ETHICAL LEADERSHIP FOR IMPROVED CORPORATE GOVERNANCE AND BETTER BUSINESS EDUCATION

By

Gene R. Laczniak
The Wayne R. and Kathleen E. Sanders
Professor of Marketing
Marquette University

and

Patrick E. Murphy
Professor and C.R. Smith Director,
Institute for Ethical Business Worldwide
University of Notre Dame

(November 2003)

- Draft -(not for quotation)

to be published in: New Challenges for Business Schools and Corporate Leaders
(B. Peterson and O.C. Ferrell, eds.), (New York: M. E. Sharpe, 2004).

ETHICAL LEADERSHIP FOR IMPROVED CORPORATE GOVERNANCE AND BETTER BUSINESS EDUCATION

Beginning with the unraveling of Enron's financial position in October of 2001, the U.S. marketplace has been stained by a rash of sustained ethical scandals that continue to unfold. The collective fallout from the questionable business behavior that has occurred is enormous. Five companies alone, Enron, WorldCom, Tyco, Qwest, and Global Crossing have accounted for the loss of approximately one-half trillion dollars in shareholder worth through their aggregate misdeeds (Horovitz, 2002). Between 1997 and 2002, the frequency of earnings restatements has dramatically accelerated (approximately one in ten Fortune 1000 companies restated), resulting in well over $200 billion write-downs (Business Week/Special Report, 2002). Not included among these damages is the pain (both financial and psychological) caused to employees, customers, suppliers, and host communities. In the wake of such incidents, some common queries have been sounded:

- What do these events signify about contemporary business practice?
- What actions can prevent such seemingly widespread business scandal?
- What do business leaders need to do to imbue the system with greater integrity?

The purpose of the remarks that follow is to stimulate a dialogue about the changes that ought to be considered to strengthen corporate governance and business education in light of the damaging revelations about questionable business conduct. From a broader perspective, such discussions seem always to remain relevant. No one has a monopoly on the truth about integrity or even the best solutions for improving ethical corporate

behavior. But there are factors to be considered that have been identified in the business ethics literature and elsewhere that may be helpful. That information and insight can be used to begin a conversation within the business community (including the voice of business educators) about what needs to happen to improve the climate for ethical decision-making in U.S. corporations.

The analysis is presented in four parts: first, some propositions about the character of the recent business scandals are postulated. Second, several possible antecedent causes of the ethics meltdown are identified and discussed. Third, observations about the role of business school education in contributing to the "ethics crisis" are offered along with possibilities about what might be done to enhance ethics education in business students. Fourth, additional corporate adjustments and reforms worth exploring, and perhaps implementing, are suggested.

Some Propositions About the Business Ethics Scandals

Thousands of media reports, newspaper and magazine articles, and editorials have appeared about the unfortunate events that have scorched the U.S. business landscape. Despite all that has been written, there are several points that need to be more resolutely voiced. Keeping these in mind may help business better understand future epidemics of ethical failure; they will not cure them.

First, many of the recent scandals are less about ethical misjudgments and more about patent illegalities and corporate corruption. In the ideal, ethical standards are meant to guide managers who face tough decisions involving moral questions not answered by the minimum expectations of blackletter law. There is a difference between ethical

shortcomings in organizations and outright criminality, although the two are related. In particular, a weak ethical climate will allow criminal behaviors to flourish unchecked. But certainly, many of the best publicized business abuses were blatantly illegal. To characterize these events as merely ethical shortcomings obscures their ugliness. For example, the Enron partnerships that were created to offload debt and inflate profits were clearly intended to mislead the markets regarding the material, financial facts concerning Enron (Byrne, 2003). This behavior constituted a direct and felonious violation of standing SEC regulations.

Former Chief Executive L. Dennis Kozlowski of Tyco International apparently looted at least $170 million dollars of company money, and perhaps as much as $600 million, via fraudulent security sales and other unsanctioned actions in order to purchase multiple mansions, buy artwork, and even throw a multimillion-dollar birthday party for his wife in Sardinia, Italy (Maremont and Cohen, 2002). He is being prosecuted using existing gangster racketeering legislation (McCoy and Strauss, 2002). Adelphia Communications founder John Rigas along with his two sons, also officers of that corporation, are charged with defrauding cable TV investors out of billions of dollars in company funds in order to purchase condominiums, personal stock, and even a golf course. This was basic embezzlement.

In short, these are all gross illegalities, not merely thorny ethical miscalculations (Stoller, 2002). New business regulations are <u>not</u> needed to litigate such alleged misdeeds. Most of the dubious actions taken by those under investigation were clearly understood by business practitioners to be wrong. More elaborate or more visible codes of conduct would likely not have prevented the worst of these abuses, although a more ethical

business climate may have somewhat impeded the lawlessness by getting people to speak up sooner.

Second, given an economic system that is lubricated by harnessing the self-interest of individuals, a certain threshold of unseemly business behavior should be expected. A review of business history unfortunately suggests that there regularly have been other periods of enormous business scandal (Rosenstein, 2002; Clinard and Yeager, 1980). Clusters of ethical failings capture the attention of the broader community and precipitate actions. For example, the primal industrial development of the 1890s was scarred by monopoly, price fixing, and worker exploitation. Those who study economic history know the term "robber barons" has its roots in a series of ruthless, heavy handed profit taking often at the expense of employees, investors, and other competitors. However, near the end and turn of the 20th Century, substantial adjustments in the economic system were made through regulatory controls in the manner of labor protections and anti-trust reforms such as the Sherman Act and FTC Act. The Roaring '20s also were an extended period of intensive financial investment that stimulated significant economic development and eventually unbridled financial speculation. These events culminated in the Great Depression and subsequent business regulation, such as Robinson-Patman and the Securities Exchange Commission, that better monitored competitive practices and established additional protections for workers, investors and consumers. Then, the much praised post WWII economic expansion, sometimes called the "nifty fifties", also produced as its byproduct social negatives in the form of various product safety scandals as well as measurable damage to the physical environment. Regulatory additions to

buffer these and other damaging externalities, such as the Environmental Protection Act and the Consumer Product Safety Act, eventually were promulgated.

Now, the decade long "technology boom" of the 1990s seems destined to be capped by the reform of accounting practices and corporate financial reporting. An initial step is the Sarbanes-Oxley Act of 2002. A poignant question is: does Sarbanes-Oxley mostly treat symptoms rather than the root cause of the impropriety of business organizations? The balance of our remarks weigh in on this question in a fashion. But it does seem clear that since a small percentage of business executives will consider the law as the maximum of their moral obligation, future regulation will have to continue to evolve along with changing business practice.

Third, ethical and legal transgressions by business seem to markedly increase in times of extended economic prosperity. There are several discernable reasons why this occurs. For one thing, when financial "success" is prolonged and widespread, there is mounting pressure on executive leadership to maintain positive momentum and to keep up with their [apparently] successful competitors, even business and economic cycles inevitably turn downward. This disposition to extend and replicate economic success at all costs creates a temptation effect that often overrides beneficial corporate value systems. No top executive wishes to preside over a period of dramatic downturn, even if due to relatively uncontrollable systemic cycles, particularly after a time of prolonged growth and profitability. In their urgency to replicate past financial success, expediency often trumps the good ethical judgment of top managers. Relatedly, when times are economically and financially prosperous, there is a tendency for those monitoring the system to become less circumspect. Call this the opportunity effect as regulators,

corporate auditors and boards often doze off in the watchtower. Sated by success, the regulatory system (both internal and external) becomes sleepy, much like a diner after a sumptuous meal. And, periods of ongoing economic rewards seem to breed unwarranted vanity as well as a sense of entitlement in top management. Because of experienced past success, executives predict and expect future success, and therefore, an overconfident management is willing to take greater risks and possibly unethical actions in order to attain revenue growth, profit, and continued personal recognition for their leadership. Label this the risk-reward effect.

According to various behavioral models of ethical decision making (Ferrell and Gresham, 1985; Hunt and Vitell, 1986), and the formulators mostly have it right, unethical behavior can be seen as a function of: a) a manager's propensity to act unethically (i.e., their managerial value system); b) the opportunity to engage in unethical behavior; and, c) the expectation of unethically securing reward without the proportionate risk of caught. Simply put, each factor in this ethical behavior dynamic is pushed in the "wrong" direction by sustained economic and organizational prosperity. In other words, the pressure on management to continue success at all cost often erodes personal and corporate values. Then as the economic and business expansion crests, there is a reluctance to leave residual "money on the table" even if short cuts are required to achieve announced financial targets. Plus, the built-in checks and balances of the system, for the reasons mentioned, become lax thereby creating seductive possibilities. The upshot of all of this is that the time to be most watchful for business mischief is when "the good times roll." Another lesson to keep in mind is that while it may be difficult to shift managerial value systems, much can be done organizationally and through public

policy to reduce the opportunity for ethical transgression and to increase the risk of punishment for business wrong doers.

Fourth, this last set of U.S. business scandals is also decidedly different from what has gone on in the past few decades. The business community is questioning the integrity of the system itself. As a point of comparison, many past legal and ethical transgressions have mostly increased the public skepticism of business. For example, in the 1990s, Firestone's failure to recall faulty tires on a more timely basis, or AstraZeneca's [the European pharmaceutical] reluctance to address repeated complaints about employee sexual harassment at U.S. facilities, both constituted scandals of significant scope and obvious ethical collapse (Jennings, 2000). As such events were widely publicized, the public seemed to be outraged and the media reflected this temperament. Nevertheless, the typical reaction of the business community to such scandals was that the dubious behavior, while regrettable, was not generalizable beyond one company or at most one industry. In other words, despite public disgust, the confidence in the business system by its architects (i.e., the business community) remained high. But, the current situation has caused an extraordinary erosion of trust among many members of the business community itself (Wessel, 2002). Why is this so? Because the present scandal has undermined the very credibility of our financial system. These collective misdeeds have had a disturbing impact upon financial and corporate veracity, the implications of which are far reaching and strike to the core of the U.S. economic system.

Within the spate of recent business scandals, we find a welter of troubling financial deception and business miscues:

- Exaggerated profits are made possible by overbooked revenue and off-ledger expenses, all of it certified by reputable public accountants such as Arthur Andersen LLP (Jones and Krantz, 2002).
- Stock analysts from major brokerage houses, such as Smith-Barney and Merrill-Lynch, betray small investors with inflated stock recommendations in order to curry investment banking business as well as to "ladder" the near-term prices for their company sponsored IPO's (Balzar, 2002; Backover, 2002).
- Executive stock options and deferred compensation is handed over to top management without being counted against expenses, further undermining the likelihood of companies meeting projected financial targets (Morgenson, 2002).
- Boards of Directors, asleep at the switch, rubber stamp management initiatives with minimal inquiry. For example, the Enron board twice waived its code of ethics, which explicitly prohibited officer involvement in outside partnerships. These waivers were granted without discussion and without debate (Byrne, 2002). Also, the Board of Directors of the New York Stock Exchange (including the compensation committee) claimed they had no idea that former Chairman Richard Grasso's salary and retirement benefits were so lavish (Thomas and Norris, 2003).
- Board committees continue signing away shareholder wealth to chief executives based on a shell game of "benched mark compensation" supposedly necessary for the motivation and retention of top executive talent (Ferrell, 2002). In 2002, according to the Corporate Library, as the typical S&P 500 stock fell by 24%, the compensation of CEOs increased 11% on the average (May, 2003).

Together, these and related practices have made the larger business community wonder if they can believe the information being disseminated from corporations—the very organizations that they might invest in, partner with, or work for in some capacity. The net result is a crisis of confidence in the integrity of the business system itself. Consider some quotations about the recent business scandals:

- **"There has been a massive failure in corporate governance."**

  -William W. George, Retired Chairman and CEO, Medtronic, Inc. (Wall Street Journal, February 24, 2003, R1).

- **"In their greed and their gluttony, these crooks sacrificed the retirement years of teachers, truck drivers, nurses, and farmers to enrich themselves."**

  -Paul O'Neill, former U.S. Treasury Secretary and former CEO of Alcoa (Milwaukee-Journal Sentinel, July 11, 2002, 3D).

- **"In my lifetime, American business has never been under such scrutiny. To blunt, much of it is deserved."**

  -Henry M. Paulson, Jr., CEO, Goldman Sachs (New York Times, June 6, 2002).

- **"In the mist of great prosperity and the bloom of the 1990s, there has been a [clear] erosion of professional, managerial, and ethical standards and safeguards."**

  -Paul Volcker, Former Chair, Federal Reserve Bank (Chicago Tribune, February 15, 2002, 4A).

- **"An infectious greed seems to grip much of our business community."**

  -Alan Greenspan, Chair, Federal Reserve Board (South Bend Tribune, August 15, 2002, C2).

These are not left-wing crackpots, socialist university professors, or third world anti-globalists seeking to derail capitalism. These quotations are from respected captains of the American economic system. They are shocked, saddened, and growingly disturbed about the practices and veracity of the business and financial system.

What Major Factors Contributed to the Ethics Meltdown?

One is certainly left with the question of what factors created the environment that encouraged so much questionable behavior by high-level executives. Only in knowing the likely causes can society prescribe effective cures. Clearly, one element was the "irrational exuberance" of sustained economic prosperity, as Federal Reserve Chairman Alan Greenspan memorably characterized it. For reasons unpacked earlier, the late 1990s environment of sustained and rapid growth created both the opportunity and the motivation for some executives to more easily engage in unethical actions so as to maintain profit streams.

A second major factor helping generate the scandals were the increasing acceptance of aggressive accounting practices and the associated willingness of CFOs and auditors to push the envelope of what constitutes appropriate financial disclosure (Nussbaum, 2002). Accountants, especially internal and external auditors, are the guardians of the financial system, and small investors have always been their fiduciary wards. What transpired is now clear. Many auditing teams became too cozy with their clients on whom the auditing firms depended for additional consulting revenue (Business Week/Special Report, 2002). In the self-regulated environment of the accounting industry, GAPP definitions were stretched to the limit and FASB loopholes were exploited to create a misleading picture for the investors of too many corporations (Business Week/Special

Report, 2002). Corporate legal counsel at many of these organizations also aligned with accounting to support the aggressive interpretation of reporting rules. Sarbanes-Oxley addresses only some of the problem. For the most part, the public accounting sector has remained relatively unrepentant. As recently as mid-2002, the Chairman of Big Four accounting house Ernst & Young opined that recommended restrictions on consulting income of auditors from their clients and the mandatory rotation of auditors would damage the quality of auditing services and repel qualified students away from accounting careers (Turley, 2002). Former head of the American Institute of Certified Public Accountants (AICPA), Robert Elliott has called Sarbanes-Oxley regulations over financial reporting akin to "the criminalization of risk taking, which is the criminalization of capitalism." (Schroeder, 2003).

Some in the business community felt that Arthur Andersen LLP was driven out of business by overzealous federal government prosecutors looking for a scapegoat. TV journalist Lou Dobbs used substantial portions of his nightly Moneyline TV show on CNN in 2002 to portray Arthur Andersen as the hapless victim of a federal government witch hunt. Yes, it seems true that the shredding of Enron audit materials was limited to Arthur Andersen offices in Houston, Texas and only linked back to the oversight field office in Chicago (Byrne, 2002). But, here was an organization (i.e., Arthur Andersen LLP) whose honesty and auditing objectivity had been persistently and deeply questioned in various governmental investigations nationally and internationally due to Andersen's dubious certification of financial malfeasance at Sunbeam, Waste Management, Arizona Baptist Foundation, Global Crossing, HIH (Australia), and WorldCom (Toffler, 2003). Mr. Joe Berardino, the Arthur Andersen CEO, seemed to badly fail the leadership test.

Instead of declaring a crisis in the "culture of honesty" cherished by the firm's founder, Andersen instead, when faced with repeated audit failures, adopted a "deny, deny, then settle without admitting guilt" mentality (USA Today, 2002). Ironically, Berardino, who presided over this supreme integrity meltdown at Arthur Andersen is now on the business ethics lecture circuit, opining about how organizations can address and manage corporate scandals (Gores, 2002).

The third cause contributing to the scandals, and this may be the biggest culprit, is the emergence of the CEO as "rock star". Probably, we should have known trouble was ahead when celebrity CEOs like Martha Stewart, L.Dennis Kozlowski, Jack Welsh, and Ken Lay began appearing on mainstream magazine covers, TV talk shows, and the cocktail circuit of Washington D.C. and New York City. CEO salaries, as well as their power over boards of directors, had become unhealthy (Weintraub and Grover, 2002). In too many questionable incidents of business behavior, CEO controlled boards of directors remained passive and unquestioning about what should have been perceived as dubious schemes (Strauss, 2002). Exorbitant CEO compensation along with growing directors' fees seemed contributory to the problem (Fabrickant, 2002).

Let's briefly look at CEO compensation. In drawing some comparisons, the figures used are "conservative" as compared to numbers reported in other published sources (Knight, 2002). With regard to chief executive pay, as a point of contrast, in Europe, the ratio of the top executive salary to the average rank and file worker is about 40 to 1. So, if a typical worker position is remunerated at $20,000 or 20,000 euros (assuming a one-for-one par value), the managing director (or CEO) of the organization would receive a salary of about $800,000. (Not bad, this would put the manager in the top one percent of

all U.S. salaries). However, in the U.S. among the top 500 or so corporations, the ratio of top executive salary to the average entry-level position is over 400 to 1 (USA Today, 2002). Thus, if the average worker salary is about $20,000, then the salary [including annual deferred monies and stock options but not benefits] for the typical top U.S. executive would be $8 million per annum. In the past 20 years, CEO compensation in the U.S. has grown from about 40 times that of the average worker to over 400 times greater (USA Today, 2002). One source reports that the salary plus benefits of the average U.S. worker remained static at $39,000 per annum from 1980 to 2000 while average chief executive total compensation increased from $3.9 million to $37 million for large company CEOs (Nielson and Leigh, 2003). Are such high levels of recompense necessary to motivate CEOs to discharge their occupational responsibilities? Are board compensation committees credible when they imply that qualified top executives cannot be hired and retained for a mere $3 million or so per year? It is notable that when Daimler-Benz took over Chrysler Corporation, German managers were shocked to find out that the comparable salaries at Chrysler for their executive counterparts were frequently 10 times what was being paid by the German company. In the late 1990s, because a large proportion of CEO and other top executive bonuses were linked to short-run share price, too many chief executives took actions that were not in the best long-run interests of the organization in order to lock-in their high salaries. A few, their egos inflated by personal success, crossed the line and treated their companies like personal piggy banks (McCoy and Strauss, 2002).

Do Business Schools Fuel the Breakdown of Ethical Decision Making?

The answer is regrettably "yes". It is fact that many of the key participants in the recent scandals are business school educated. For example, Jeff Skilling, the Enron CEO, is a Harvard MBA. Andrew Fastow, the CFO of Enron, is a Northwestern MBA (Alsop, 2003), Ken Lay, the one time Enron Chairman, holds a business degree from Oklahoma State University. The belief of some is that business schools instill in our future managers the wrong values <u>or</u> ignore issues critical to developing integrity in the next generation of corporate leaders (Koehn, 2003). This viewpoint is gaining momentum. Jeff Garten, Dean of the Yale School of Management, suggests that business school education requires careful re-examination (Garten, 2002). He contends that broad social dimensions of business operations such as environmental protection, globalization, public policy, and management integrity need far better coverage and integration into existing b-school curricula. Garten thinks that business school education effectively addresses the factors required for success at the firm level, but does not deal with the questions of what society requires of its business leaders (Garten, 2002).

The evidence supporting such opinions is attention getting. For example, a 2002 Aspen Institute survey of 2,200 MBA students at 13 major business schools (9 in the U.S., including Wharton, Darden, Berkeley, and Columbia) seems to suggest that financial imperatives become more important to students over the course of their MBA education (Mangen, 2002). When the respondents started business school, they thought the top company priorities should be <u>customer</u> <u>satisfaction</u> and <u>product</u> <u>quality</u>. Certainly, such priorities should be at the heart of any successful business enterprise and the general public would be approving. By the time the students finished their MBA education, they

understood the top company concern to be shareholder value. In other words, their dispositions had demonstrably shifted toward financial preoccupation. Furthermore, the MBA respondents in this study indicated that if they were ethically conflicted due to disagreements they might have with extant corporate values and policies, they would leave the organization rather than fight for change (Mangen, 2002). One wonders if such managerial capitulation is the sort of business leadership that an MBA education ought to instill.

It is true that AACSB International, a prominent accreditation body of business schools worldwide, requires that ethics and corporate social responsibility be a part of the business curriculum in order for a program to be certified for accreditation. The AACSB has strongly encouraged a re-examination of ethics education by business schools (Mangen, 2003). In the wake of the ethics scandals, President George W. Bush, himself a Harvard MBA, noted that [business schools should] "be principled teachers of right and wrong and not surrender to moral confusion and relativism." (Alsop, 2003). However, AACSB International does not specify the way in which ethics information should be delivered as part of MBA training. For example, it could be through a required course perhaps entitled, "Business Ethics and Social Responsibility" or by having relevant ethics information integrated throughout various business course offerings. There are major downsides (as well as advantages) to both approaches (Marketing News, 2002).

The "defined class" approach is easier to implement and makes clear to all that some ethics education is being covered. However, the risk here is that the specified class becomes and "ethics ghetto", i.e., a "do-gooder" course that is viewed by many students as a hurdle necessary to secure the business degree, especially if it involves the only

ethics training in the curriculum. The second, and more internalized, approach of having some ethics discussion in all classes, is potentially more effective because it allows for integrated, class-specific applications. However, this strategy risks being undermined by professorial neglect. Substantive common body of knowledge requirements in basic classes (due to the importance of covering essential disciplinary material) will regularly displace ethics and values discussions. Furthermore, many faculty feel untrained and/or uncomfortable condemning strategic behavior that is not legally prohibited. Or, they believe that they ought not advocate the moral superiority of taking actions that are not required by law. Put another way, they may see staking out values/ethical positions in the classroom as proselytizing an arbitrary standard. Ironically, the strongest values-based training to be found in business schools is often provided at institutions that some might view as the most doctrinaire, that is, religious-based institutions such as BYU, Pepperdine, Texas Christian and various Catholic colleges, including Marquette and Notre Dame, where strong normative philosophical views, often grounded in religious tradition, are unapologetically sounded. However, the fact that the injection of some ethics training is somehow required for accreditation of business schools may push the "b-school and ethics" debate more to *how* ethics education might be best delivered rather than *what* needs to be better addressed.

The root problem of decaying business ethics could well lie in what business schools are currently teaching. Recently, some of the sharpest criticisms of b-school training have come from within the Academy. For example, Sumantra Ghoshal, a professor of Business Strategy at the London Business School, suggests that the sort of competitive

strategy frameworks taught as part of the MBA curriculum might impart values that are in opposition to good business ethics (Ghoshal, 2003). Specifically:

- Agency Theory reinforces the idea that managers are primarily economic agents of their employing organization. According to this view, the overriding goal of management should be to maximize shareholder value. In order to better align management with investors, top management should be granted substantial stock options so that they also become significant shareholders. But such investiture has become quite problematic and actually may be counter to stockholder interests. A recent analysis of 584 firms found that companies with high levels of CEO compensation in the form of options, are significantly more likely to have accounting restatements (Harris and Bromiley, 2003). And a study of 1,500 large U.S. companies over a ten year period, conducted by two Rutgers University faculty, concludes that firms dispensing larger than average option grants to their top five executives, delivers lower than average total returns to their shareholders (Morgenson, 2002).
- Transaction cost-analysis underscores the view that one of the primary roles of management is to rigidly control process and thereby tightly monitor employees in order to reduce costs and ensure they stay on task. Arguably, such a philosophy fosters management/employee antipathy.
- Competitive strategy theory (ala Michael Porter) implies that competitive advantage derives from creating points of leverage (via quasi-monopolies) in order to extract maximum gain from suppliers, customers, and regulators and, of

course, to competition. These perspectives surely mitigate stakeholder voice over business actions.

The influence of such thinking in b-school classrooms is so strong that some argue that contemporary U.S. corporations have evolved a form of capitalism that elevates the priorities of big investors and suppresses the claim of other stakeholders even when compared with business practice just twenty or so years ago (Nielsen and Leigh, 2003). Back then, CEO salaries were tiny compared with current pay packages; most executives were not as single minded about ROI and actually tried to forge long term partnerships with employees and suppliers; workers had a better safety net of benefits and actually imagined working for one organization for their entire career (Krugman, 2003). Ron Duska, a professor of ethics at the American College, contends that today's MBA students have been "Whartonized", and by that he means corrupted by bad ethics. He believes far too many MBAs hold a hierarchy of values that elevates firm growth and profitability as supreme above all other possible company goals; performance is judged exclusively by the utilitarianism of financial indicators (Duska, 2003).

It may even be that the time-tested "case method" so dear to many MBA programs may be partially to blame (Harris, 2003). Future managers are taught to be "can do" decision makers who are responsible for achieving specific financial targets. The case approach conditions managers to rapidly isolate the issue at the root of a problem, generate quick solutions or fast fixes, always with an eye toward the maintenance or improvement of profitability. The protocol is short-run and bottom line driven. The end result could be an implicit ethical assumption reinforced in many decision making models central to MBA programs.

This unspoken ethic of MBA education might best be described as a form of restricted economic utilitarianism. Basically, in the absence of other articulated values, MBAs gravitate to using cost-benefit analysis with *utility* measured in dollars, (mostly calculated in short-run since the long-term usually cannot be reliably estimated) and, with large shareholders being the primary stakeholder group whose "good" is being evaluated and maximized. The MBA philosophy is often operationalized by managers who accept that business is a game being played on behalf of big investors. Those who oversee companies with below average profits in their industry sector are "losers". At the end of the day, what matters most is the bottom line. Consistent with utilitarian thinking, the means to achieve that end can include anything legal and often illegal tactics as well if they cannot be easily detected. Personal ethical values are perceived as limited to one's home life and are too regularly "checked at the door" when the executive enters the workplace. Professor Amatai Etzioni, the eminent George Washington University sociologist, who taught business ethics at the Harvard Business School in the 1980s, has become so disgusted by the profit-mania of b-schools that he feels the U.S. Congress should haul business school deans before it in a hearing to explain to the American public what they have been doing and what they plan to do differently in order to improve the ethics sensitivity of future business managers (Etzioni, 2002).

What should be done? A number of positive recommendations for enhancing business ethics education have been put forward over the years. It probably should fall to a national commission composed of recognized business leaders and seasoned business educators to evaluate the helpfulness of these various possibilities (Garten, 2002).

However, in an effort to build the agenda, the following are among the steps that deserve discussion and possible consideration:

- Applicants to business schools should have their credentials checked. No convicted felons need apply. Those who materially misrepresent their background on submitted resumes should also be excluded from matriculation (Merritt, 2003).
- Ethics should be integrated into functional business school classes such as marketing, finance, and operations. This integrated approach of having some ethics discussions in all classes is potentially quite effective because it allows for cross-curricular and subject specific application of ethics to the tools and theories being discussed (Samuelson, 2002).
- More business case studies that raise ethical issues should be incorporated into the curriculum (Mangen, 2003).
- MBA education should include a class or module on ethical theory so that students understand the basic ethical philosophies that might be operating in a particular situation (Koehn, 2003). At minimum, MBAs should be sufficiently morally literate to comprehend that *economic utilitarianism* underlies many business decision models embraced by the business community.
- Professional/ethical norms (i.e., codes of conduct) for each sub-discipline of business (e.g., finance, marketing, statistics, human resources) should be delivered by academic departments to their majors. For example, advertising/PR majors should be conversant with the codes of ethics of the American Association of Advertising Agencies.

- As part of the training and development of future business leaders, values (i.e., meaning morals) assertiveness should be taught so that future managers are willing to the challenge wrongful behavior they witness in their organizations rather than quit their jobs (Samuelson, 2002).
- MBA graduates should take an "ethics oath" upon graduation similar to the hypocratic oath taken by MDs. This approach is seriously being discussed for MBA graduates of the Institute de Empresa in Madrid. The precise form of this oath needs to be crafted, but it should affirm the ideal that managers are not only economic agents of their organization but caretakers of the economic resources of society (Alsop, 2003).
- Corporate recruiters should be encouraged to test and interview for ethical sensitivity on the part of the students they hire (Garten, 2002). If firms like Solomon Brothers and Goldman Sachs included an ethics test within their interviewing process, the study of morals would be in such demand by MBAs that its status would be sacramental.
- Business students should be taught to measure and appreciate business success in a manner more broadly than with only financial metrics (Etzioni, 2002). The balanced scorecard approach to assessing organizational performance as well as the social audit would be useful tools in this vein (see, Paine 2003).
- Corporations should support the establishment of ethics professorships in business schools (Merritt, 2003).
- Business professors should avoid defining social responsibility as mostly consisting of philanthropy and volunteerism (Samuelson, 2002).

- Business faculty should refrain from celebrating the hardball or cowboy culture of business strategy (Samuelson, 2002). Despite the popular metaphors, business is not like war. Its purpose is not to annihilate the competitor but rather to serve the consumer and in doing so, to serve the economic needs of a broader society.

Failing the willingness to embrace and implement ideas such as those mentioned above, business schools will be left with the status quo and will remain part of the ethics problem. Richard Ellsworth, a professor of Management at the Claremont Graduate University, characterizes the current situation as follows: "The idea that the most important goal is to maximize shareholder wealth has permeated the entire curriculum of many business schools; that notion establishes a foundation that builds upon greed. It can prompt people to put their own financial interests ahead of the general good." (Mangen, 2003).

Changes Necessary for Better Business Ethics and Corporate Governance

The passage of Sarbanes-Oxley (2002) has outlawed some misleading financial practices as well as codified public expectations about the transparency of financial instruments and the behavior of top managers with regard to financial reporting. For instance, the requirement that CEOs and CFOs certify their financial reports for accuracy, that executive bonuses must be returned if company earnings are restated, that companies must disclose any board waivers to company codes of ethics, will help restore some public confidence in the veracity of business operations [A more complete listing of some of the key provisions and weaknesses of Sarbanes-Oxley 2002 are included in Exhibits 1 and 2]. Also, the accelerated prosecution of executives who likely engaged in financial

improprieties sends a jarring, attention-getting message to the business community. Since July 2002, the U.S. Justice Department has initiated 320 investigations against over 500 persons, most of them high ranking executives (Byrnes, 2003). Since proving financial fraud and/or obstruction of justice is very complex, many of these investigations/prosecutions are still ongoing. Nevertheless, the possibility of criminal conviction and jail time for CFOs and CEOs should help suppress some of the more blatant cases of financial fraud and business malfeasance.

But we are likely to continue to see periodic waves of business ethics scandals in the future. For one thing, the regulation of morality by law has never been the most efficient or effective solution for handling business wrongdoing (Pinkerton, 2003). Stronger locks may guard the vaults of corporations, but if the executive ranks are populated by a disproportionate number of crooks, ways to game the system will be found (Fass, 2003). Attempts to oversee business behavior with new regulations has been labeled as compliance based corporate social responsibility (CSR). Compliance is driven by external expectations and reporting pressures; it breeds a legalistic and "checkbox" mentality among business organizations (Tomorrow's Company, 2003). Enron, for example, was perceived to have an outstanding corporate compliance process. Other corporations that have been involved with infamous ethical controversies over the years such as Philip Morris (now called Altria Corp.) and Dow Chemical, are also known for their efficient, compliance mentality. Of more long term value to society is a conviction based philosophy of corporate social responsibility (CSR). Conviction CSR is inspired by a company's vision and the ethical and professional values inherent in its corporate culture (Tomorrow's Company, 2003). It is both more flexible and more easily

internalized by the organization than a legalistic type of compliance. But for conviction CSR to be effective, a modified vision of business purpose must be accepted. Conviction driven CSR implies fundamental changes in corporate governance and executive development and seems to be what is required to meaningfully improve business ethics. Such radical adjustments are not likely to be warmly embraced by most corporations. And, without a major change in business perspective, significant evolution in the ethical climate of business will probably not occur. Consider some of the dynamics necessary to make major and lasting improvement in the enhancement of business ethics. These recommendations for better business behavior are consistent with conviction based CSR.

1.) **The business and financial system must place significantly less weight on corporations "hitting the numbers" on a quarterly and perhaps even on an annual basis.** Case studies of ethical violations by business executives suggest that a short-run orientation often impels ethical abuse (Paine, 1997). When executive bonuses and stock options are linked to hitting short-term financial targets, is it any wonder that corporate integrity is sometimes sacrificed to reach personally lucrative goals? The prevailing short horizon obsession of managers and financial analysts must give way for a preference for long-run strategic achievement and an orderly progression toward the attainment of company objectives specified in its long range plan (George, 2003). Dispensing with the quarterly mentality of American business is not a new idea. For example, in the early 1980s, and partly as a response to the growing in-roads of Japanese companies, a Harvard professor and a McKinsey consultant co-authored an article

in the Harvard Business Review titled, "Managing Our Way to Economic Decline" (Hayes and Abernathy, 1980). They eloquently made the argument for adopting a broader, long-term perspective. These authors lamented the predominant focus on short-term financials to the exclusion of long-term investments in meaningful, innovative new products and services. Jim Collins and Jerry Porras' Built to Last (1994), a business bestseller, was another well known book often stressing a similar message. There is some hope that the "winds of change" may be arriving as Coca Cola Corp. announced in 2003 that it will no longer provide quarterly earnings estimates to financial analysts. But the logic of the long-run approach has since been mostly forgotten by the financial community.

2.) **Organizational success must be measured in a more balanced fashion.** Executives should be rewarded and promoted for things in addition to financial performance (Covey, 2002). These "success metrics" might include avoiding lawsuits, receiving environmental protection awards, registering high rates of customer satisfaction, achieving high product reliability and durability ratings, being ranked as a desirable organization for employees to work at, and so forth. In what is considered by many to be a classic piece of business analysis, Kaplan and Norton (1996) articulated the "balance scorecard" approach that lays out the pieces of how non-financial objectives can be identified and integrated into the formulation and implementation of corporate strategy. Such thinking has been extended in the development of paradigms that elaborate in considerable detail how various corporate and social responsibilities incumbent upon business

organizations can be measured and reported on as part of the strategic planning process (Gardiner, 2002). For example, Dutch Royal Shell utilizes a "triple bottom line" approach that reports such social and ecological initiatives as well as financial results. Such perspectives would be a beginning step for organizations serious about explicitly recognizing the ethical obligations inherent in practicing a higher standard of business. An excellently articulated blueprint for meshing a balanced approach with the realities of strategy formulation can be found in Lynn Sharp Paine's book, Value Shift (2003).

3.) **The reign of the imperial CEOs should be tempered**. As William McDonough, past President of the New York Federal Reserve and Chair of the Accounting Oversight Board has remarked, the growing disparity between CEO and average worker salaries in the U.S. has become a grave moral concern (Byrnes, 2003). In the future, CEO pay must be better linked to overall company performance; various bonuses and deferred compensation packages should not be handed out without risk for the CEO, as they often are (Strauss, 2003). CEOs should not be allowed to also hold the position of Chairman of the Board as the duel offices concentrate too much power. CEOs without exemplary performance [measured in a balanced fashion] that puts them in the top third of their industry peer group perhaps should be restricted by their board from serving as a director for other companies (Luke, 2002). Consistent with the recommendations of retired Medtronic CEO Bill George, as articulated in his insightful book Authentic Leadership (2003), boards should select CEOs based on their character and their values rather than on their ability to create short-term improvements in company

financials. For example, as a point of contrast, “Chainsaw” Al Dunlop (former CEO of Sunbeam and other companies) could hit the numbers. For several years, “Chainsaw” Al was the darling of both the business community and media. Dunlop made his reputation by being able to eek out profits from seemingly doomed organizations. Eventually, Dunlop was shown to be as false as the Wizard of Oz when closer examination of his record indicated that company financials were improved through a combination of accounting tricks, asset stripping, and cruelty to employees via wholesale downsizing. Sadly, there is evidence that CEO compensation continues to escalate unabated (Lublin, 2003), and the reign of overly powerful CEOs remains. Moreover, departing CEOs, even if they resign, are often guaranteed a lifetime of riches in the severance packages (Joyner, 2003). Much of the public remains furious over such reports (Jones, 2003).

4.) **Boards of Directors require drastic reform.** They must become truly independent overseers of company management. As of 2002, 13% of the companies listed on the New York Stock Exchange still did not have a majority of outside directors, effectively eliminating any meaningful controls on top management (Hymowitz, 2003). Minimal reform would seem to involve the following: Outside directors should always be in the majority. Audit, compensation, and nominating committees should be composed of completely outside directors. No more than three members of the board should be top executives of the corporation. Directors should be annually evaluated and be required to attend at least 75% of all scheduled meetings in order to continue their

service as director. The nature and level of director's fees should be made transparent to stockholders and the public. Directors should never sit on more than three corporate boards. Exhibit 3 includes these and other suggestions that need to be diligently considered by organizations purposeful about strengthening their independent governance (New York Stock Exchange, 2002; Business Week, 2002).

5.) **Business firms ought to be more wary of managerial fads.** Techniques such as reengineering, right-sizing, responsibility centered management, pro forma accounting, "rank or yank" evaluation of employees, etc. all have their role and, typically speak to some dimension of the organization that could benefit from improvement. However too often, such one-trick applications are force fit to an organization because they are the pet project of the CEO or another top-level executive. Often these techniques are tools of desperation adopted to quickly improve the financial picture of an organization. If the elevation of a particular technique in an organization becomes a mania, it usually causes unexpected repercussions and quite commonly ethical problems as well for both middle managers and employees. Frankly, one would expect a higher level of thinking from seven-figure CEOs than these who command that all employees understand and adjust when their "cheese has been moved".

6.) **Organizations must commit to developing a culture of integrity.** Integrity involves having high ethical standards and adhering to them no matter what the pressures. The elements of successfully implementing ethics in the organization are the same ones that have been articulated for the past 25 years or more

(Ottoson, 1982; Laczniak and Murphy, 1985). It begins with a CEO who must not only publicly embrace core ethical values, but live them (Laczniak, 1982). It involves espousing these values in a corporate mission statement and articulating them further in an ethics statement that addresses specifically the knotty ethical issues common to a particular company or industry sector (Murphy, 1998). The code should be dynamic and therefore periodically revised (Laczniak and Murphy, 1993). The basics of the company's values and code should be so prominently communicated that every employee knows and can verbalize the essentials (Murphy, 1989). And management behavior should be monitored, including that of the CEO whose actions should be checked by the board of directors. When ethical violations occur, proportionate punishments must be meted out. But, because the fundamental purpose of codes is not to punish but to guide the actions of all managers and employees, creative applications of the company's ethical values, acts of moral imagination so to speak, also should be meaningfully rewarded (Hayes, 2002). The details of executing all of these steps have been extensively treated in the ethics literature (e.g., Laczniak and Murphy, 1993). The most vexing ingredient in the recipe for better ethical operations, is the force of will to always keep ethics at the heart of the company's purpose. This is exceedingly difficult given the constant pressure on managers to economically successful.

7.) **Corporations, business schools, and professional associations ought to accept, teach, and testify that executive-level management is a <u>vocation</u>.** Vocations are special callings to accept the responsibilities of a critical position such as

teacher, priest, counselor or doctor. Management should be viewed as "a calling" because the position of a high-level executive involves stewardship over organizational resources that are also part of society's economic infrastructure (Novak, 1996). Put another way, the elite role of top managers in corporations involves a sacred trust of responsibility not just to owners/shareholders, but to the larger community. Again, we need to ask ourselves why deviant corporate behavior is perceived by so many to be so serious a failing? The answer lies partly in the notion of business leaders as economic caretakers. Corporate executives have been given temporary custody over resources of enormous scope. Seen this way, high level management may be the ultimate "helping" profession. Surely, any dishonest act by an employee is unfortunate, whether it is a retail clerk who pilfers products off the shelf or an executive assistant who liberates pens, envelopes and paper for home use. But the stakes are so much greater with a top-level corporate executive when he or she unethically squanders the economic resources that potentially benefit so many stakeholders. Because their ethical and/or legal malfeasance can cripple the pension funds of tens of thousands of employees, the planned-for dividends essential to the financial well-being of numerous small stockholders, or the economic livelihood of a community where the organization's key operations are located or headquartered, the ethical failings of a few top managers become the despair of the many.

If high level business management is more purely seen as a vocation involving economic stewardship, that perspective implies super-ordinate duties and obligations that managers have to society even as they serve their employer

> (Laczniak, 1999). Without doubt, a major purpose of business is to increase shareholder value via profitability. Ideally, that profit level should be consistent and improving. And this is the conventional wisdom in business schools for a good reason. But the second order question is: why is profit important to begin with? The short answer is that profit serves as a reward for risk. Taking this a step further, profit provides an incentive for business organizations to provide the desired and required commercial services needed by society. Looked at this way, profit and its associated financial measures are a means to an end, not an end itself. And, business leaders are the de facto designated guardians of the commercial system on behalf of society.

Ultimately, we must live with the fact that the enlightened self-interest of profit possibilities helps drive our economic system (a very good thing); but there will also exist the likelihood for ill-gotten, inordinate profit (a bad thing). Some executives will succumb to their darker angels and a certain level of ethical abuse is inevitably part of the business terrain we are destined to inhabit. But, when the level of questionable management behavior becomes too excessive or too prevalent, it is the responsibility of the broader community to help restore balance (Vogel, 2002). Our challenge is to devise mechanisms that both inspire business to choose the higher road as well as channel the personal self-interest essential to the system so that corporate behaviors are constrained in a more socially responsible direction.

Exhibit 1

Key Provisions of Sarbanes-Oxley 2002

- Increases regulatory funding for the Securities Exchange Commission
- Establishes the Public Companies Accounting Oversight Board (PCOAB) to monitor financial reporting
- Requires the separation of auditing and certain consulting services provided by public accounting firms
- Mandates CEOs and CFOs certify their financial reports for accuracy; specifies criminal penalties for "knowing" or "willful" violations.
- Prohibits personal loans to top executives and directors of public companies
- Requires that Board waivers to ethics code must be disclosed
- Executive bonuses must be returned if earnings are restated
- Trading of stock by company executives needs to be more promptly reported
- Separates investment banking from stock analysis in financial services firms
- Provides greater protections for "whistle blowers"
- Specifies the Board audit committees must have at least one "financial expert"

Exhibit 2

Possible Weaknesses of Sarbanes-Oxley [SOX] (2002)[1]

- Morality cannot easily be legislated
- SOX addresses several means for perpetrating financial fraud but does not speak to the root causes of financial dishonesty
- Costs of added compliance are significant especially for smaller companies
- Qualified directors may decline to serve because of added liability
- Restrictions on the integration of services by public accounting houses possibly reduces the quality of auditing
- SOX increases the cost of audits.
- SOX creates the "regulatory thicket" and generates high demand for legal and consulting services

[1]partially adapted from: R. Edward Freeman, panelist, "Is Sarbanes-Oxley an Effective Way to Legislate Business Morality?" Society for Business Ethics Annual Meeting (Seattle: August 2003) and Schroeder, Michael "Cleaner Living, No Easy Riches," The Wall Street Journal (July 22, 2003), C1, C7.

Exhibit 3

Actions that might be taken to Strengthen Corporate Governance[1]

- Develop principles of corporate governance; publish them; report annually on conformance
- Key institutions and associations such as The New York Stock Exchange and the Conference Board should establish a Directors' Institute where corporations can send new directors for orientation as to their duties and responsibilities
- Outside directors should always constitute the majority of the board
- Audit/Compensation/Nominating committees of the board should be composed of exclusively outside directors
- The CEO and board chair should not be held by the same person; if they are one, a lead director that is an outsider should be elected to chair executive sessions
- The outside directors should meet regularly in executive session
- No more than three directors should be company executives
- Directors should be annually evaluated; if they do not attend 75% of scheduled meetings, they should not be retained

[1] partially adapted from: New York Stock Exchange, Corporate Accountability and Listing Standards Committee (June 2002); Business Week [Special Report] "The Best & Worst Boards: How the Corporate Scandals Are Sparking a Revolution in Governance" (October 7, 2002) pp. 104-118; Hymowitz, Carol "Corporate Governance: How to Fix A Broken System" The Wall Street Journal (February 24, 2003) R1-R12.

References

"Accounting in Crisis: What Needs to be Done," Business Week [Special Report](January 28, 2002), pp. 44-49.

"Angeling for the Really Big Fish," Business Week (September 15, 2003), p. 42-45.

Alsop, Ronald, "Right and Wrong: Can Business Schools Teach Students to Be Virtuous?" Wall Street Journal (September 17, 2003), R9.

Backover, Andrew, "Report Cites 'Widely Enthusiastic' Analyst Reports," USA Today (November 5, 2002), 1B, 6B.

Balzar, John, [The Los Angeles Times], "Hope, Corporate Cronies Can't Regain Trust So Easily," Milwaukee Journal Sentinel (August 24, 2002), 15A.

Barry, Megan, "Why Ethics & Compliance Programs Can Fail," Journal of Business Strategy (November-December 2002), pp. 37-40.

Bayce, Robert, Pipe Dreams: Greed, Ego and the Death of Enron (New York: Public Affairs, 2003).

Bryne, John A., "Joe Bernardino's Fall From Grace," Business Week [on-line edition] (August 12, 2002).

Butler, Margaret, "The Year 2002—What Has It Taught Us?" Strategic Finance (January 2005), p. 2.

Byrne, John A., "Commentary: No Excuses for Enron's Board," Business Week [on-line edition] (July 29, 2002).

Byrnes, Nanette, "Angling For The Really Big Fish," Business Week (September 15, 2003), p. 42-43.

"CEO Greed Targeted," USA Today (September 17, 2002), 14A.

Clinard, Marshall B. and Peter C. Yeager, Corporate Crime (New York: The Free Press, 1980).

Collins, James C. and Jerry I. Porras, Built to Last: Successful Habits of Visionary Companies (New York: Harper Collins, 1994).

Covey, Stephen, "Where Do We Go From Here?" USA Today (October 21, 2002), 7B.

Crossen, Cynthia, "A Thirties Revelation: Rich People Who Steal Are Criminals, Too,"The Wall Street Journal (October 5, 2003), B1.

Duska, Ron (session chair), "The Effects of Business Schools on Ethical Behavior in Business," Society for Business Ethics Annual Meeting, August 3, 2003 (Seattle, WA).

Etzioni, Amatai, excerpted from "The Responsive Community," in The Chronicle of Higher Education [on-line edition] (December 9, 2002).

Etzioni, Amati, "When It Comes To Ethics, B-Schools Get An F," The Washington Post (August 4, 2002), B4.

Fabrickant, Geraldine, [The New York Times] "GE Provides Platinum Parachute for Welsh," Milwaukee Journal Sentinel (September 6, 2002), 1D, 3D.

Farrell, Greg, "Business Leaders Fault Excessive CEO Pay," USA Today (September 18, 2002), 5B.

Fass, Allison, "One Year Later, The Impact of Sarbanes-Oxley," Forbes.com (July 22, 2003) [http://www.forbes.com/2003/07/22/02_af0722sarbanes_print.html.]

Ferrell, O.C. and Larry G. Gresham, "A Contingency Framework for Understanding Ethical Decisionmaking in Marketing," Journal of Marketing, 49 (Summer 1985), pp. 87-96.

Gardiner, Chris, "Balanced Scorecard Ethics," Business & Professional Ethics Journal Vol. 21, No. 384 (2002), pp. 129-150.

Garten, Jeffery E., The Politics of Fortune (from C11, "Improving Business Education," Boston, MA: Harvard University Press, 2002), 173-181.

George, Bill, Authentic Leadership (New York: Jossey-Bass/Wiley, 2003).

George, William W., "Restoring Governance to Our Corporations," speech to Directors' Summit (September 5, 2002).

Ghoshal, Samantha, "Business Schools Share the Blame for Enron," Financial Times (July 18, 2003), p. 11.

Gordon, Marcy, "Americans Still Angry About Executive Pay," Milwaukee Journal Sentinel (October 21, 2003), 2D.

Gores, Paul, "Short Course on Avoiding Scandal," Milwaukee Journal Sentinel (September 5, 2002), 1D, 6D.

Harris, Jared and Philip Bromiley, "Incentives to Cheat: Executive Compensation and Corporate Malfeasance," paper presented at Society for Business Ethics annual meeting (Seattle, WA. August 2003).

Hayes, Robert H. and William J. Abernathy, "Managing Our Way to Economic Decline,"Harvard Business Review (July-August 1980), pp. 67-77.

Hayes, Troy, "The New Bottom Line for Business Executives," Journal of Business Strategy (November/December 2002), pp. 34-36.

Horovitz, Bruce, "Scandal's Grow Out of CEO's Warped Mind-set," USA Today (October 11, 2002), B1-2.

Hunt, Shelby D. and Scott Vitell, "A General Theory of Marketing Ethics," Journal of Macromarketing, 6 (Spring 1986), pp. 6-15.

Hymowitz, Carol & Joann Lublin, "Scandals Prompted Changes, But Critiques Say MoreAre Needed…," The Wall Street Journal (July 22, 2003) B1, 7.

Hymowitz, Carol, "Corporate Governance: How to Fix A Broken System," The Wall Street Journal (February 24, 2003), R1-R12.

Jennings, Marianne M., "Ford Firestone Lesson: Heed the Moment of Truth," The Wall Street Journal (September 11, 2000), A4.

Jones, Del and Matt Kranz, "Andersen Flap Puts Focus on Companies' Ties to Auditor," USA Today (January 15, 2002), 3B

Jones, Del, "Sarbanes-Oxley: Dragon or White Knight?" USA Today (October 20, 2003), B1-2.

Joyner, Tammy, "Departing Executives Are Getting Some Lovely Parting Gifts," Milwaukee Journal Sentinel (March 2, 2003), 11D.

Knight, James A., "Pay for Performance," Journal of Business Strategy (July/August 2002), pp. 24-27.

Koehn, Daryl, [Presidential Address, Society for Business Ethics Annual Meeting] "Business Instruction: Post-Enron," (August 2, 2003).

Krugman, Paul, "Greed is Bad," The New York Times (June 4, 2003), [on-line] http://www.nytimes.com/2002/06/04/opinion/04Krughtml.

Laczniak, Gene and Patrick E. Murphy, Marketing Ethics (Lexington, MA: Lexington/Heath, 1985), 97-105.

Laczniak, Gene R., "Distributive Justice, Catholic Social Teaching and the Morality of Marketers," Journal of Public Policy Marketing, Vol. 18, No. 1, (Fall 1998), 125-129.

Laczniak, Gene, "Business Ethics: A Manager's Primer," Business (October-December, 1982), 23-30.

Leiblin, Joann S., "Executive Pay Keeps Rising Despite Outcry," The Wall Street Journal (October 3, 2002), B1.

Luke, Robert, "Role of Directors Being Put Under Spotlight," Atlanta Journal Constitution [on-line] (November 2, 2002), http://www/accessatlanta.com/ajc/business/11/02/02 board.html.

Mangen, Katherine S., "Accrediting Board Endorses Stronger Focus on Ethics in Business-School Curriculums," The Chronicle of Higher Education (January 8, 2003), [on-line edition] visited 1/10/03.

Mangen, Katherine S., "The Ethics of Business Schools," The Chronicle of Higher Education (September 20, 2002), A14-16.

Mangen, Katherine W., "MBAs Would Rather Quit Than Fight For Values," The Chronicle of Higher Education (September 20, 2002).

Maremont, Mark and Laurie P. Cohen, "How Tyco's CEO Enriched Himself," The Wall Street Journal (August 7, 2002), A1, A6.

May, Jeff, "Reforms Haven't Erased All Funny Business," The Seattle Times (July 27, 2003), E1.

McCoy, Kevin and Gary Strauss, "Kozlowski, Others Accused of Using Tyco as 'Piggybank,'" USA Today (September 13, 2002, 1-2B.

Merritt, Jennifer, "Why Ethics is Also B-school Business," Business Week (January 27,2003), p. 105.

Morgenson, Gretchen, [New York Times] "Fat Options at the Top Are Bad for Business, Study Suggests," Milwaukee Journal Sentinel (November 120, 2002) 11D.

Morgenstern, Gretchen, [The New York Times] "Fat Options at the Top Are Bad for Business, Study Says," Milwaukee Journal Sentinel (November 10, 2002), 11D.

Murphy, Patrick E., "Creating Ethical Corporate Structures," Sloan Management Review (Winter, 1989), 81-87.

Murphy, Patrick E., Eighty Exemplary Ethics Statements (Notre Dame, IN: University of Notre Dame Press, 1998), 1-11.

New York Stock Exchange, Corporate Accountability and Listing Standards Committee (June 2002), Recommendations on Corp. Governance [partial list].

Nicklaus, David, "Is a Bigger Does of Ethics Needed In Business Schools?" St. Louis Post Dispatch (December 17, 2002), [on-line edition].

Nielson, Richard and Jennifer Leigh, "Implications for Business Ethics of the Recent U.S. Corporate Scandals," paper presented at SBE 2003 Annual Meeting (Seattle, WA) (August 2, 2003).

Novak, Michael, Business As A Calling (New York: The Free Press 1996).

Nussbaum, Bruce, "Can You Trust Anybody Anymore?" Business Week [on-line edition] (January 28, 2002).

Ottoson, Gerald E., "Essentials of an Ethical Corporate Climate," in Doing Ethics in Business: New Ventures in Management Development, Donald G. Jones (ed.). (Cambridge, MA: Oelgoschlager, Gann & Hain, 1982), pp. 155-163.

Paine, Lynn Sharp, Leadership, Ethics and Organizational Integrity (Chicago: Illinois: Irwin 1997).

Paine, Lynn Sharp, Value Shift (New York: McGraw Hill 2003).

Pinkerton, Stewart, "How Deep Is the Ethics Crisis? Forbes.com (July 24, 2003),
"Proper Ethics," Marketing News (September 16, 2002), 16.

Rosenstein, Bruce, "Scandals Nothing New to Business Guru," USA Today (July 15, 2002), 8B.

Samuelson, Judith, "Back to Business Ethics," Biz Ed (September/October 2002, pp. 4-5.

"Sarbanes-Oxley Act's Progress," USA Today (December 26, 2002), 4B.

Schmitt, Richard B., "Companies Add Ethics Training: Will it Work?" The Wall Street Journal (November 4, 2002), B1.

Schroeder, Michael, "Cleaner Living, No Easy Riches," The Wall Street Journal (July 22, 2003), C1, C3, C7.

Stoller, Gary, "Funny Numbers," USA Today (October 21, 2002), 3B.

Strauss, Gary, "Despite Reforms, CEOs Still Rake in Generous Bonuses," USA Today (August 24, 2003).

Strauss, Gary, "Tyco Events Put Spotlight on Directors Role," USA Today (September 16, 2002), 3B

Strope, Leigh, "SEC Proposes New Rules for Accounting Companies," Milwaukee Journal Sentinel (November 20, 2003), 3D.

"The Best & Worst Boards: How the Corporate Scandals Are Sparking a Revolution in Governance," Business Week (October 7, 2002), pp. 104-118.

Thomas, Landon and Floyd Norris, [The New York Times], "Board Was In the Dark About Grasso Contracts," Milwaukee Journal Sentinel (September 11, 2002), 1-2D.

Toffler, Barbara Lee with Jennifer Reingold, Final Accounting: Ambition, Greed and The Fall of Arthur Anderson, (New York: Broadway Books, 2003).

Tomorrow's Corporation "Corporate Social Responsibility (CSR) Is Heading in the Wrong Direction," [on line press release] (July 8, 2003), http://www.social funds.com/news/release_print.cgi_sf Article ID-1959.

Turley, James S., "How Accounting Can Get Back Its Good Name," The Wall StreetJournal (February 4, 2002).

USA Today "Accounting Firms Would Rather Settle Than Reform," (Marcy 7, 2002), 11A.

Vence, Deborah L., "How to Be a Hero," Marketing News (September 2, 2002), pp. 13-15.

Vogel, David, "Recycling Corporate Responsibility," The Wall Street Journal (August 20, 2002), B2.

Weintraub, Arlene and Ronald Grover, "Look Who's Still At the Trough," Business Week (September 9, 2002), p. 58.

Wessel, David, "The Criticism Coming From Inside Corporations," The Wall Street Journal (June 27, 2002), A2.