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ABSTRACT

Arguing for the inclusion of ethics instruction in community college business curricula, this paper addresses the crisis in ethical values affecting the United States today and offers suggestions regarding the content and methods of ethics instruction for business students. The first sections cite newspaper headlines and examples of dishonest business practices to illustrate the need for a moral reorientation in business, discuss the new ethics movement in business, and examine ways in which corporate ethics are instilled and maintained. The next section reviews educators' efforts to teach business ethics either in specially designed courses or as ethical questions integrated into other courses. Approaches based on pragmatism, the "crime-of-the-moment," and efforts to teach business as a profession with duties and responsibilities are highlighted. The paper reviews community college business students' responses to questions about business ethics and provides materials and suggestions for the development of an ethics module in an introductory business administration course. Workable definitions and principles of ethics, sources of ethics in religious doctrines, reasons for the lack of ethics in business, teaching objectives and techniques, types of unethical activities, the development of a code of ethics, competing forces that affect ethical standards, and guidelines for ethical behavior are considered. Sample discussion questions and term projects are included. (ALB)

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ETHICS IN THE BUSINESS CURRICULUM  
AT THE COMMUNITY COLLEGE

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May 1989

Princeton University Mid-Career Fellowship Program

TC 890 295

Always do what is right. It will gratify most  
of the people, and astound the rest.

--Mark Twain

\* \* \* \* \*

### I. Where Is Our Society Now?

So much is being written and discussed about the decline of ethical values in our country. For example:

Christian Science Monitor - front page, November 21, "Moral Disarray: The enemy is all of us"

Time Magazine cover story - "Large sections of the nation's ethical roofing have been sagging badly"

Working Woman magazine - December 1988 - "The Right Way to Deal with Ethical Dilemmas"

New York Times - November 6 - "Advice to the next president: Set a moral agenda for the economy"

Dallas Morning News - June 18, 1988, - editorial - "The Nation's capital is at sea without a moral compass"

Poll by Yankelovich, Clancy, and Shulman - 1987 - found that morals had fallen - 76% saw lack of ethics by businessmen as contributing to stumbling moral standards, and 74% decried failure by political leaders to set a good example.

\* \* \* \* \*

America is suffering a crisis in ethics. The 1980's have provided many examples of crooked business practices:

- (1) A manager in a private foundation that donates heavily to AIDS research has stolen more than \$1.7 million from the foundation and built himself a mansion.
- (2) A Congressional committee has reported that fraud and misconduct play a part in almost one-third or all commercial bank closings and three-fourths of all savings association closings.

- (3) Insider trading prosecutions have even touched Harvard; several Harvard MBA's were involved.
- (4) Insider trading on Wall Street involved four partners of a Princeton-based investment firm who were indicted for creating false tax losses through rigged securities sales.
- (5) Rockwell International Corporation was indicted by a federal grand jury for defrauding the Air Force.
- (6) Ocean Spray Cranberries was indicted by a federal grand jury for pollution in Massachusetts.
- (7) Manville Corporation ignored unhealthy working conditions for years and then declared bankruptcy.
- (8) Hertz Corporation overcharged consumers and insurers \$13 million for repairs to damaged rental cars.
- (9) From 1972 to 1981, 115 of America's 500 largest corporations were convicted of at least one major crime.
- (10) General Dynamics, the country's largest military contractor, did not pay any federal income tax from 1972 until 1986, even though it had \$2 billion in profits.

These examples are noteworthy because of their spectacular consequences. But the collective impact of many small acts of unethical business behavior also seriously undermines the confidence people have in business.

Four underlying economic trends make a moral reorientation imperative: (1) the growing and possibly irreversible environmental crisis; (2) the end of the uncontested world primacy of the United States as an economic and political power; (3) the demise of the traditional mom and dad family as a system of domestic production and redistribution; and (4) the widening gulf between the haves and have-nots.

## II. What Are Businesses Doing Now?

Ethics is in!! A new ethics movement has arisen, as evidenced by the following:

- (1) Hundreds of consultants are being hired to put "integrity" into corporate culture. One businessman said that the market is full of hucksters who are promoting quick-fix ethics programs.
- (2) A former SEC chairman gave Harvard Business School \$20 million to fund a teaching program in ethics. The grant will support research projects and faculty development.
- (3) Major United States corporations have stressed ethical behavior in different ways. For example, General Dynamics has established a Vice President of Ethics. (After its suspension by the Navy Department in 1985, the company was ordered to establish an ethics program as a condition of reinstatement.)
- (4) Companies are adopting codes of ethics (see Johnson & Johnson Credo attached).

Johnson & Johnson shows how one of the best known ethics efforts works. The decisions by management demonstrate the many ways in which leadership can influence the moral climate of a large corporation. The Company's actions show the right balance between centralizing management controls and giving employees enough autonomy to build mutual trust. With some 150 units, Johnson & Johnson emphasizes individual autonomy and initiative. Its Credo has become a central part of the company's corporate culture since 1975.

Strict enforcement of codes is also important. Chemical Bank has fired employees for violations of the company's code of ethics even when there were no violations of law. Xerox Corporation has dismissed employees not only for taking bribes but also for fairly minor manipulation of records and petty cheating on expense accounts.

Business RoundTable, composed of the chief executive officers of 200 major corporations, recently completed a study considering how big business deals with ethic problems. Some of its conclusions: "the realization that human consciences are fragile and need the support of institutions . . . special attention should be given in areas of particular vulnerability . . .

# Our Credo

We believe our first responsibility is to the doctors, nurses and patients,  
to mothers and all others who use our products and services  
In meeting their needs everything we do must be of high quality

We must constantly strive to reduce our costs  
in order to maintain reasonable prices  
Customers' orders must be serviced promptly and accurately  
Our suppliers and distributors must have an opportunity  
to make a fair profit

We are responsible to our employees,  
the men and women who work with us throughout the world  
Everyone must be considered as an individual  
We must respect their dignity and recognize their merit  
They must have a sense of security in their jobs  
Compensation must be fair and adequate,  
and working conditions clean, orderly and safe  
Employees must feel free to make suggestions and complaints  
There must be equal opportunity for employment, development  
and advancement for those qualified  
We must provide competent management,  
and their actions must be just and ethical

We are responsible to the communities in which we live and work  
and to the world community as well

We must be good citizens — support good works and charities  
and bear our fair share of taxes

We must encourage civic improvements and better health and education  
We must maintain in good order  
the property we are privileged to use,  
protecting the environment and natural resources

Our final responsibility is to our stockholders

Business must make a sound profit

We must experiment with new ideas

Research must be carried on, innovative programs developed  
and mistakes paid for

New equipment must be purchased, new facilities provided  
and new products launched

Reserves must be created to provide for adverse times

When we operate according to these principles,  
the stockholders should realize a fair return

*Johnson & Johnson*

the purpose of enforcement is to encourage compliance with standards rather than administer punishment . . . . requires the involvement and commitment of personnel at all levels . . . ."

Top management always plays a crucial role. Top management must be committed to ethical conduct and must communicate that desire through policy statements, procedures, company publications, and especially actions.

A code of ethics should describe the general value system, ethical principles, and specific ethical rules that a company tries to apply. Over 90% of large American corporations had ethics codes in 1985. Implementing an ethics program includes distributing policy and procedure and giving training on the policies.

Allied Corporation, Chemical Bank, McDonnell Douglas, and General Dynamics have training programs for managers, supervisors, and others who are likely to encounter an ethical question on the job. The programs acquaint employees with the official company policy in ethics and shows how these policies can be translated into everyday decision-making. Sometimes simulated case studies based on actual company events are used to illustrate.

Ethics performance can be improved in business by the following:

- (1) Having full support of top management.
- (2) Building ethical safeguards within the company by:
  - (a) a code of ethics,
  - (b) an ethics committee,
  - (c) an ethics training program, and
  - (d) an ethics audit.

### III. What Is Education Doing About Business Ethics?

Educators are divided on how ethics should be taught. Should it be part of every business course? Should it be taught in separate classes by people trained in philosophy and business? Where do you find such teachers? Can students be taught to act ethically if they have not already developed standards of their own? Does contemporary higher education encourage its graduates to be honest businessmen and women?

Education does not appear to be doing very well, since a number of white-collar criminals have attended prestigious colleges, even graduating with honors, and becoming respected members of law firms, banks, or investment houses.

Some corporations have tried on-the-job ethical training, but the biggest program was finding people who could teach it in a practical and meaningful way.

Teaching ethics is difficult. In our somewhat cynical society, lectures in ethics are apt to be ignored! In The Closing of the American Mind, Allan Bloom says that the

souls of young people are . . . spiritually unclad, unconnected, isolated, with no innered or unconditional connection with anything or anyone. They can be anything they want to be, but they have no particular reason to want to be anything in particular. Not only are they free to decide their place, but they are also free to decide whether they will believe in God or be atheists . . . whether they will be straight or gay . . . and so on, endlessly. There is no necessity, no morality, no social pressure, no sacrifice to be made that militates going on, or turning away from any of these directions."



When business schools started in the early 1900s, little was said about business ethics. There were statements about excessive government control but there appeared to be little recognition that business itself could be a source of corruption.

Efforts to teach ethics come either packaged in courses labeled as such or as ethical questions integrated into other courses. Stanford Business School advocates the former, and a separate ethics course is now part of its required core. The Rochester Management School dean is opposed as he believes that to elevate ethics to a separate course is to make it an abstraction. The Wharton School agrees, concluding in a study that students often regard ethics professors as out of touch with the actual business world. And, further, students wear their ethical hats in ethics class, only to take them off in finance. Thanks to its large endowment, Harvard inaugurated a mandatory first-year ethics course for all students, believing that to wait until the second year to address the issues would have indicated that the school did not think they were very important.

In business school, ethics is often taught as a matter not of morality but of pragmatism; crime does not pay. This approach tries to convince the students that, if they consider the costs of getting caught, they will see the folly of doing the wrong thing. But pragmatism misses the point because crimes are committed precisely because the offender thinks he/she will not be caught.

Another technique is to make a student calculate the consequences of his actions for other people. This is somewhat unrealistic because competition lies at the heart of a free-enterprise system.

Designers of ethics curricula often focus on the crime of the moment. In the 1970s, bribing foreign officials was of concern: insider trading was not discussed at all. What will the moral lapses of the next decade be?

Perhaps the best method is to teach business not simply as an acquisitive trade but as a profession with duties and responsibilities. Law and medical schools create an atmosphere in which students see their fields as noble and socially useful. If business schools stood the proposition that business is an honorable endeavor and that businessmen are socially useful, students might learn to take pride in their profession and feel ashamed to let it down.

A study made by the Ethics Resource Center of business schools indicates that for about 75% of the schools ethics is part of the undergrad program: in 53% it is included in other required courses and is not a separate course. Case studies were used most at the graduate level; textbook readings at undergraduate classes; lecture more than discussion. Issues covered were honesty, conflict of interest, marketing and advertising.

One of the general education goals of Raritan Valley Community College is to develop the ability to make informed judgments concerning ethical issues; to recognize an ethical dilemma and summarize different sides of the issue; to analyze the dilemma and make an informed judgment; and to recognize racist and sexist attitudes and their implications.

In the Business Management (A.A.S.) program at Raritan Valley Community College, the following objective appears: To be able to identify the key points in the historical development of business ethics and explain their significance today in the United States.

When discussing ethics, a person is apt to become bogged down with

several problem areas, such as:

(1) Absolute ethical principles (one should not lie or steal under any circumstances) versus relativism or consequentialism (it might be permissible to lie or steal if the situation or end result warrants it; for example if it were necessary to lie or steal to protect a child's life).

(2) Whether or not ethics is an organizational or corporate matter. Some people argue that only individuals can form ethical values.

(3) Conflicts among ethical values. Social responsibility expectations in areas such as environmental protection or equal opportunity conflict with property rights and the right to free association; and they get in the way of free competition, thus interfering with the machinery of the market.

Another problem is represented by Gary Edwards, President of the Ethics Resource Center who says: As long as you have a business culture that puts people in impossible situations, you will have people shipping inferior goods, juggling the books, bribing, trampling people beneath them, and generally conducting themselves in the tradition that results, and only results, count.

#### IV. What Do Community College Students Think?

The open-ended questions that follow were asked of students in a Small Business Management class. Samples of their answers follow.

What are business ethics?

- guidelines by which consumers can be reasonably sure of fair treatment.
- rules or regulations that an employee must follow in order to be employed there
- honesty, quality, integrity, pride
- doing things the right way without harming anyone

Is it easy to solve moral problems?

- sometimes the desire for financial success clouds moral vision
- varies
- need creativity and imagination
- confident that I could render a just decision
- do not find it easy
- very hard as there are two sides to every argument
- you have to do what you feel is right
- have to think about the outcome

How can we "learn" business ethics?

- by example from top management (a majority of the students believed this)
- punishment is a good teacher
- family should play a large role in forming judgments
- society is the base on which ethics are ultimately judged
- religion gives us moral guidelines
- can't be learned

What role does education play in teaching ethics?

- education helps but not as much as family or society
- be smart and be honest and you will succeed
- education teaches us to distinguish between right and wrong and to understand the reason why
- what our teachers believe in
- we learn a lot of dishonesty from society; education can set these dishonesties right
- I don't think education deals with ethics except to define it
- education plays a significant role in that it prepares us for how society expects us to act

Are cases a good way to study ethics?

- yes - realistic
- gives you something to think about
- especially with open discussion
- too artificial
- about evenly divided

Exhibit 1, Behavior in Organizations, was given to approximately 100 community college students.

Areas that students believe management should control are:

- Falsifying time/quality/quantity reports (56% of students)
- Padding an expense account by over 10 percent (51%)
- Pilfering company materials and supplies (50%)
- Taking extra personal time (lunch hour, breaks, etc.) (43%)
- Padding an expense account by up to 10 percent (42%)
- Using company services for personal use (42%)
- Divulging confidential information (40%)
- Authorizing a subordinate to violate company rules (40%)
- Taking longer than necessary to do a job (39%)

## CONTROLLING ETHICAL BEHAVIOR

Exhibit 1 provides a list of behaviors that you or your peers might engage in when working for a company. Go through each item and circle the number that best indicates the frequency with which you personally would (or do, if you work now, engage in that behavior. Then put an X over the number you think best represents how often your work colleagues would (or do) engage in that behavior. Finally, put a check mark beside the item (in the "Needs Control" column) if you believe that management *should control* that behavior.

### EXHIBIT 1 BEHAVIOR IN ORGANIZATIONS

	At Every Opportunity	Often	About Half the Time	Seldom	Never	Needs Control
1. Passing blame for errors to an innocent coworker	5	4	3	2	1	_____
2. Divulging confidential information	5	4	3	2	1	_____
3. Falsifying time, quality/quantity reports	5	4	3	2	1	_____
4. Claiming credit for someone else's work	5	4	3	2	1	_____
5. Padding an expense account by over 10 percent.	5	4	3	2	1	_____
6. Pilfering company materials and supplies	5	4	3	2	1	_____
7. Accepting gifts/favors in exchange for preferential treatment.	5	4	3	2	1	_____
8. Giving gifts/favors in exchange for preferential treatment	5	4	3	2	1	_____
9. Padding an expense account by up to 10 percent.	5	4	3	2	1	_____
10. Authorizing a subordinate to violate company rules	5	4	3	2	1	_____
11. Calling in sick to take a day off	5	4	3	2	1	_____
12. Concealing one's errors	5	4	3	2	1	_____
13. Taking longer than necessary to do a job	5	4	3	2	1	_____
14. Using company services for personal use.	5	4	3	2	1	_____
15. Doing personal business on company time	5	4	3	2	1	_____
16. Taking extra personal time (lunch hour, breaks, early departure, and so forth)	5	4	3	2	1	_____
17. Not reporting others' violations of company policies and rules	5	4	3	2	1	_____
18. Overlooking a superior's violation of policy to prove loyalty to the boss.	5	4	3	2	1	_____

As for behaving in these fashions, the students responded as followed:

- Divulging confidential information - 10% of the students did about half the time
- Giving gifts/favors in exchange for preferential treatment - 10% half of the time
- Calling in sick to take a day off - 5% at every opportunity, 4% often, and 10% about half the time
- Concealing ones errors - 15% about half of the time
- Using company services for personal use - 10% about half of the time
- Doing personal business on company time - 10% about half of the time
- Taking extra personal time (lunch hour, breaks, early departure, etc.) - 18% about half of the time
- Not reporting others' violations of company policies and rules - 15% often and 20% about half of the time
- Overlooking a superior's violation of policy to prove loyalty to the boss - 12% often and 10% about half of the time

Of interest is the fact that the students graded their colleagues as more likely to indulge in these activities than they themselves were.

V. Materials and Suggestions for an Ethics Module in an Introduction to Business Administration course.

A. Definition of Ethics

An understandable and workable definition of ethics should be formulated. Examples are:

- involves critical analysis of human acts to determine their rightness or wrongness in terms of truth and justice
- a systematic attempt through the use of reason to determine the rules that should govern human conduct
- a discipline dealing with good and bad (right and wrong), fair and unfair (just and unjust) behavior
- derived from the Greek word "ethos," rectitude or rightness, intellectual conduct
- a set of rules that define right and wrong conduct--rules that are guides to moral behavior.

Business ethics is the application of general ethical rules to business behavior. Business ethics extends to such things as expectations of society, fair competition, advertising and public relations, the meaning of social responsibility and handling of communications.

#### B. Sketches of Ethical Principles

The conventionalist ethics: It is all right to act to further your own self-interests as long as they do not violate the law. Under this principle one is allowed to lie and take advantage of all legal opportunities and widespread practices.

The disclosure rule: If the full glare of examination by associates, friends, family, etc., were to focus on the decision, would you remain comfortable with it?

The golden rule: Do unto others as you would have them do unto you. It includes not knowingly doing harm to others.

The hedonistic ethic: If it feels good, do it. There are no universal moral principles.

The intuition ethic: The answer to moral problems lies simply in what you feel is right in a given situation--a gut feeling.

The market ethic: Selfish actions in the marketplace are virtuous because they contribute to efficient operation of the economy.

The means-ends ethic: Worthwhile ends justify efficient means. Unscrupulous means may be employed to reach important ends.

The might-equals-right ethic: Justice is the interest of the stronger. Seize what advantage you are strong enough to have.

The organization ethic: The wills and needs of individuals should be subordinated to the greater good of the organization.

The professional ethic: You should do only that which can be explained before a committee of your peers.

The revelation ethic: Through prayer, answers are given to individuals.

The utilitarian ethic: The greatest good for the greatest number.

### C. Sources of Ethics

Sources are Judeo-Christian religious principles and English common law.

(1) Doctrine of Sonship - Man is child of God; life is sacred; we have a right to experience the fullest possible development of our potential.

(2) Doctrine of Brotherhood - Mankind forms a brotherhood of individuals who are spiritually equal in the eye of the Creator.

(3) Doctrine of Covenant - Since God kept his promises to man, we owe honesty and fairness to each other.

(4) Doctrine of Trusteeship - What man possesses is not for his own selfish use but as a trustee for the use of others.

(5) Doctrine of Grace - God's benevolence toward man is given as a gift from Him.

Arnold Toynbee said that no society has ever flourished without a spiritual mission. The quest for material progress alone is insufficient. Ethical behavior engenders trust which enhances social harmony.

### D. Reasons for Lack of Ethics in Business

(a) Personal gain and greed.

(b) Individual values in conflict with organizational goals. This often results in an employee "blowing the whistle" on unethical company behavior.

(c) Managers' values and attitudes. Top management sets the tone for the company.

(d) Competitive pressures. An example was Firestone and its radial tires.

(e) Cross-cultural contradictions. These will become more frequent as we trade more.



#### E. Teaching Techniques

The objective is to get students to understand key concepts and principles in personal and business ethics and to clarify their personal values. The best teaching approach is to interact with the material. Read the narrative, take any exercises and tests, examine the interpretations, and then ask "How does this apply to me?" Students need to be actively involved; the more practical and personalized the study is, the better.

Studying current events is an excellent teaching technique. Five or six articles from newspapers or magazines are assigned each semester. In addition to helping the class keep up to date on rapid changes in the business world, the technique requires students to become familiar with business publications.

Abraham Maslow's hierarchy of needs should be taught to the students so that they will know the varying levels of needs. For example, it is often true that senior executives are not challenged by financial gain as much as by service to others; they have already achieved satisfaction in money or social advancement and are often more satisfied by seeing young people grow in the company.

#### F. The Purposes or Objectives of Ethics Training

- To increase the future manager's sensitivity to ethical problems
- To encourage critical evaluation of value priorities
- To increase awareness of organizational realities
- To examine the ethical facets of business decision-making
- To bring about a greater degree of fairness and honesty in the marketplace
- To respond more completely to the company's social responsibilities.

#### G. Types of Unethical Activities

Activities such as the following should be discussed:

Bribery - The distinction between gift-giving and bribery is often blurred.

Industrial theft and espionage

Conflict of interest - This is one of the most difficult areas because it occurs so often and in so many forms.

Advertising abuses - This includes false and misleading advertising.

Collusion and many others, such as fraud, use of insider information for personal gain, environmental pollution, hiring and promotion practices, invasion of privacy, etc.

#### H. Developing a Code of Ethics

An ethics code should include three components. The company's purpose, its operating principles, and examples of those principles in action. A code needs an enforcement mechanism to deal with those employees who run afoul of the code. Attached are the first two pages of the code from Minnesota Mutual Life. Sample codes can be obtained from the Ethics Resource Center, Inc., 1025 Connecticut Avenue, N.W., Washington, DC 20036.

#### I. Studying Successful Companies

There is no end to the material that is available about successful companies. For example, see the following first page of a speech about IBM.

#### J. Competing Forces that Affect Ethical Standards

The following forces should be discussed:

External: Family (a key determinant), religion, friends (peer groups outside a business setting), societal culture (often transmitted by mass media), professional associations, law (which has two limitations -

*"...all activities of Company associates must reflect exemplary standards of ethical conduct."*

Statement of Policy,  
The Minnesota Mutual Life  
Insurance Company

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As a mutual life insurance company, we serve millions of people—individuals, families and businesses—who trust in us for financial security. Over the years, we have fulfilled that trust by meeting the needs of our clients with total integrity. High standards of ethical conduct are a key factor in our way of doing business and our continued success as a Company.

Our commitment to personal and financial integrity is clearly indicated in our *Statement of Policy*. The guidelines for ethical conduct outlined in this booklet are based on that policy. These guidelines comprise a code of ethics that applies to all Minnesota Mutual Life employees.

The code, which is meant to serve as a guide to behavior, was developed by a representative group of employees. It is comprehensive, and I hope it will be of help to you in your dealings with our clients and with each other. The code cannot, however, cover every potential situation that you may face. More importantly, it can never be a substitute for your own personal integrity and good judgment.

# A Business and Its Beliefs: The Ideas That Helped Build IBM

## INTRODUCTION

One may speculate at length as to the cause of the decline or fall of a corporation. Technology, changing tastes, and changing fashions all play a part. But the fact remains that some companies manage to flourish while others in the same industry may falter or fail. Normally we ascribe these differences to such things as business competence, market judgment, and the quality of leadership in a corporation. Each one of these is a vital factor. No one can dispute their importance. But I question whether they in themselves are decisive.

I believe the real difference between success and failure in a corporation can often be traced to the question of how well the organization brings out the great energies and talents of its people. What does it do to help these people find common cause with each other? How does it keep them pointed in the right direction despite the many rivalries and differences which may exist among the many changes which take place from one generation to another?

This, then, is my thesis: I firmly believe that any organization, in order to survive and achieve success, must have a sound set of beliefs on which it premises all its policies and actions.

Next, I believe that the single most important factor in corporate success is the leaders' faithful adherence to those beliefs.

And finally, I believe that if an organization is to meet the challenges of a changing world, it must be prepared to change everything about itself except those beliefs as it moves through corporate life

## HELPING PEOPLE GROW

The beliefs that mold great organizations frequently grow out of the character, the experiences, and the convictions of a single person. More

*Source Excerpts from Thomas J. Watson, Jr., A Business and Its Beliefs  
The Ideas That Helped Build IBM Copyright © 1963, McGraw-Hill Book Company. Reprinted with permission*

it does not go beyond mere legal requirements, and there are imperfect law enforcement mechanisms), external competitors.

Internal: Superiors (should be role models), peers-colleagues, subordinates, company objectives, company codes, company evaluation and reward systems, internal competitors, and company culture (which is a summary of the values and norms of the company).

#### K. Guidelines for Ethical Behavior

The following questions can be used to assist one in making ethical decisions.

1. Have you defined the problem correctly?
2. How would you define the problem if you stood on the other side of the fence?
3. How did this situation occur in the first place?
4. To whom and to what do you give your loyalty as a person and an employee?
5. What is your intention in making this decision?
6. How does this intention compare with the probable results?
7. Whom could your decision or action injure?
8. Can you discuss the problem with the affected parties before you make your decision?
9. Are you confident that your decision will be as valid over a long period of time as it seems now?
10. Could you disclose without qualm your decision or action to your supervisor, your chief executive officer, your board of directors, your family, or society as a whole?
11. What is the symbolic potential of your action if understood? If misunderstood?
12. Under what conditions would you allow exceptions to your stand?

#### L. Sample Cases and Discussion Questions

Following are several short cases and discussion questions.

\* You run a construction company and receive a bid from a subcontractor. You know it is 20% too low and could put the sub out of business. But accepting it will improve your chances of winning the contract for a big housing project. What do you do?

\* You manage an upscale mobile-home park for the elderly and maintain high quality by strictly enforcing rules. You hike rents to support the park's facilities and services. A group of residents on fixed incomes say they cannot pay and will be made homeless if rents rise. What do you do?

- \* Jim a 56-year-old middle manager with children in college, discovers that the owners of his company are cheating the government out of several thousand dollars a year in taxes. Jim is the only employee who would be in a position to know this. Should Jim report the owners to the Internal Revenue Service at the risk of endangering his own livelihood, or should he disregard the discovery in order to protect his family's livelihood?
- \* When Joe asks for a raise, his boss praises his work but says the company's rigid budget won't allow any further merit raises for the time being. Instead, the boss suggests that the company "won't look too closely at your expense accounts for a while." Should Joe take this as an authorization to pad his expense account on grounds that he is simply getting the same money he deserves through a different route, or should he refuse this roundabout raise?
- \* Helen discovers that another employee regularly makes about \$100 a month worth of personal long-distance telephone calls from an office telephone. Should Helen report the employee to the company or disregard the calls on the grounds that many people make personal calls at the office? What should Helen do if the calls totalled only \$10 a month?
- \* During a luncheon meeting, a representative of a major competitor for one of your key product lines suggests that your two companies come to an "informal" agreement on the prices to be set on the competing products. You know that the recent price competition between you has all but eliminated the profitability on its products. The new suggested price would bring profits back to acceptable levels. Should you agree on it?
- \* You work as a supervisor for a large mobile home manufacturer. For some months you have observed actions that are against company policy. Some employees, including two or three other supervisors, borrow company power tools for personal use; occasionally these tools are stolen, but not necessarily by employees. You have also noticed that the same people will sometimes take some small bolts, screws, and similar items for personal use. Are you observing unethical behaviors by these people? If so, what should you do?
- \* Your employees' wages are barely sufficient to allow them a standard of living above the poverty level. Most are sewing machine operators, who, for practical purposes, are competing with similar workers throughout the world. Although your company's return on investment is poor compared with companies in most industries, you feel bad about the low wages, especially when the media accuse you of running a "sweat shop" and having no compassion for your employees' needs. Are you guilty of being unethical and is your company socially irresponsible? What should you do?
- \* From your own personal experience, give two examples of ethical dilemmas in your personal life. Give two examples of ethical dilemmas you have experienced as a member of an organization to which you belong.

Longer cases are available. Following is a variation of a particularly effective case - The Fallout Shelter. There are cases that deal with

## The Fallout Shelter

This problem-solving exercise raises many ethical questions. It can be a dramatic example of how our values differ, how difficult it is to determine the "best" values, and how we often have trouble listening to people whose beliefs are different from our own.

### Directions

Complete the steps in order.

**Step 1** Gather in a small group (approximately three to seven people).

**Step 2** Read the following situation:

Your group is an important department in Washington, D. C., in charge of civil disaster fallout shelters. Suddenly, World War III breaks out and bombs begin dropping. Locations all across the globe are being destroyed. People are heading for whatever fallout shelters are available. You receive a desperate call from one of your shelters at the far reaches of civilization. They are asking for help.

It seems there are ten people who want to use the fallout shelter, but there is only enough space, air, food, and water available for six people for a period of three years — which is how long it is estimated people can safely stay in the shelter. They say that if they have to decide among themselves which six should use the shelter, they are likely to become irrational and begin fighting. So they have decided to call your department and leave the decision up to you. They will abide by your decision. You now have a half-hour to decide which four of the ten people will have to be eliminated from the shelter.

Before you begin, you should remember several important considerations: (1) You have only one-half hour to solve the problem: then you will have to go to your own shelter. (2) It is entirely possible that the six people you choose to stay in the shelter might be the only six people left to start the human race over again: therefore, this choice is very important. (3) If you do not make a decision in a half hour, then the ten people will be left to fight it out among themselves with the possibility that more than four might perish. (4) Here is all you know about the ten people:

*Source: Joe Levin, in Sidney B. Simon, Leland W. Howe, and Howard Kirshbaum, Values Clarification (New York: Hart Publishing Co., 1972), 281-286.*

1. Businessman: 31 years old
2. His 16 year old daughter: six months pregnant
3. Black militant, third-year medical student
4. Famous historian-author-humanitarian: 62 years old
5. Hollywood starlette: questionable I.Q
6. Former prostitute: 30 years old. "retired"
7. Female social worker: 40 years old
8. Olympic athlete: all sports, alcoholic
9. College coed: emotional problems
10. Policeman with gun (they cannot be separated)

Step 3 Begin the exercise and decide on the six who should use the fallout shelter. Do not refer to the questions in Step 4 until the group has completed discussion and reached agreement.

Step 4 After you have made your decision, discuss the following questions:

- a. How well did you listen to the other people in your group?
- b. Did you go along with something you did not agree with?
- c. Did you feel personal conviction toward the group decision?
- d. What did your own behavior say about your level of morality and personal and social values?
- e. Do you live your life in line with the morality you expressed in this exercise?



misleading advertising and with the formation and implementation of ethics programs in companies. An excellent case is one prepared by Paul H. Smith of Eastern Illinois University dealing with moral failure at colleges of business, which is intended to sensitize Business Administration students to business ethics, corporate social responsibility, and corporate citizenship by researching literature and providing an opportunity to write a culminating report

M. Term Projects

Following are a few suggestions for term projects.

- \* Read from at least five library sources and find specific examples of ethical failures or lapses by business.
- \* Find an example of a major corporation's code of conduct. Summarize the major provisions. In your opinion does it effectively convey a quality-of-life management approach? Explain.
- \* From at least two library sources find definitions for the term "ethics." Using them, define "ethics" in your own words.
- \* From the Old Testament in the Bible, find at least two ethical precepts. Do the same for the New Testament.
- \* In a source such as Blackstone's Law Dictionary or Corpus Juris, find at least two ethical precepts that stem from the English Common Law.
- \* Read Peter Drucker's articles on business ethics.
- \* What is your opinion about whistle-blowers? Under what circumstances would you be willing to report a fellow employee or your manager for misconduct. How would you proceed? What do you predict would be the impact on you? When would you not be willing to blow the whistle?
- \* At the present time PBS is presenting a series on Ethics in America. Watch the programs and report on them.
- \* Research any of the following: Johns Manville and asbestos; Johnson & Johnson and the Tylenol scares; Union Carbide and the Bhopal disaster; Nestle's infant formula in the third world; Lee Iacocca and the odometer problem; Exxon and the Prince William Sound oil spill.
- \* With a partner, write a case study that involves ethical questions.

- \* Present an ethics panel to the class, using a case that involves ethical dilemmas and has at least 4 roles.

N. Reading Lists

A reading list can be compiled by the teacher, and could include such fiction books as Wheels, a novel by Arthur Hailey, available in paperback, and The Power of Ethical Management, by Kenneth Blanchard and Norman Vincent

- Peals, published in 1988 by William Morrow.

O. Additional Materials

An excellent source of materials about business ethics is the Ethics Resource Center, Inc., 1025 Connecticut Avenue, N.W., Washington, DC 20036. The Center has Ethics at Work film/video series, conducts surveys, gives advisory services to organizations, and holds conferences.

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