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What I Try to Achieve in Teaching a Business Ethics Course

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Although I teach an undergraduate business ethics course in the philosophy department, I should like to focus on my MBA teaching. The University of Minnesota has a required graded half course in business ethics in all its MBA programs. In the Executive MBA program, it is a full course. We also have an international business ethics course that takes MBA students to Brussels and London. The objective of this latter course is to allow students to explore a version of capitalism that - at least officially - promotes sustainability. Specifically firms are to be judged on financial results, environmental friendliness and corporate social responsibility. This essay addresses only the Minnesota US based program and only those sections where I am the instructor.

The first objective is to convince the students that they really need this course just as they need courses in accounting, finance, and marketing. First I use the scared straight approach. The Beech-Nut Nutrition Inc. case shows how being "smart" with government regulatory agencies can land executives in jail and cost the company millions. A video on the Federal Sentencing Guidelines has the same effect. Students also learn some of the intricacies associated with Sarbanes/Oxley. Second, I show how an appeal to "maximize shareholder wealth" almost never resolves a business ethics issue. The reason is a simple one. Until the ethical analysis is done, the manager does not know what will maximize shareholder wealth. Indeed even when the ethical analysis is done, the manager may not know what is in the best interests of the stockholder. However, at least he or she will have a rationale for his or her decision. For example, consider the Harvard Business School case Royal Dutch Shell in Nigeria. Should Royal Dutch Shell intervene in the political process to try to save the life of Siro Wiwa? Maximize shareholder wealth is singularly unhelpful here.

A second objective of the course is to show how the various functional courses are incomplete unless certain ethical issues are raised. Consider marketing. Market segmentation is usually considered a sound business strategy. But what if the segment is composed of a vulnerable population? Examples in the writings of David Holley and Thomas Carson as well as either the George Brenkert article or the Harvard Business School case on Heilemann Brewing Company raise this issue. Also it may not be profitable to let supply and demand set prices. There are notions of a fair price regardless of what the economists think. Price gouging in times of a national emergency such as a hurricane or blizzard is illegal as well as unfair. The work of economist Robert Frank provides many examples where norms of fairness affect pricing decisions. The Coca-Cola case that describes a soft drink dispenser that changes the price of Coke according to the weather illustrates the problem. The finance people would likely endorse the production and distribution of such a dispenser. Big mistake. When then CEO Ivester announced the existence of such a machine, there was a huge public outcry. Coca-Cola lost millions and Pepsico Inc. announced that they would never use such a machine. Marketers ignore norms of fairness at their peril.

Another way of meeting this objective is to engage in a competitive analysis. I use numerous cases and videos to show how the investigative media, the plaintiffs bar, and NGOs are all competitors in a sense. At the very least they are threats if you do a SWOT analysis. The Dow Corning Breast Implant case and the Royal Dutch Shell Brent Spar case are excellent teaching devices to obtain this objective. That leads to such discussions as should members of NGOs be put on the Board of Directors or otherwise engaged in dialogue. The Economist (August 9, 2003) raised this issue under the provocative title, “Living with the Enemy.”

Yet a third objective is to show how perceptions about ethics even when they are wrong or mistaken, if not managed well, adversely affect the bottom line. The Royal Dutch Shell Brent Spar case serves this objective beautifully. At one level Royal Dutch Shell did everything right. It did environmental impact studies, got permission from the British government, and followed international law. Its chief critic, Greenpeace, admitted after the fact that some of its claims were wrong. However, Greenpeace won in the battle of public opinion. Note that science pretty much vindicated Dow Corning on the safety of its breast implants but the plaintiff’s bar and the emotional nature of the issue forced Dow Corning into bankruptcy.

A fourth objective is to raise the possibility that ethics can contribute to the bottom line rather than subtract from it. The theory is easy. Ethical behavior lowers transaction costs, solves agency problems, establishes trust within and among organizations, enhances reputations, overcomes prisoner dilemma problems and preserves social capital. What are needed are examples and narratives that make this point. Theory and case studies that illustrate the theory make a potent case in support of this objective. Johnson and Johnson as well as Merck provide firm specific examples.