Enron, WorldCom, Boeing, AIG, and Fannie Mae: To demonstrate the lack of business ethics today, one does not have to search far for evidence. Despite the long list of recent scandals, however, we cannot give up on the challenge of building an ethical business environment.

Political and legal systems can restrain individuals but we cannot rely solely on government power to reign in the excesses of greed. We have seen increased legislation and regulation (for example, Sarbanes-Oxley) but rules alone will not solve the ethics deficit. As soon as a new set of rules is implemented, brilliant minds will begin to develop avoidance mechanisms.

What is needed in today’s business world, besides regulation and legislation, is trust. “Trust is an indispensable asset in a free society and a precious ingredient in the business world,” writes Jordi Canals, dean of a leading European business school.

…[W]ithout trust, business transactions become uncertain, the attraction and selection of people is surrounded by cynicism and becomes costly, while managing international corporations becomes bogged down by suspicions of unfairness and different sets of standards at home and abroad….Market economies depend on trust and no amount of legislation can enforce that. One can be forced to behave in certain ways, but one cannot be forced to trust other people.

Thus, building business upon an ethical foundation is not optional— it is a fundamental requirement of the capitalist system. If we do not address conflicts of interest, treat people fairly and negotiate in good-faith, the free-enterprise system will eventually collapse.

How can we address our current ethics deficit? In this paper, I am going to address three key aspects of this problem: the cultural environment our students and workers belong to, the efforts of ethics educators including UWSP faculty, and suggestions for managers and business leaders to consider.

“The Cheating Culture”

In a recent best-selling book, David Callahan provides an exhaustive and disheartening report on the decline of moral values in American culture.

Cheating is everywhere…. [People are] breaking the rules to get ahead academically, professionally, or financially. Some of this cheating involves violating the law; some
does not. Either way, most of it is by people who, on the whole, view themselves as upstanding members of society.

...Americans seem to be using two moral compasses. One directs our behavior when it comes to things like sex, family, drugs, and traditional forms of crime. A second provides us ethical guidance in the realm of career, money, and success (14).

Callahan argues that four key trends have contributed to the widespread cheating we see today.

First, many workers today live with little job security and strong pressure from management to deliver results. Many jobs are now built around targets, goals and quotas; workers feel pressured to do whatever it takes to generate strong results (20).

Second, many professions have developed a “star” system, where a few people at the very top make exorbitant sums and the rest make substantially less. Today we not only have star athletes, we also have star professors and journalists too. Thus, if there is a chance that cheating will catapult one into the “big leagues,” potential cheaters see a huge upside to their ethical shortcuts (21).

Third, since the 1980s we have had less regulation by government and self-regulating professional groups (21). The IRS, for instance, has not received adequate budgetary funds and has therefore decreased its enforcement efforts (22). An estimated two million Americans have thus felt secure in establishing “illegal off-shore bank accounts that they use to evade taxes” (10). In the current uproar over accounting misdeeds at AIG, some experts are saying “for years regulators failed to detect lapses” (McNamee, 34).

Finally, there is increased cynicism among Americans. Callahan asks, “What happens when you think the system is stacked against people like you and you stop believing that the system is fair?” (23) The answer, of course, is that one cheats. The belief that everyone else is cheating provides an all-purpose rationale for whichever ethical misdeeds one is contemplating.

Callahan concedes that the current societal views on cheating will not be easily overcome. In the long term, we as a society need to strengthen enforcement along with ensuring access to economic opportunity (27). In the immediate term, as individuals we have to make conscious choices to follow the rules, even if it means working harder to compete against others who are cheating (26).

As business people and as educators, it is important for us to understand how pervasive cheating norms have become in today’s society. If “everyone” is cheating, individuals feel free to go along; in fact, they feel like suckers if they do not. Those who cheat do not think of themselves as “bad” people, for they see cheating as just another tool in the drive to get ahead. Students, for instance, typically describe plagiarism as “no big deal”
to me; “it’s like speeding on the interstate---everyone does it.” Tapping into this sentiment, one “paper writers for hire” web site advertises that smart students will use its service to “outsource” their work (Marketing Assignments). In this view, cheating on assignments is not unethical---it is just smart time management.

Research confirms the prevalence of cheating among college students. In the largest recent study, McCabe surveyed 18,000 students across the US in 2003. Thirty-eight percent of the students surveyed admitted to doing “cut-and-paste” plagiarism from Internet sources in the past year, with a similar number saying that they had copied from print sources. Forty-four percent of the students reported that such behavior was a trivial matter or was not cheating at all. Unfortunately, business students’ self-reported cheating on tests and assignments was among the highest, at sixty-three percent (Rutgers-Newark University; Rimer). Keep in mind that these figures, as depressing as they are, probably understate the true state of affairs since some students may have hesitated to admit to their actions.

What Can Educators Do?

Business Ethics faculty are not laboring under the misconception that we can single-handedly counteract the deep societal pressures on our students nor can we somehow miraculously infuse them with the “right” values---even if we could figure out what those are.

We cannot, however, ignore the problem. We would be abrogating our responsibilities as educators if we were to turn a blind eye to cheating going on in our classrooms or if we were to concede defeat by, for instance, eliminating all writing assignments due to the ease of copying materials from the Internet.

At UWSP, as at many business departments across the country, we have added a new emphasis on ethics to our curriculum. As I will explain, we have adopted a new plagiarism-detection system and developed a new Ethics in Business and Accounting class. Through many different discussions and projects during the ethics class, we teach the students about balancing economic, legal and ethical pressures. We share examples of companies that have made a strong commitment to ethical values as well as warn students about what not to do in the workplace. We spend considerable time helping students to identify and reason through the most challenging ethical dilemmas, the “Right vs. Right” decisions.

The plagiarism-detection system used at UWSP is a web-based system known as turnitin.com. When faculty members decide to use the system, their students submit copies of all written work to the web site. The system then scans the submitted papers and produces a report of any matches it finds. Submitted papers are compared to nearly every potential web source as well as to all papers previously submitted to the service.
Student response to the adoption of turnitin.com at UWSP has been encouraging. Not surprisingly, they are typically wary initially of whether the system will be difficult to use or whether it will return too many “false positive” indications of plagiarism. When they see that neither problem is common, they become supportive of its use. They agree that the system is leveling the playing field for them, against other students who might potentially cheat. The system is thus making it easier for students to do the right thing. In the long run, the system is also protecting the value of the degrees the students hope to earn, as it maintains the reputation of UWSP as an institution of integrity.

Student response to our new ethics class at UWSP has been very positive. Students have reported that they have gained a deeper understanding of how to balance economic (profit), legal and ethical concerns. Successful business people must find ways to operate at all three of these levels of decision making simultaneously, much like they must simultaneously consider strategies from financial, marketing and production perspectives (Boatright).

Many of our students initially believe that “if it’s legal, it’s okay,” but we stress that in many situations, following the law is not enough.

Not everything that is immoral is illegal; for instance, certain extreme competitive strategies have been held to be legal despite their ethical shortcomings. An example of this is provided by employees at Toys R Us, who systematically shopped at a competitor’s store to pick up loss-leader items and complimentary gift certificates. The competitor’s promotion specifically prohibited purchases by other retailers, but the Toys R Us employees did not disclose their affiliation. The strategic purchasing by Toys R Us employees culminated in $1.5 million worth of goods and $375,000 worth of gift certificates. The competitor sued unsuccessfully for damages (Boatright).

In other instances, the law may be slow to catch up with society’s moral standards. Looking back at the period before the passage of the 1964 Civil Rights Act, discrimination that we would now find illegal would have been permitted; nevertheless, we would still say that such discrimination would have been immoral (Boatright xx). For a current example, consider where the law stands now on providing benefits to employees with domestic partners (gay or otherwise). Will we look back at this period and shake our heads at the actions of organizations that resisted offering such benefits?

Students have also said that they have appreciated learning about companies that are succeeding while incorporating a strong ethical perspective into their decisions. Companies such as SAS, the Men’s Wearhouse, Cisco and Southwest Airlines have developed, according to research by Charles O’Reilly III of Stanford University, sustainable competitive advantage by treating their employees as their most important assets.

Our ethics class, of course, includes guidance on what “thou shalt not” do in the business world (Schmalensee). This begins with personal values of being honest, truthful and fair, or more negatively, the advice to not lie, cheat or steal. Following these
basic “commandments” will help when one is faced with what can be called “Right vs. Wrong” decisions. For example, there is the recent case of over one hundred applicants to some of the nation’s top business schools who were caught hacking into a database to see if they had been accepted for MBA programs. When the schools realized what the students had done, the schools notified the students that their applications were summarily denied. (The schools did tell the students that they could reapply next year, however.) (Lindsay)

Yet, personal values do not provide sufficient guidance when it comes to complex business situations such as antitrust issues, deceptive advertising or international issues. In the most difficult situations, we have competing rights, conflicting stakeholder interests and/or contradictory principles. Situations such as this, challenging leaders and organizations to their core, are what Joseph Badaracco of Harvard University calls “Right vs. Right” decisions.

A relatively simple “Right vs. Right” situation described by Badaracco occurs when a manager is approached by an employee who asks for guidance on making a major personal decision. The employee is considering taking on considerable debt to purchase a newer home and asks if the manager thinks this is a good idea. The manager knows that layoffs are looming and that this employee could find himself in financial strife if he takes on the extra debt. The manager would like to be able to tell the truth to the employee and honor their personal relationship. Unfortunately, the manager also has a duty to the organization to keep news of the layoffs under wraps until a certain date. Honoring his duty to the employee would mean violating the trust placed in him by his superiors and could mean substantial losses to the shareholders. (The manager decides to compromise by indicating to the employee that there are some general reasons that would indicate this is not a good time to take on debt, such as upheaval in their industry.)

The famous Tylenol poisoning case in 1982 provides a more extreme, life-or-death situation. When the matter came to Johnson & Johnson’s attention, six people in the Chicago area had died after taking capsules laced with cyanide. CEO James Burke was widely praised for his decision to pull the remaining product from store shelves, thereby preventing further deaths. Burke, guided by Johnson & Johnson’s mission statement, did a masterful job of saving the Tylenol brand (Badaracco).

Badaracco reports that Burke now says that pulling the product was actually a relatively easy decision. Recalling the Tylenol meant that further deaths were prevented and expensive litigation was avoided. In contrast, and what has until now not been publicly known, was the conflicting pressure on Burke not to issue the recall of Tylenol. Officials from the FDA initially advised Burke to leave the product on the shelves, so as to not invoke a wave of “copycat” product tampering. The FDA was particularly concerned that other criminals would tamper with products around the upcoming Halloween holiday. FBI officials also initially advised Burke to not issue a recall, so as to reinforce the government’s position of making no concessions to terrorists. Hence, Burke was placed in a very high stakes “Right vs. Right” decision. As a corporate officer and as a human
being, Burke felt pressured to pull Tylenol from store shelves. However, as a loyal American, he felt he should heed the advice of the FDA and FBI and not issue a recall. Ultimately, the situation was resolved when Burke “got lucky.” The government officials reevaluated their recommendations and decided that the best course of action would be to issue a recall (Badaracco).

Most professionals will face a decision as gut-wrenching as Burke’s rarely, if ever. Yet, the fact that ethical dilemmas are typically more low-key raises another danger: that the dilemmas may not even be recognized as such. Thus, one important job of ethics educators is to help professionals recognize when a situation has ethical dimensions, and hence requires special attention. Jennings discusses typical language that is used by people to rationalize inferior choices in an ethical dilemma:

- “Everybody else does it.”
- “If we don’t do it, someone else will.”
- “That’s the way it has always been done.”
- “We’ll wait until the lawyers tell us it’s wrong.”
- “It doesn’t really hurt anyone.”
- “The system is unfair.”
- “I was just following orders” (4-6).

If you hear yourself or one of your colleagues using one of these phrases, your ethical “radar” should kick in!

Once an ethical dilemma has been identified, the decision maker must take time to reason through the situation. As ethics educators, we coach students in thinking about “compliance, contribution and consequences.”

- All choices must meet the minimal standard of legality.
- How is each choice contributing to shareholders, employees, customers and community members?
- What consequences, such as an effect on the company’s reputation, can be foreseen for each choice? (Jennings 31-32)

In a complex, “Right vs. Right” dilemma, different decision makers might recommend different decisions. When there is not a single “right” answer, what matters is the reasoning behind an answer. Ultimately, the best decisions are founded on the best reasons (Boatright 9). While we can still debate which reasons are best, we should at least make firm our commitment to thoroughly analyze the basis for our choices.

The struggle to make a moral or ethical decision also involves a commitment to be impartial. In essence, a moral decision making standard is the opposite of a selfish perspective: with morality, we are acknowledging that everyone else’s interests, not just our own, are important (Boatright 9).
Finally, we recommend to our students to keep in mind three key tests when making an ethical choice:

- Would you be happy if your decision were printed on the front-page of the newspaper? If not, what are you overlooking in terms of consequences or practicality?
- Does your decision pass the “Golden Rule” test? How would you feel if you or your children were the objects of this decision? Are you respecting the rights of others?
- How would this decision look as part of your obituary? What does it say about your character? (Badaracco)

What Can Business Leaders Do?

Robert Solomon, a leading ethics scholar, points out that most professions---with the notable exception of business---have noble ways of describing what they do. Politicians are public servants. Lawyers defend people’s rights. Physicians save lives. University professors open young minds. When the public thinks about what business leaders do, however, they usually think of something much less flattering: making money. Too often, all the public hears about the business world is its cut-throat competition in the pursuit of greed and the dehumanizing placement of profits before people. As Solomon argues, the business world has an image problem (1-2).

Typical business responses to this image problem are unpersuasive. Certainly, we can argue that the recent scandals were caused by just a few “bad apples.” We can also invoke Adam Smith’s “invisible hand” theorem and claim that specialization and free trade will lead to more wealth overall. Neither one of those arguments, however, will change public perceptions significantly; neither argument will make business leaders be seen as noble contributors to society. Would either one of these claims impress a class of elementary students on “Career Day”? Hardly! We even see this on university campuses, with non-business faculty and students adopting an attitude of superiority over those in the Business Department who are “all about making money.”

To build a more positive image for the field, business leaders first need to set high ethical standards for themselves and their organizations. Gary Dessler summarizes the most important things that managers can do to establish an ethical culture:

- “emphasize top management’s commitment” to ethics
- “publish an ethics code,”
- “establish compliance mechanisms”
- “involve personnel at all levels” of the organization
- “train employees” on appropriate behavior
- “measure results” of the ethics program (35).
Dessler also identifies the worst things that managers can do with regards to ethics:

- “tell staffers to do whatever is necessary to achieve results”
- “overload top performers to ensure that work gets done”
- “look the other way when wrongdoing occurs”
- “take credit for others' work or shift blame” (33).

Through their words and their actions, business leaders must demonstrate their commitment to maintaining ethical standards. Employees will quickly detect any inconsistencies between leaders’ claims of commitment to ethical standards vs. their expectations of their employees.

In addition, we must systematically do more to educate the public about the good that business does: providing jobs that give financial and personal rewards, strengthening local communities, going the extra mile for customers and delivering quality goods and services (Solomon 3). Outreach and dialogue with our communities will provide a solid foundation for society appreciating the contributions of business.

**Take Action**

Repairing the ethics deficit is not going to be a quick or easy task. It can seem overwhelming and impossible at times. We must persevere, act on our convictions and persuade others to join us.

I challenge you to think about what you are doing in your organizations and in our community to strengthen the ethical foundation of the business sector.

Finally, I offer one specific opportunity to contribute: I am searching for local business leaders to speak to our senior Business students this fall on topics relating to “Ethics and Leadership.” If you have a unique perspective, experience or lesson to share with our students, please contact me.
Works Cited


