

CAN ETHICS BE TAUGHT, ROLE OF BUSINESS SCHOOLS IN DEVELOPING VALUE MANAGERS

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Abstract:

The scandals in recent years reminded business schools have to take responsibility for instilling ethical concepts to the students who will become the future managers. Business schools have a role to play in increasing the likelihood that students are less likely to end up committing unethical acts. This paper aims to review literature published in the field of business ethics education in order to answer the question: Can business ethics be taught? The main purpose of this paper is to analyze different perspectives on business ethics education in higher education to study whether business ethics can be learned as a result of the educational process, and subsequently to identify the role of business schools in facilitating, designing and teaching business ethics courses.

Introduction:

Today, it is the time to rethink the ethical training in higher education. After several scandals, various bodies have made calls for a greater emphasis on rethinking business ethics education. These scandals clearly show the need to instill in students the importance of ethics for managers, accountants or auditors, and increased attention has also been directed toward the teaching of business ethics. Business schools have a responsibility to acquaint their students with the ethical challenges they will face in their business careers. A wave of discussion involving ethics education has taken place. Issues of business ethics are widely discussed in the professional and academic literature (Gaa & Thorne, 2004; Felton & Sims, 2005). With a growing interest in the subject of business ethics in many business schools, there appears to be a variety of attitudes ranging from the view that while ethics courses may not be effective, there is no harm in trying, through open resistance to the introduction of ethics program. Some people doubt the necessity of ethics courses because they do not believe that ethics can be taught or learned in classrooms and suspect the timing of teaching ethics in postsecondary level and assert that ethics should be learned earlier. A lot of people ask a recurring question: Can business ethics be taught? If yes, why did these business scandals happen while most of the managers and accountants involved in these scandals took business ethics training when they studied in business schools? If no, why did more and more business schools pay attention to business ethics education? Therefore, this paper will aim to consider literature published in the field of business ethics education in order to answer the question: Can business ethics be taught? The main purpose of this paper is to analyze different perspectives on business ethics education in higher education to study whether business ethics can be learned as a result of the educational process, and subsequently to identify the role of business schools that can facilitate educator designing and teaching business ethics courses.

Can Business Ethics Be Taught:

Ethics is important for businesses because public entrusts them with the responsibility of ensuring that corporate entities are held accountable for their actions. Business ethics can be defined as the study of those decisions of managers which involve moral values (Gandz & Hayes, 1988). Business schools, which act as the role of fostering manpower in business specialties, also take the responsibility of infusing ethics into students. Increased attention has been directed toward the ethics curriculum in business schools. Many colleges realize the importance of ethics and set up related courses to help construct ethical concepts of students before they join the businesses (Mann, 2005). However, can business ethics be taught?

As to the question, few would challenge the contention that ethics is learned, but many people doubt that ethics can be taught (Geary & Sims, 1994). Ethics courses have stimulated much discussion in society. There are conflicting views on whether ethics can be taught and conflicting expectations about how the teaching of ethics will lead to more ethical behavior. A majority of research supports that ethics can be taught. A business course focusing on ethics can facilitate growth in principled moral reasoning (St. Pierre, Nelson, & Gabbin, 1990; Armstrong, 1993; Ponemon, 1993; Shaub, 1994; Bonawitz, 2002). Penn and Collier (1985) claim that there is a need to implement an education program which results in the advancement of students to higher stages of moral development. Wright (1995) noted that education is the best means of developing good ethical behavior in the modern business environment. Wimala siri (2001) suggests that there is at least a partial role of ethics in educational intervention. Hosmer (1988) indicates that educators can reinforce students' ethical attitudes by teaching ethical principles rather than moral standards of behavior and by introducing them to the ethical arguments. Loeb (1988) found that many accountants themselves believed that classroom exposure to accounting ethics would enable individuals to better handle ethical dilemmas encountered in business practices. Kavathatzopoulos (1991) concludes that ethics training can improve students' abilities to deal with business dilemmas through the business ethics courses offered by many business schools. Kerr and Smith (1995) found that ethics education can increase skills in identifying and analyzing problems, and therefore help to handle conflicts of values which arise between the practitioners, clients and society. Carlson and Burke (1998) found that students taking ethics courses are more perceptive, more willing to read between the lines, more sensitive to the ambiguities and more curious to the effects of their decisions. Bonawitz (2002) suggests that business students exposed to courses having a purposeful focus on professional ethics and ethical issues show significantly greater growth in the use of principled moral reasoning than similar students not exposed to such courses.

However, some studies have provided indications that ethics courses may have little to no statistically significant impact on student attitudes (Budner, 1987; Lane, Schaupp & Parsons, 1988; Wynd & Mager, 1989). Luoma (1989) indicates that requiring students to learn professional regulations and guidelines in order to pass an ethics examination does not ensure that they will retain

a concept of ethical behavior. A one semester ethics curriculum would have minimal impact on ethical values and attitudes. St. Pierre, Nelson, and Gabbin (1990) and Ponemon (1993) both found that the inclusion of ethical content in courses, or exposure to a specific course in ethics during college, had a trivial impact on growth in the use of principled moral reasoning. Enyon, Hill, Thorley, Stevens and Clarke (1996) propose that non-classroom effects, which include politics, attitude and gender factors, are commonly associated with learning or applying ethics. Smith and Oakley (1996) found that completion of a course in business ethics had no significant effect on students' attitudes toward ethical business behavior. We suppose that the mixed and equivocal findings for this body of evidence reflect to some extent the fact that the ethics courses in the various studies differed substantially in their content, emphasis, and implementation. It appears to me that, if we want to answer the question of whether business ethics can be taught, we must consider what we really mean by that question. We should identify what the role of business ethics education is.

Hosmer (1985) has admitted that it is hard to change habits, beliefs and values and thus such change should not be the primary goal of a business ethics course. In his view the primary goal is to teach ethical systems of analysis, not moral standards of behavior. A longitudinal study conducted by Murphy and Boatwright (1994) to investigate the effectiveness of a business ethics course found that the business ethics course could influence a student's ability to identify ethical scenarios; however, the course did not lead to a change in the ethical values of the students. They suggested that the goal of ethics education should not be to change the ethical values of students, but to help them identify situations of an ethical nature. Therefore, as to the question "Can business ethics be taught?" based on the literature favoring business ethics education, my answer will be "Yes" if the goals of business ethics education are to provide theories, models, approaches, examples or case studies which might be useful in handling business ethical dilemmas, to make students more sensitive to the ethical implications of some business activities, and to provide students with a set of tools that could help them analyze difficult ethical situations later in their business careers. An amount of evidence reveals that such goals can be achieved through teaching business ethics in the classroom. Business ethics education can broaden students' understanding of ethics and its complexity (Wright, 1995; Fleton & Sims, 2005). The issue is an old one. Almost 2500 years ago, the philosopher Socrates debated the question with his fellow Athenians. Socrates' position was clear: Ethics consists of knowing what we ought to do, and such knowledge can be taught. Most psychologists today would agree with Socrates. In an overview of contemporary research in the field of moral development, psychologist James Rest summarized the major findings 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.

Much of the research that Rest alludes to was carried on by the late Harvard psychologist, Lawrence Kohlberg. Kohlberg was one of the first people to look seriously at whether a person's ability to deal with ethical issues can develop in later life and whether education can affect that development.

Kohlberg found that a person's ability to deal with moral issues is not formed all at once. Just as there are stages of growth in physical development, the ability to think morally also develops in stages. The earliest level of moral development is that of the child, which Kohlberg called the pre-conventional level. The person at the pre-conventional level defines right and wrong in terms of what authority figures say is right or wrong or in terms of what results in rewards and punishments. Any parent can verify this. Ask the four or five year old why stealing is wrong, and chances are that they'll respond: "Because daddy or mommy says it's wrong" or "Because you get spanked if you steal." Some people stay at this level all of their lives, continuing to define right and wrong in terms of what authorities say or in terms of reaping rewards or avoiding unpleasant consequences. The second level of moral development is the level most adolescents reach. Kohlberg called this the conventional level. The adolescent at the conventional level has internalized the norms of those groups among whom he or she lives. For the adolescent, right and wrong are based on group loyalties: loyalties to one's family, loyalties to one's friends, or loyalty to one's nation. If you ask adolescents at this level why something is wrong or why it is right, they will tend to answer in terms of what their families have taught her, what their friends think, or what the society believe. Many people remain at this level, continuing to define right and wrong in terms of what society believes or what laws require. But if a person continues to develop morally, he or she will reach what Kohlberg labeled the post-conventional level. The person at the post-conventional level stops defining right and wrong in terms of group loyalties or norms. Instead, the adult at this level develops moral principles that define right and wrong from a universal point of view. The moral principles of the post-conventional person are principles that would appeal to any reasonable person because they take everyone's interest into account. If you ask a person at the post-conventional level why something is right or wrong, she will appeal to what promotes or doesn't promote the universal ideals of justice or human rights or human welfare. Many factors can stimulate a person's growth through the three levels of moral development. One of the most crucial factors, Kohlberg found, is education. Kohlberg discovered that when his subjects took courses in ethics and these courses challenged them to look at issues from a universal point of view; they tended to move upward through the levels. This finding, as Rest points out, has been repeatedly supported by other researchers.

Role of Business Schools:

So when the answer is yes, it is necessary to determine what the true role of business schools should be in imparting ethics education. So when the answer is yes, it is necessary to determine what the true role of business schools should be in imparting ethics education. One of the studies that have investigated the current situation of India and Pakistan's business graduates in

terms of their perception towards issues of corporate governance and generalized its findings over the population of developing countries. It analysed the understanding level of business graduates about corporate governance; their main sources of learning corporate governance; their overall perception about corporate governances and the role played by business schools in promoting good corporate culture. The issues studied were classified into five dimensions, taken from the literature about corporate governance: management issues, shareholder issues, customer issues, social issues, and personal issues. Some of the findings of the study are as follows:

- ✓ Business graduates are less habituated to reading and whatever information they have read about corporate governance mainly comes from out of course sources. These statistics about reading and hearing of corporate governance demands the attention of business schools management to, first, make corporate governance an important part of their course curriculum and course material and secondly, to encourage the business graduates to learn from the environment and also out of the recommended material. Less than half of the respondents agree that corporate governance can bring positive change in the business culture, encourages transparency in business operations, is applicable in the countries and is helpful in developing the business sector and the economy. A still lesser percentage agrees that following corporate governance provides a competitive edge to the organization; it helps in ending corruption or is the need of the hour.
- ✓ Business education is putting most emphasis on management related issues that come under corporate governance head. This is because management is one of the crucial subjects in business education. Also great relevance is given to teaching the issues related to shareholders. Each program of business education consists of 2 to 4 subjects related to shareholder's issues; therefore business graduates hold common understanding about shareholder rights and obligations. Social issues and customer issues get mid level *importance*. Business schools have maximum courses directly or indirectly related to customer issues. Personal issues related to developing competencies for good corporate governance culture is given relatively lesser importance. Corporate Governance issues *per se* get lowest importance in business education. Separate courses or part of courses do not include the titles of corporate governance. Business schools at the most have one course or so in ethics/corporate governance. Therefore, directly related issues of corporate governance seem to be less prioritized by business schools and do not form an important part of their course curriculum
- ✓ Lessons from the two countries study reveals a gap between the training of business graduates and the requirements of the corporate sector. Foreign investment along with production facilities is moving towards developing countries due to cheaper available resources. The situation is vulnerable for multinationals to play with local resource, offer kickbacks to bureaucracy and involve in price dumping and malpractices. In order to avoid scandals and global disasters it is necessary that business firms in developing countries train their own graduates and move towards converging standards of corporate governance. This would not only help firms in dealing with the wrong conduct, if any, but also make them globally acceptable. Business education should therefore emphasize the concept of corporate governance in their programs and develop their graduates into socially and ethically responsible managers.

So when the answer is yes, it is necessary to determine what the true role of business schools should be in imparting ethics education. The role of business schools need to be more closely examined as it is important to make clear whether business ethics can be taught. However, agreement about business ethics teaching role is not an easy task. For some, teaching ethics means instructing students not to break the law or to abide by some professional or legal codes; for others, it means an attempt to improve students' moral characters or to instill certain virtues; for still others, it means imparting student special skills in the handling of ethical argumentation (Callahan, 1980). The role of business schools include the fostering of awareness of the ethical components of managerial decision making, the legitimization of ethical components as an integral part of managerial decision making, the provision of conceptual frameworks for analyzing the ethical components and to help individuals become confident in their use, and the helping of students to apply ethical analysis to everyday business activities. Wynd and Mager (1989) suggest that the goal of business ethics education is to make students aware of the ethical and social dimensions of business decision making, such that these dimensions may become components in their decision making process in the future. Felton and Sims (2005) suggest that the goals of teaching business ethics can be divided into three categories: focus on developing students' theoretical knowledge base, focus on analyzing issues facing managers in business situations, and an equal focus on theory and practice. Haugen (2005) indicates that the goal of business ethics courses is to teach students how to apply personal morality to real life business scenarios. Business schools have a moral obligation to contribute to the ethical development of students as in the complexity of today's business environment, students still need additional guidance for making ethical decisions, which can help them to recognize the ethical dilemmas that are likely to arise in their jobs, as well as the rules, laws, and norms that apply in the business context. They can learn reasoning strategies that can be used to arrive at a better ethical decision, and can grasp an understanding of the complexities of organizational life that may conflict with one's desire to do the right thing. A body of evidence has revealed the positive impact of business ethics education on students' ethical awareness and ethical reasoning. Therefore the role of business schools should include introducing students to ethical codes and reasoning theories, demonstrating to students how to bring ethical principles and reasoning to bear on ethical problems, helping students to recognize ethical issues in business situations, and fostering students the ability to develop plans or strategies for implementing solutions to business ethical problem

Conclusion:

The emerging global business environment has undergone unprecedented changes and raised challenges for existing business models to accommodate these changes. While globalization has been a boon in business operations, it has also made corporations vulnerable to greater risk, abuse and fraud on a global scale. This emerging scenario has given birth to the serious issue of the inadequacies of governance and demands for new reforms, bringing new models of operation and re-evaluation of systems. Scandals in Enron, WorldCom, Tyco, Adelphia, Satyam Computers and the latest Punjab national bank scam are adequate evidence of this rising phenomenon, which has raised the importance of concepts like, corporate governance, corporate

responsibility, corporate citizenship and social responsibility. The unavoidable fact is that some business games are good and some are bad. The right kind of competition, for example, can allow everyone to come out ahead, while the wrong kind can be destructive. When one plays the wrong game, then indeed “something is wrong with business.” How does one know which game to play? There is a field that deals with this issue, and it is called ethics.

The increasing need for corporate governance in business sector has actually triggered out minds of business schools' deans to get academia involved in the practices of this recommended model. Business institutions have to play their role more actively by nurturing the codes of good governance in the minds of business graduates resulting in turning them from pre-conventional and Conventional phases to a post-conventional stage in moral development and enabling them to respect the rights of other stakeholders. Therefore, business schools are one of the best places to encourage this type of value development culture. The idea that ethics has no intellectual content is odd indeed, considering that some of the most famous intellectuals in world history have given it a central place in their thought (Confucius, Plato, Aristotle, Maimonides, Thomas Aquinas, etc.). Ethics is in fact a highly developed field that demands close reasoning. The Western tradition in particular has given rise to sophisticated deontological, teleological and consequentialist theories of right and wrong. No one theory explains everything satisfactorily, but the same is true, after all, in the natural sciences. Even when they grant that ethics has intellectual content, people often say that studying the field will not change behavior. Character is formed in early childhood, not during a professor's lecture. If the suggestion here is that college-level study does not change behavior, we should shut down the entire business school, not only the ethics course. Presumably the claim, then, is that studying finance and marketing can influence one's conduct, but studying ethics cannot. This is again a curious view, since ethics is the one field that deals explicitly with conduct. Where is the evidence for this view? The early origins of character do not prevent finance and marketing courses from influencing behavior. Why cannot ethics courses also have an effect? Ethics courses have a number of features that seem likely to influence behavior. They provide a language and conceptual framework with which one can talk and think about ethical issues. Their emphasis on case studies helps to make one aware of the potential consequences of one's actions. They present ethical theories that help define what a valid ethical argument looks like. They teach one to make distinctions and avoid fallacies that are so common when people make decisions. They give one an opportunity to think through, at one's leisure, complex ethical issues that are likely to arise later, when there is no time to think. They introduce one to such specialized areas as product liability, employment, intellectual property, environmental protection, and cross-cultural management. They give one practice at articulating an ethical position, which can help resist pressure to compromise. None of this convinces one to be good, but it is useful to those who want to be good. It may also improve business conduct in general. How many of the recent business scandals would have occurred if subordinates had possessed the skills, vocabulary and conceptual equipment to raise an ethical issue with their coworkers? Ethics not only should be studied alongside management, but the two fields are closely related. Business management is all about making the right decisions. Ethics is all about making the right decisions. So what is the difference between the two? Management is concerned with how decisions affect the *company*, while ethics is concerned about how decisions affect *everything*. Management operates in the specialized context of the firm, while ethics operates in the general context of the world. Management is therefore part of ethics. A business manager cannot make the right decisions without understanding management in particular as well as ethics in general. Business ethics is management carried out in the real world. This is why business managers should study ethics. It is in this context that the paper aims to address the role of business schools in developing future value managers. It assumes that business schools as supplier of business managers can produce well-trained and ethically responsible managers, who can act as change agents and ensure best practices of corporate governance in their organizations. It is absolutely achievable that business schools can teach ethics and educate future managers in a manner that produces global citizens who understand that the choices they make day in and day out can and will impact the people and communities in which they operate.

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