Chapter 9
Sowing the Seeds for Ethical Business Leadership through Business Education

Hélène de Burgh-Woodman
University of Notre Dame, Australia

Amitav Saha
University of Notre Dame, Australia

Kimera Somasundram
University of Notre Dame, Australia

Angela Torrisi
University of Notre Dame, Australia

ABSTRACT

In an era that has seen events involving ethical misconduct by prominent business leaders, there is renewed attention around the issue of how and where business leaders acquire their ethical orientation. In this chapter, the authors argue that business education is an influential foundation upon which an ethical orientation is developed and offers an opportunity to be a primary focus for responding to the pressing need for strong ethical leadership in business. The chapter extends existing research in business ethics to present the novel possibility of situating ethics alongside technical competencies since this will assist in the training of business leaders who are needed equipped or armed with their skills, including those soft skills, to meet contemporary business challenges.

INTRODUCTION

Business ethics, or "the principles and standards that determine acceptable conduct in business organizations" (Ferrell, Fraedrich & Ferrell, 2013, p. 30), has been broadly acknowledged as valuable for the economic and social performance of organisations (Joyner & Payne, 2002). Yet, the future of ethical business leadership is challenged by an over-arching emphasis on profitability, often driving business leaders to make compromised ethical decisions. Recent examples such as the

DOI: 10.4018/978-1-4666-7419-6.ch009

post global financial crisis banking cases where the Union Bank of Switzerland was fined £29.7 million for Britain's biggest bank fraud, HSBC agreed to pay a record $1.92USD billion for illegal activities and Barclays was fined £290 million for manipulating key interest rates (Institute of Chartered Accountants Australia, 2013) illustrate that failure of business ethics remains part of the reality of international business practice.

Equally, as various cases have shown, organisations cloak their malpractices in other magnanimous initiatives to maintain a positive image. For instance, in 2005, Wal-Mart was widely recognised for their $500USD million investment in sustainability projects (Willard, 2012). However, the New York Times (Barstow, 2012) subsequently reported that a 2005 internal investigation at Wal-Mart found evidence that executives in the company's Mexican subsidiary paid more than $24USD million in bribes to officials in "virtually every corner of the country" to clear the way for the rapid expansion of the retail empire (Barstow, 2012). When the subsidiary's illegal activities were reported to the company's senior executives at Wal-Mart's North American headquarters with a recommendation to expand the investigation into the subsidiary, "Wal-Mart's leaders shut it down" (Barstow, 2012). This business approach is not ethical or sustainable and creates barriers for meeting the challenges of the twenty-first century. That said, when we look at the kind of ethical breaches occurring, many of these ethical lapses reflect a focus on greater profits and enhanced perceptions of strong performance. Equally, organisational cultures that value a "profit at all costs" approach often fail to support ethical conduct within the organisation. As Fulmer (2004) rightly identifies, ethical conduct should be the core of the organisation working from top through to bottom tiers and across all groups. This view of ethics as something that directs all decision-making at both the group and individual levels reflects De George's (1982) early observation that ethics should be the glue of business. The business reality though is that professionals often sacrifice ethical integrity to achieve key growth objectives and deliver required market results. For example, a 2012 survey of 500 financial services professionals across the United States and the United Kingdom by the UK Ethics Centre found 30% of respondents believe that their organisation's compensation plan created pressure to compromise ethical standards or break the law and 24% of respondents said that financial services professionals may need to engage in unethical or illegal conduct in order to be successful (Institute of Chartered Accountants Australia, 2013).

This emphasis on profitability and performance carries through to business education where acquiring an understanding of competitive advantage, profit return and organisational performance underpin the curriculum in most business degrees. These concepts are re-inforced across disciplines and throughout programmes of study. By contrast, business ethics are not typically embedded throughout programmes and often appear as one stand-alone unit (often as an elective). The preponderance of technical competency content across units appears in sharp contrast with the comparatively marginal coverage of ethics. This has led to criticism of business education that, as Leavitt famously put it, creates "critters with… icy hearts and shrunken souls" (Leavitt, 1989, p. 39). At its most simplistic, this means that we essentially get the business leaders we create and poses the problem of how do we expect business leaders to prioritise ethics when they come from a background of being taught to value profit as the primary indicator of success? Equally, when future business leaders encounter organisational cultures that also value the pursuit of profit and performance, this further consolidates the belief that "good" business practice entails returning profit. If, as suggested here, an ethical business practice is to be achieved then both the values instilled by business education and the organisational culture encountered by graduates come under question.

Related Content