Business Ethics for Introductory Courses: A Framework and a Teaching Protocol

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Abstract. Business ethics education is a cornerstone of preparing future leaders to navigate the complex ethical dilemmas inherent in modern management. Existing curricula often fall short of equipping students with actionable tools to address these challenges, frequently adopting reactive approaches rather than fostering proactive ethical reasoning. This paper addresses the gaps by creating a framework that applies normative ethics—consequentialism, deontology, and virtue ethics. We further propose a teaching protocol for an in-class activity in which student groups can apply their understanding of the framework in real-world scenarios.

Keywords: business ethics education, normative ethics, teaching protocol**.**

1. Introduction

There are many business scandals we could point to as emblematic of the problem of business ethics (Giacalone and Wargo 2009). Enron's dissolution, due to the company's accounting fraud, was driven by a corporate culture that permitted and encouraged unethical behaviors, eventually leading to illegal activities (Bratton 2002). Wells Fargo's fake accounts scandal, another breach of the law, began as an aggressive growth strategy and escalated into employee reports of unethical behavior that were ignored by the company's ethics hotline (Arnold *et al.* 2020). Similarly, Kurzynski (2009) notes a decline in corporate morality, attributing it to a crisis of character among business leaders, which has led to more scandals. Previous research has highlighted how easily managers lose perspective on what is appropriate and how ethical choices can be obscured or complicated by the pursuit of maximizing value without proper regulatory or ethical constraints (Rahman and Blake 2021).

At a deeper level, there are conglomerates and whole industries that are complicit in unethical research and advertising, ongoing societal and environmental damage, and other forms of large-scale harm (Chaudhry and Stumpf 2011). The tobacco industry, for example, spent decades and millions denying their products caused cancer at the expense of the public's health; the food industry has mirrored these tactics, with Coca-Cola funding biased research

on the health effects of added sugar to defend its products; the oil industry knew about climate change decades before it became a public buzzword, yet they did not substantially change their behavior to mitigate its effects (Arnold *et al.* 2020; Brownell and Warner 2009). These examples highlight widespread ethical failings across industries and decades, serving as a small sample of the scandals of the past, present, and likely future if systemic change does not occur.

Although scandals will likely never disappear, strong business ethics education can help mitigate their occurrence or aid firms in recovering from them (Francis and Armstrong 2003; Goodstein and Butterfield 2010; Gulseren *et al.* 2021). There is great potential for business ethics, both in education and practice, to positively impact business and society in the decades ahead (Carson 2003). Numerous studies have evaluated different pedagogical approaches across various disciplines to enhance the practical and social impact of business ethics education (e.g., Balotsky and Steingard 2006; Buchko and Buchko 2009; Warnell 2011), but significant challenges remain. First, business ethics education enhances students' moral reasoning and ethical awareness, but it has a limited impact on altering their perceptions of the actual business environment (Mayhew and Murphy 2009; Valentine and Fleischman 2004). Even with a strong ethical foundation, students may still make unethical decisions when operating in environments devoid of ethical standards (Lau 2010). Second, the inclusion of business ethics in curricula has often been reactive rather than proactive, primarily driven by public demand rather than a concerted effort to help students recognize and navigate ethical challenges (Cornelius *et al.* 2007; Setó-Pamies and Papaoikonomou 2016). This reactive approach often falls short of preparing students with the necessary tools to navigate complex ethical dilemmas in their professional careers (Sims and Sims 1991).

This paper attempts to address these gaps. We start with a brief overview of business ethics education with current ethical debates and the impact of business ethics education. Understanding ethical theories commonly applied in business can illuminate current concerns and practices, helping to develop a blueprint for the discipline and practice of business ethics (Fassin 2022). We then apply a normative ethics perspective to explore the challenges of business ethics education. Normative ethics, which examines ethical actions, provides a valuable framework for addressing applied problems (Hasnas 2013; Ish-Shalom 2006). Within this framework, we focus on three distinct approaches: consequentialism, deontology, and virtue ethics, highlighting their applications and their foundational connections to business practices.

One contribution of this paper is the introduction of a teaching protocol based on how to apply the normative ethics framework to real-world business problems. We use the example of a generic firm's attempt to develop an ethical compensation philosophy, crafting definitions for below-market, at-market, and above-market pay to fit a hypothetical scenario. Rather than striving for perfect logic, we focus on demonstrating how different theories can approach the same

problem and lead to reasonable conclusions. We also compare the various theories to illustrate how they may guide decision-makers to different outcomes depending on the specific considerations of each theory's principles.

2. Evolution of Business Ethics Education

2.1. Rise of Business Ethics

The concept of business ethics emerged alongside the transformation of business practices during the Industrial Revolution (Berle and Means 1932; Cheffins and Bank 2009). As the economy shifted from small-scale, individual production to large-scale industrial manufacturing, the organization of markets and labor fundamentally changed (Wolcott 2020). This period, spanning the late eighteenth to early twentieth centuries, was marked by rapid technological innovation, urbanization, and the rise of mass production (von Sivers *et al.* 2015). These changes prompted significant regulatory responses and laid the groundwork for broader labor reforms (Sinclair and Lee 2003). The concentration of wealth among a small class of industrialists, coupled with the exploitation of laborers, led to calls for ethical scrutiny of business practices and marked early attempts to establish the boundaries of ethical business conduct.

2.2. Shifts in Corporate Structure and Ethical Debate

As modern corporations emerged, the relationship between ownership and management shifted from direct owner-led firms to those managed by professional executives (Cheffins and Bank 2009). This new structure shows ongoing debates on business ethics: Should managers prioritize maximizing returns for shareholders, or should they consider broader social responsibilities? On one side are advocates of shareholder primacy, who argue that focusing on shareholder value aligns with economic efficiency and benefits society in the long run. The emergence of agency theory redefined managers as agents of shareholders, emphasizing that their primary role was to act in accordance with shareholder desires, typically interpreted as maximizing stock prices (Bower and Paine 2017). This view suggested that prioritizing shareholder value would lead to the most efficient allocation of resources in the economy, guided by the principles of market efficiency and the invisible hand (Lazonick 2015). On the other side are proponents of stakeholder primacy, who contended that businesses must consider the interests of all parties affected by corporate actions, including employees, customers, suppliers, and the community. Influential thinkers like Peter Drucker argued that the narrow focus on maximizing shareholder value