Ethics Education in MBA Programs: An Evaluation

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This paper examines and correlates the standards established for business ethics education in randomly selected Association to Advance Collegiate Schools of Business (AACSB) accredited Master of Business Administration (MBA) programs, and a review of AACSB accredited business school MBA courses to determine if they are addressing the AACSB standards. Given today's on-going ethical challenges, business ethics is the study of how personal moral norms apply to the activities and goals of the organization. For purposes of this paper, business ethics is defined as the study of how individuals, at all levels of an organization, try to make decisions and live their lives according to a standard of or right or wrong behavior. It is the study of how the business environment poses its own unique challenges for the moral person who acts as an agent of the business.

1. Introduction

Translated from the ancient Greeks, ethics refers to one's theory of life. In answering the question, 'how should I live?' One engages in a consideration of ethics---that is, thinking about what is right and what is wrong (Wicks and Palmer, 2008). A morally educated leader is one, who is "equipped with ethical awareness, ethical reasoning skills…and is postured to shoulder the duties and rewards of (ethical) stewardship, including consideration of multiple stakeholders' concerns, before making decisions and using power responsibility." (Jackson, 2006). Badaracco (1992) noted that leaders have four spheres of ethical responsibility; as a person, as a company leader, as an economic agent, and as acting beyond the firm's boundaries.

The beginning of the 21st Century saw unprecedented corporate scandals in America. Names like Arthur Anderson, Adelphia, British Petroleum, Dynegy, Enron, HealthSouth, KPMG, Toyota, and WorldCom dominated the public's awareness of corporate scandals. According to Handy (2002) few business leaders, have been guilty of deliberate fraud or wickedness. All they've been doing is playing the game according to the new rules.

University MBA ethics courses were, as is expected, effective in improving the ethical culture of organizations (Trevino and Brown, 2004; Kaptein and Avelino, 2005; Kaptein, 2008 and Kaptein, 2009). Critics claim that MBA programs have encouraged their students to focus too much on analytical skills in order to manipulate short-term bottom line performance at all costs without consideration of the ethical implications of their actions

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(Mitroff, 2004; Ghoshal, 2005). They also argued that the theoretical foundations of business education were linked to ethical lapses of leaders trained in business schools. Business schools traditionally had taught transaction based economics, economic liberalism, or agency theory focusing on short-term profits at the cost of long-term profitability and stakeholders relationships (Mitroff, 2004). Goshal argued that the teaching of these theories had freed business MBA students from a sense of moral responsibility (Goshal, 2005; Podolny, 2009). Business schools took pride in, and marketed the success of their MBA graduates, but they failed to assume any responsibility for their ethical failures. Another argument for the lack of adequate ethics education in MBA programs was the competitive nature of national rankings. These rankings of MBA programs placed emphasis on quantitative analysis courses and scientific research published by the faculty. Bennis and O'Toole (2005) noted the root cause of problems in management education was that business schools had adapted this self-defeating model of business education.

Podolny (2009) expanded his argument by noting that business schools taught many technical skills, but they appeared to do little to foster responsibility or accountability. Podolny notes that business schools taught leadership as a soft, big picture-oriented course, distinct from the details on which hard quantitative courses focused. Leadership was about setting vision, not the detail work that was done without consciously considering factors such as values and ethics. Another root problem relating to ethics programs in business schools, identified by Sutton (2009), was …"that too many (business schools) were infested with assumptions that reinforced and brought out the worse in human beings. Most economists are clueless about the nitty-gritty of management, which cannot be captured in elegant mathematical models." Currently, the academic literature does not examine whether AASCB accredited colleges and universities are addressing the AASCB Ethics Education Task Force EETF recommendations in the classroom. This paper addresses the research question: "Are Association to Advance Collegiate Schools of Business (AACSB) accredited colleges and universities addressing the AASCB Ethics Education Task Force EETF recommendations in the classroom?"

2. Literature Review

A preponderance of the teaching business ethics literature focuses on various teaching techniques and pedagogies (Assudani, 2011; Doster and Tyrrell, 2011; Castelberry, 2007;Crane, 2004; Tomkovic, 2004; Ferrell and Loe, 2001;Smith and Van Doren, 1989). Peltier (2010), Nicholson and DeMoss (2009), Smith (2007), and Petty (2000) all advovcated more university ethics courses to be taught. While earlier work focused on the effectiveness of teaching business ethics courses (Feldman and Thompson, (1990) Gray, et.al. ((1994), Wolfe and Fritzsche, (1998).

Writers in the area of effectively improving the ethical culture of organizations included (Trevin˜o and Brown, 2004; Kaptein and Avelino, 2005; Kaptein, 2008 and Kaptein, 2009). Critics claim that MBA programs have encouraged their students to focus too much on analytical skills in order to manipulate short-term bottom line performance at all costs without consideration of the ethical implications of their actions (Mitroff, 2004; Ghoshal, 2005). They also argued that the theoretical foundations of business education were linked

to ethical lapses of leaders trained in business schools.   Business schools traditionally had taught transaction based economics, economic liberalism, or agency theory focusing on short-term profits at the cost of long-term profitability and stakeholders relationships (Mitroff, 2004). Goshal argued that the teaching of these theories had freed business MBA students from a sense of moral responsibility (Goshal, 2005; Podolny, 2009).

Business schools took pride in, and marketed the success of their MBA graduates, but they failed to assume any responsibility for their ethical failures. Another argument for the lack of adequate ethics education in MBA programs was the competitive nature of national rankings. These rankings of MBA programs placed emphasis on quantitative analysis courses and scientific research published by the faculty. Bennis and O'Toole (2005) noted the root cause of problems in management education was that business schools had adapted this self-defeating model of business education.

AACSB Business Ethics Task Force recommendations of ethics state that A Master of Business Administration (MBA) education is not the only determinant of human behavior, and responsibility for ethics education is not the exclusive province of higher education. Nonetheless, the Association to Advance Collegiate Schools of Business (AACSB) accreditation standards encouraged that ethics be taught as part of the MBA curricula. Business schools were to encourage students to develop a deep understanding of the myriad of challenges surrounding business, corporate responsibility, and corporate governance.

In 2004, AACSB created the Ethics Education Task Force (EETF) on the premise that the crisis in business ethics was not only a challenge for corporate America, but was also an opportunity to strengthen MBA education (AACSB, 2004).

Business schools were encouraged to provide students with the tools they needed for recognizing and responding to ethical issues, both personally and organizationally, and to engage them at an individual level through analyses of both positive and negative examples of everyday conduct in business. Faculty were encouraged to think more deeply and creatively about how to advance ethical awareness, ethical reasoning skills, and core ethical principles that would help to guide business leaders as they responded to a changing legal and compliance environment, as well as complex, conflicting, and sometimes highly problematic interests and opportunities (AACSB, 2004). AACSB fully recognized that each institution would identify different challenges and would use different approaches to business ethics education concurrent with their institutional mission.

Four broad themes were identified as essential for a comprehensive graduate ethics program. These were: a.) the responsibilities of business in society; b.) ethical decision-making; c.) ethical leadership; and d.) corporate governance (AACSB, 2004). These four areas were viewed as the cornerstones of a comprehensive and viable ethics education curriculum in any AACSB accredited MBA curriculum.

The committee recognized that the first responsibility of business in society, in addition to providing profit to owners or shareholders, was to act lawfully, produce safe products and

services at costs commensurate with quality, pay taxes, create opportunities for wealth creation through jobs and investments, commercialize new technologies, and minimize negative social and environmental impacts.

Unless business leaders attended to all their responsibilities, achieving fair returns to shareholders was not possible. There was more to the story of business, than making money. Business and society were and are mutually interdependent. Society depends on business for wealth creation. Business depends on society for an environment wherein it can meet its obligation to create wealth. It was essential for MBA students 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 corporate executives. The decisions of business leaders affected not only the corporation, but also direct and indirect stakeholders, e.g., customers, employees, investors, suppliers, governments, citizens, and communities. Additionally, the abuse of power by corporate leaders undermined society's trust in business and in the markets needed to ensure commercial success.

Second, AACSB accredited business schools were expected to help MBA students to understand the criticality of ethical decision making in order to become effective and successful business leaders. Ethical leaders must be both "moral persons" and "moral leaders." Leaders become moral leaders by recognizing and accepting their responsibility for acting as ethical role models. They "manage ethics" by communicating about ethics and values on a regular basis and by holding the organization accountable for ethical conduct.

Few MBA students will be in the position to influence situations such as the British Petroleum's Gulf of Mexico oil spill. But MBA students, regardless of their levels in the organization, will face issues of potential harm and fairness on a regular basis. Preparing MBA students for ethical decision-making was to be a key component of the preparation of graduate faculty. The ethical messages leaders send and the corporate cultures which they create are potentially the greatest motivating force behind ethical behavior in organizations. Ethical leaders must be both "moral persons" and "moral leaders." Additionally, leaders become moral leaders by recognizing and accepting their responsibility for acting as ethical role models. They "manage ethics" by communicating about ethics and values on a regular basis and by holding the organization accountable for ethical conduct.

Third, MBA students will not be corporate leaders early in their careers; but they need to understand that, even as managers or supervisors, they may play a key ethical role in the organization by influencing their direct reports. Managers and supervisors demonstrate ethical leadership by 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 (AACSB, 2004). MBA students need to be familiar with the formal programs that support ethical conduct.

MBA students often get their information from the electronic media; and, as a result, they are often cynical and skeptical about business ethics. They should learn about scandalous and unethical behavior, as well as, corporations that operate at a higher level of integrity and social responsibility. MBA students need to be familiar with the formal programs that support ethical conduct, such as the Cadbury Code and the King Report, the U.S. Sentencing Guidelines for Organizations and the Sarbanes-Oxley Act.

In many AACSB accredited schools, the commitment to ethics education cuts across the business curriculum. Honor codes for all students, a practice endorsed in the AACSB Standards interpretations, were frequently integrated into the business school curriculum. Such codes emphasized the importance of professional conduct, ethics and civility for administrators, faculty, and students in their professional and personal actions. Several other AACSB accredited schools adopted disciplinary systems, oaths, service projects, and other concepts to stress the importance of ethical behavior. Learning experiences encouraged MBA students to explore the cognitive and leadership influences on ethical decision making in organizational settings. Additionally, it enabled MBA students to envision their responsibilities as business leaders who will manage their own ethics and the ethics of those who report to them.

Finally, although ethics education was vital, it may be unrealistic to assume an MBA program will negate the likelihood of future managerial wrongdoing relating to corporate governance. A student's knowledge of the principles, practices, and philosophies of sound, responsible corporate governance may be an important deterrent to unethical behavior. Additionally, a graduate student's understanding of 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 (AACSB, 2004). The EETF recommended topics included: 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 (AACSB, 204).

While the AACSB EETF did not prescribe a particular curriculum or course, it recommended 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 were encouraged to demonstrate this commitment throughout their academic programs, assessment processes, research agendas, and outreach activities (AACSB, 2004).

3. Methodology

Using a modified version of the methodology designed by Heller, Heller and Petronis (2010) during the spring 2011 semester, fifty AACSB accredited MBA programs were randomly selected. The authors examined the MBA ethics course syllabi for course

content, textbooks and related readings. Universities ranged in size from approximately 4,000 to 55,000+ students. Ethics course syllabi were obtained via the internet. Business school websites were reviewed for additional information on the philosophy of MBA program and teaching business ethics at that institution.

A database was developed listing the institutions on the horizontal axis and the four AACSB broad themes were identified on the vertical axis. These broad themes were: a.) the responsibility of business in society; b.) ethical decision-making; c.) ethical leadership; and d.) corporate governance. One author and three MBA students conducted a Content Analysis on the documents, identifying the frequency and extensive coverage of the four EETF themes were covered in the syllabi. A rating scale of 1 to 5, with one as the lowest and five the highest rating was designed. Each team member scored each syllabus. A consensus was obtained through ongoing dialogues between the four participants of the averages.

A second correlative table was designed by the authors listing the institutions on the horizontal axis with identifying textbook(s) and related readings used in each course. The twenty-seven National Business Ethics Survey 'Specific Forms of Misconduct" were listed on the on the vertical axis. These were: a company resource abuse, abusive behavior, lying to employees, email or Internet abuse ,conflicts of interest, discrimination, lying to ,outside stakeholders, employee benefit violations, health or safety violations, employee privacy breach, improper hiring practices, falsifying time or expenses, poor product quality, stealing, sexual harassment, substance abuse, document alteration, misuse of company confidential information, customer privacy breach, environmental violations, misrepresent financial statements, accept gifts, kick-backs, use competitor's information, anti-competitive practices, bribe public officials, insider trading, and illegal political contributions.

As in the AACSB analysis, the authors conducted a Content Analysis on the textbook topics and related the readings for the course. The team identified if the misconduct topic was addressed in the textbook and related readings, how it was addressed (text reading, case study, situational analysis, embedded in the reading as an example, or embedded in a question) and the depth of content was rated. A rating scale of 1 to 5, with one as the lowest and five the highest rating was used. Each team member scored each textbook and related reading. A consensus was obtained through ongoing dialogues between the five participants.

The intensity of content followed a similar pattern as above. The responsibility of business in society averaged 4.8;   ethical decision-making averaged 4.2;   ethical leadership averaged 4.6; and corporate governance averaged 3.9.

The content analysis illustrated that AACSB undergraduate business ethics courses focused primarily on the: 1.) responsibility of business in society, 2.) ethical leadership, 3.) corporate governance, and 4.) ethical decision making.

While ethical decision making had the lowest scores, many of the other areas addressed the consequences of ethical decision making. Unfortunately, the authors found that most of the discussions evolved around applied decision making with little references to theoretical ethical foundations of decision making. Content analysis of the twenty-seven National Business Ethics Survey 'Specific Forms of Misconduct" revealed a great deal of diversity in their course coverage.

In the National Business Ethics Survey Specific Forms of Misconduct content analysis, 12 of the 27 categories rank 4.2 or higher. The highest ranking categories were; health and safety 4.9, sexual harassment 4.9, discrimination 4.8, privacy 4.7, accepting gifts, kick-backs 4.7, bribing public officials 4.6, misrepresenting financial statement 4.6, product quality 4.5, environment 4.5, lying 4.4, improper hiring practices 4.3, and anti-competitive practices 4.2.

4. The Findings

The content analysis of the fifty ethics AACSB accredited undergraduate courses revealed that the AASCB four broad standards of the responsibility of business in society, ethical decision-making, ethical leadership, and corporate governance were addressed in all the courses examined. The responsibility of business in society was directly addressed in 100% of the courses reviewed. Ethical decision-making was addressed in 84% of the courses reviewed. Ethical leadership was addressed in 92% of the courses reviewed; and corporate governance was addressed in 88% of the courses. The authors believe that in the six years that the AACSB broad standards have been implemented, AACSB has been outstanding in communicating their expectations of classroom performance in business ethics education. Perhaps this was due in part to the association's five year review of business school's curriculum.

The National Business Ethics Survey Specific Forms of Misconduct content analysis revealed that 12 of the 27 forms of misconduct categories ranked 4.2 or higher. Upon closer analysis, it was revealed that only 5 of the 12 forms of misconduct rated 4.2 or higher were in the top 14 of the NBES's 27 forms of misconduct list. Six of the 4.2 or higher ranked forms of misconduct were in the bottom 10 NBES forms of misconduct listing. The authors concluded that this was explained by the fact that the NBES bottom 10 forms of misconduct, while significant and observed in the workplace, were not the typical day to day forms of ethical misconduct thought about or observed by students, faculty and authors. While the business ethics textbooks provide outstanding text material, cases, situational analysis, reflective questions and reference material on the various forms of misconduct, more classroom emphasis was needed to raise the awareness level of these business ethics issues in the minds of undergraduate students. Thus, faculty may wish to elaborate more on forms of misconduct as presented in the textbooks.

5. Summary and Conclusions

Given today's ethical challenges, business ethics is the study of how personal moral norms apply to the activities and goals of the organization. For purposes of this paper, business ethics was defined as the study of how individuals, at all levels of an organization, try to make decisions and live their lives according to a standard of or right or wrong behavior, This paper examined the standards established for business ethics education in AACSB accredited undergraduate programs, the ethical challenges in today's society as presented in the 2009 national Business Ethics Survey , and a review of AACSB accredited business school course to determine if they are addressing the AACSB standards and the ethical challenges in business. While the findings demonstrated that AACSB accredited business schools were successfully implementing ethics programs in the undergraduate programs, by addressing the associations four broad categories, added emphases was needed in the classroom to raise students' awareness of the importance of a broader horizon of ethical issues confronting the workplace and society. The study would be further strengthened with the inclusion of a greater number of MBA programs, which would remove the limitations of universal applicability of the study.   The authors recognized the exploratory nature of this paper and the need for more comprehensive research across business disciplines. Further research could be discipline based to determine if what is learned in the general business ethics courses is being transferred, by the student, into his/her selected discipline.

The content analysis of the fifty ethics courses revealed that the four broad AACSB themes; responsibility of business in society; ethical decision-making; ethical leadership; and corporate governance were inconsistently addressed in the courses. The responsibility of business in society was directly addressed in 100% of the courses reviewed. Ethical decision-making was addressed in 88% of the courses reviewed. Ethical leadership was addressed in 89% of the courses reviewed; and corporate governance was addressed in 94% of the courses.

The intensity of content followed a similar pattern as above. The responsibility of business in society averaged 4.9;   ethical decision-making averaged 4.4;   ethical leadership averaged 4.1; and corporate governance averaged 4.2.

The content analysis illustrated that AACSB MBA ethics courses focused primarily on the: 1.) responsibility of business in society, 2.) ethical decision-making, 3.) corporate governance, and 4.) ethical decision making.

The content analysis of the fifty ethics AACSB accredited MBA ethics courses revealed that the AASCB four broad standards of the responsibility of business in society, ethical decision-making, ethical leadership, and corporate governance were addressed in all the courses examined. The responsibility of business in society was directly addressed in 100% of the courses reviewed with an intensity rating of 4.9. Ethical decision-making was addressed in 88% of the courses reviewed with an intensity rating of 4.4.   Ethical leadership was addressed in 89% of the courses reviewed with an intensity rating of 4.1; and corporate governance was addressed in 94% of the courses with an intensity rating of

4.2. The authors believe that in the seven years that the AACSB broad standards have been implemented, AACSB has been outstanding in communicating their expectations of classroom performance in business ethics education. This may be due in part to the association's five year review of business school's curriculum.

While the findings demonstrated that AACSB accredited MBA programs were successfully implementing ethics programs in their programs, by addressing the association's four broad themes, the authors recognized the exploratory nature of this paper and the need for more comprehensive quantitative research, which is itself a limitation. Further research could be discipline based to explore: how what is learned in the ethics course is transferred, by the students and faculty into selected disciplines; can business ethics be more effectively taught in other ways than in the classroom; and how are AACSB schools accessing their students' ethical understanding.

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