managing to be ethical: Debunking five business ethics myths. *The Academy of Management Executive (1993–2005)*, *18*(2), 69–83.
- Tseng, F.-C., and Fan Y.-J. (2011). Exploring the influence of organizational ethical climate on knowledge management. *Journal of Business Ethics*, *101*(2), 325–342.
- Velasquez, M., Andre, C., Shanks, T., & Meyer, M. J. (1987, Fall). *Can ethics be taught?* Markkula Center for Ethics, Santa Clara University. Retrieved from <http://www.scu.edu/ethics/practicing/decision/canethicsbetaught.html>
- "Wal-Mart to face employee suit in Missouri." (2005, November 2). *USA Today*. Retrieved from http://www.usatoday.com/money/companies/management/2005-11-02-walmart-employees_x.htm
- "Waste Management named one of the world's most ethical companies by Ethisphere Institute." (2010, March 22). Press release. Retrieved from http://www.wm.com/about/press-room/pr2010/20100322_WM_Named_One_of_the_Worlds_Most_Ethical_Companies_By_Ethisphere_Institute.pdf