Institute for Global Ethics UK Trust

in collaboration with the
Institute of Business Ethics

Promoting Cultures of Integrity:
Six Ethical Issues for Business Education

Report of a consultation held at
St George’s House, Windsor Castle
June 7-8, 2011
Supported by the Gordon Cook Foundation
ACKNOWLEDGEMENTS

This consultation continued the welcome collaboration between the Institute for Global Ethics UK Trust (IGE UK) and the Institute of Business Ethics (IBE) on their shared interest in business ethics education in the United Kingdom, and how business ethics might need to be scoped differently in order to provide new business leaders with the tools for becoming the strong ethical leaders of the future.

We are most grateful to the Gordon Cook Foundation of Aberdeen, Scotland, for its continuing support for this project, and without whose financial support the consultation could not have taken place.

Special thanks are due to Judith Irwin, Researcher at IBE, for acting as the consultation’s rapporteur, and for being the main author of this report. And to Simon Webley, Research Director at IBE, Judith, and Anthony Ruback of the IGE UK Corporate Development Group, for their major contribution to planning both the agenda and an online survey prior to the event to explore current attitudes to business ethics of both students and employers.

Thanks too to Deepa Shah, IGE UK’s Projects Assistant, and to our Corporate Intern, Ben Rule, whose photographs are featured in the report.

We are also most grateful to José Chambers, latterly Assistant Vice Chancellor of the University of Winchester, Andrew Crane, Professor of Business Ethics at Schulich School of Business, York University (Canada), Ian Jamieson, Visiting Professor, School of Management, University of Bath, Paul Palmer, Associate Dean and University Professor, CASS Business School, William Ridgers, Business Education Editor of The Economist and Mark Stoddard, Accreditation Projects Manager at the Association of MBAs for their insights as lead discussants in three of the main plenary sessions.

Lastly, but by no means least, our thanks are due to all the participants for their commitment and enthusiasm for continuing this probe into the current provision of business ethics education in this country. This is their report.

Sheila Bloom  
Chief Executive, Institute for Global Ethics UK Trust
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This report marks the second consultation, convened by the Institute for Global Ethics UK Trust (IGE UK) in collaboration with the Institute of Business Ethics (IBE), exploring the current provision of business ethics education in UK business schools. The aim of this consultation which took place at St George’s House, Windsor Castle, on June 7-8, 2011, was to drill down and test out the six key issues that arose out of the first consultation held in December 2010, namely:

1. **Nomenclature:** There is a problem with the language. There is a need to define clearly what is meant by business ethics. What is the change we want to see?

2. **Teaching and research:** There was a concern that an interest in pedagogy, ethics, or the pedagogy of ethics is rated ‘bottom of the pile’ in most business schools, and that publishing on ethics-related research topics is not highly valued.

3. **Embedding ethics:** Business ethics needs to be fully integrated into business courses. It should not be an optional module or a ‘few slides at the end of the course’.

4. **Ranking and accreditation:** Accreditation bodies, and league table setters such as the Financial Times, need to be challenged on what are their success criteria for business schools.

5. **Institutional ethics:** Universities and the business schools within them need to engage in a debate about what it means to be an ethical institution, and examine their rationale for attracting graduates and undergraduates onto their business courses.

6. **Stakeholders:** It would be helpful to map the key stakeholders of business schools and provide a mechanism for them to feedback their expectations of students which may, among other things, include a better understanding of ethical issues.

Discussions took place in a mixture of plenary and small group sessions under the Chatham House Rule. This states that participants are free to use ideas generated at the event outside of the consultation setting, whilst not revealing the identity, or affiliation, of the speaker(s) without their prior consent; nor should it be mentioned that the information was received at a meeting of the group, unless a decision is reached corporately at the consultation to publish a summary of the proceedings, as was agreed in this case.

As key stakeholders in business education, the overall aim of the consultation was to get further clarification on whether business schools are doing enough to promote a culture of integrity in business. More specifically, participants’ views on the findings from the previous consultation were also sought. The agenda was built around four main plenary sessions that focused on the following questions:

1. **What do students and employers say they require of business ethics education?**
2. **How interested are other outside stakeholders in promoting business ethics education?**
3. **How far does money determine the curriculum?**
4. **How far can universities promote ethics in their institution as well as in their curricula?**

The group was then split up to encourage more focused discussion, and the key recommendations arising from each of the smaller groups were fed back to all participants for endorsement in the outcomes of the consultation.
Of the many points the participants in the consultation on June 7-8, 2011, discussed, four ‘clusters’ stood out as overarching recommendations that needed to be addressed in order to move this agenda forward. They were:

1. NETWORKING
   - Working with others to promote and develop the business ethics agenda within business schools, and forming partnerships with professional bodies that have significant sway such as the Law Society, British Academy of Management as well as bodies like Association of MBAs (who also accredit MA programmes), to encourage them to emphasise the importance of ethics. This would send a strong signal to universities and students. Some participants suggested that such partnerships would incentivise universities to engage with the subject and encourage them to dedicate time, money and resources to teaching it.
   - It was also suggested that professional bodies could be a platform for professional development conferences/workshops for lecturers involved in teaching business ethics, providing them with the necessary guidance and skills to teach the subject in an innovative and engaging manner.
   - The ‘how’ of teaching business ethics needs further exploration. Several methods were reviewed and the advantages and disadvantages discussed. Participants felt that there is a risk of compartmentalising business ethics if it is taught as a standalone module. The question of whether you can teach business ethics at all was raised. Is it the role of the business school simply to give students the tools to facilitate decision-making processes? What will the future of teaching look like? Do you have the faculty to teach the subject? One participant described their experience of ‘team teaching’ where several teachers are involved in teaching the one course thus helping to integrate the subject across the board. This worked well and bridged the gap between theory and practice.
   - Some academics teaching business ethics express feelings of isolation due to lack of support in their institutions. It was suggested that developing a network of ‘ethics champions’ across business schools would help not only to promote the subject, but also to provide support and resources for those involved in teaching it.

2. RANKINGS AND RESEARCH
   - The biggest asset that a university has is its reputation. Thus rankings and league tables are a significant stimulus for change. You are more likely to get approval for things if you can demonstrate to the Dean that it will improve the ranking of the university. Many current MBA rankings focus heavily on salary uplift. It was suggested that this is not always appropriate and a new ranking could be developed based on the Times Higher Education and Aspen Institute rankings, taking into consideration what is taught on the curricula, the quality of research and how ethical issues are dealt with in the business school. Conducting a national student survey may also be a good place to start to find out exactly what they – the customer – want from a ranking. Alternatively, engaging The Economist or Financial Times rankings to include criteria on ethics (e.g. whether an institution has an ‘ethics champion’) could be explored.

"We need to instigate a lively discourse of ethics in universities"
The curriculum is strongly shaped by the accreditation bodies. Thus, the question was raised as to the relationship between accreditation and the ranking bodies. The Association of MBAs suggested that even when the accreditation bodies change, it is difficult to get the rankings to change. The question was raised about the need for the two to work closer together. What value would that bring? Business schools need to pass the Association of MBAs to get into the ranking, and the point of view of the universities was that a close relationship between the two may be viewed with suspicion. It was suggested that the Association of MBAs could promote more aggressively the changes in the accreditation criteria which took effect earlier in 2010 following publication of its 2009 research report *The Post Downturn MBA: An Agenda for Change*. Ethics, sustainability and risk management are all emphasised to a much greater extent than previously, and perhaps the reasons for this can be communicated more widely in the business school community, perhaps in the form of a White Paper.

The subject is becoming less ‘soft’ and now features in publications such as The Economist magazine. However, it is not at a point where it appears on a regular basis. Business ethics academics in the UK should push themselves to publish both in specialised journals such as the *Journal of Business Ethics*, but also prestigious journals such as the *Harvard Business Review*. There is currently a ‘wall’ around the discipline which UK academics cannot seem to scale and business ethics research seems currently weak and, to some extent, flawed.

Encouraging and promoting high quality research in business ethics through establishing award programmes could be done by engaging with organisations such as the Times Higher Education and the Association of MBAs. The former currently runs a competition for excellence in research whilst the latter runs two competitions: MBA Student of the Year, and Entrepreneur of the Year. Some of the Association of MBAs winners have had ‘ethical’ backgrounds. It was suggested that there is room to partner with both for an ethically-based award. This would be symbolically very important and perhaps go some way towards increasing the quality of business ethics research.

3. FUNDING

People listen if you have funding. Securing legitimate sources of funding would go some way to improving the quality of research in business ethics and raising the profile of business ethics as a career choice for academics. Having a sponsored Chair of Business Ethics would send out a message to the university and the students that business ethics is an important subject. However, unlike in North America, endowments are, on the whole, badly managed in the UK. Companies may feel that it sends signals that they are ‘unethical’ and are trying to ‘compensate’. It can be difficult for the Chair if the endowment is seen as ‘greenwash’ and not perceived as legitimate by stakeholders.

Engaging with university Deans, professional bodies, research councils such as the Economic and Social Research Council (ESRC) and the UK Higher Education Minister could be a way in. Increasing funding and raising the profile of the business ethics academic would go some way towards incentivising PhD students to pursue the subject in their career.

Participants agreed that further exploration was needed around research and teaching partnerships, and criteria for different research funding bodies.

4. ENGAGING OTHER INTERESTED GROUPS

The scope of this initiative has widened from focusing solely on MBA students to look at the business school as a whole. Business schools should seek to increase diversity and encourage students to engage in social entrepreneurship and corporate citizenship.

Participants felt that further dialogue in the form of another consultation was needed which engages other interested parties such as the National Union of Students (NUS), international students, government leaders, interest groups and the media etc. The changing governance structures of universities have raised the profile and influence of many of these groups.
What do students and recruiters say they require of business ethics education?

The consultation opened with a review of a number of recent surveys. Judith Irwin, Senior Researcher at the Institute of Business Ethics, explored the ‘demand’ vs. ‘supply’ of the teaching of business ethics. She presented the results of a survey of MBA students at 6 business schools across the UK and a similar survey of Human Resource (HR) professionals across 40 large UK companies. The majority of the 122 MBA respondents (almost 90%) did have the opportunity to learn about business ethics on their course. The majority of these said that the subject was taught within another module. This contrasted with the HR survey in which 80% of 7 respondents felt that it should be taught as a compulsory module. Of MBA respondents, 68% didn’t believe that ethical sensitivity was an important criterion in the recruitment process. This was in sharp contrast to the HR professionals, 100% of whom said that it was an important criterion and that it was assessed through behavioural/competency-based interviews with dilemma cameos or reference made to the company’s values. Furthermore, when asked whether MBA candidates were deemed to be adequately knowledgeable about business ethics, only 20% said ‘yes’, the remainder saying ‘somewhat’.

The aim of these surveys was not to conduct a statistically rigorous exercise, but rather to get a taste of the attitudes and perceptions with respect to business ethics within each group. The results were indicative of a disconnect between these two stakeholder groups and stimulated further debate.

How interested are other outside stakeholders in promoting business ethics education?

Paul Hibbert, Reader in Management, University of Strathclyde, then chaired an open discussion session on Accreditation and Ranking led by two discussants:

Mark Stoddard, Accreditation Projects Manager, Association of MBAs explained that the association represents a range of diverse stakeholders: business schools, MBA graduates, potential students and employers. He described some of the findings from its 2009 research report The Post Downturn MBA: An Agenda for Change, produced in partnership with Durham Business School (available www.mba-world.com/postdownturnmba).

The report, which surveyed MBA alumni and business schools, asked both stakeholder groups what they thought were the key MBA topics for the post downturn world. MBA graduates rated business ethics as number 7 out of 20 in terms of its importance whilst business schools rated it number 1. The research also showed that the coverage of business ethics in the curriculum in business schools had increased over time. This in part has been a response to the economic downturn, but it also reflects the general evolution of the MBA in line with greater coverage of ethics. There was, however, some disconnect between how the business schools felt that they were covering ethics in their curricula and how the graduates felt it was being covered.
This research has fed into the Association of MBA’s review of its MBA assessment criteria (reviewed every 5 years) which it uses to judge the quality of the business school and the MBA programme. Whilst the majority of criteria themselves did not change much, there has been a greater emphasis placed on business ethics, corporate responsibility and risk management. In part, this has been a reaction to the global downturn, but predominantly as a result of discussion with other stakeholders, including business schools, employers and organisations such as the United Nations Global Compact, of which the Association of MBAs is a member.

As an example, business schools are expected to be able to judge MBA students on the transformational effect that the MBA has on the graduates. In terms of outcomes, MBA ‘graduates must be able to, over time, transform organisations through strategic leadership, intellectual rigor and professional ethical values.’ It is too early to say how business schools are responding to the criteria changes. However Mark felt that, for most accredited programmes, it will not prove a problem as business ethics is already there. The challenge will be how to deliver it in an effective and engaging way – further research into the pedagogy of business ethics is needed to make sure it really comes across in the MBA programme and is not just a ‘sideline’. He concluded that it is still a work in progress, but business schools do recognise that there is a need for the MBA to develop responsible leaders.

William Ridgers, Business Education Editor of The Economist has been responsible for the MBA rankings since 2002. He provided a brief overview of how, and why, The Economist ranks and some of the issues around ranking. In developing the ranking, The Economist asked students why they wanted to take an MBA and allocated weightings based on this. The research found that the most common reasons were advancing their career, educational experience, increasing their salary, and having a network into which they can tap. Whilst rankings are often controversial, Bill maintained that, overall, they have been a force for good in many ways. They force business schools to ‘stay on their toes’ and are an effective decision-making tool for prospective students.

That being said, he conceded that there are moral hazards with rankings. Donations to business schools, their reputations and whether Deans get a second term at a business school, depend on their position in rankings such as the Financial Times, The Economist etc. When all these important stakeholders are being pushed in the direction of just focusing on rankings, that makes it tempting to concentrate on two or three of the key data that are quick and easy to boost – thus artificially inflating the ranking – the most obvious being salary.

An easy way to do this is to ensure that your students go into the highly paid jobs such as finance and consulting. There is no incentive to encourage students to work in traditionally lower paid sectors such as the charity or health care fields for example. Another area where business schools can artificially boost themselves is in research. Focusing on the rankings encourages business schools to employ professors who are more likely to get published in high-ranking journals than those who may be better at teaching students. Bill concluded by posing the question: how do you incorporate business ethics into a ranking?

How far does money determine the curriculum?

Simon Webley, Research Director of the Institute of Business Ethics, chaired the evening discussion which again comprised an open session led by two discussants.

Paul Palmer, Associate Dean and University Professor, CASS Business School described the integration of business ethics into business school curricula as being based on a pyramid: at the top, you need leadership and support from the Dean; at the second tier, you need approval from the academic registry (the quality assurance function); and at the third tier, it needs to be embedded in the faculty. Paul suggested that business ethics was on the curriculum up until circa 1965 but it has disappeared
because ‘we have made it boring!’. The ‘customer’ is king and, realistically, people do not come to a business school to learn about business ethics. Ultimately, you are competing with the strategic management module and the marketing module etc. You need to be able to demonstrate that the subject is relevant and interesting.

Paul described his experiences of integrating business ethics into the curricula at CASS business school. That CASS was named after Sir John Cass (nicknamed ‘Honest Sir John’ for his philanthropic activities) meant that he was able to refer to the history and the DNA of the institution. The key to success was the support of the Dean, and CASS has now begun to implement business ethics into its teaching. Every academic member of staff has had to think about how they teach their course, and how they can integrate values and ethics into their teaching material. In addition, through the Lord Mayor, who is the University Chancellor, CASS has become involved in supporting the Lord Mayor’s initiative on Trust in the City.

Andrew Crane, Professor of Business Ethics at Schuilich School of Business, York University (Canada) and formally at the University of Nottingham then explored the UK and North American context based on his experiences of teaching business ethics in both settings. He noted that, in the UK, the professional legitimacy of business ethics scholarships is low compared to North America. The ‘quality’ of an academic in the UK is based on their published research. The more prestigious the journal, the higher ‘quality’ the academic, thus the pressure is greater than ever to publish in top journals. Generally speaking, specialist business ethics journals are not as prestigious as publications such as the Harvard Business Review (HBR) and other Academy journals. Andy suggested that HBR and similar journals are engaging with the subject and publishing on business ethics, but there are more articles by North American academics than UK academics. Contributing to the issue is that business ethics academics often find themselves in a ‘ghetto’ by focusing on normative research and ethical theory. Top journals are looking for empirical research and contributions to theory (e.g. management theory).

A key difference between the UK and North America is the availability of endowments. Whilst common in North America, they are rarely found in the UK. This may be in part due to the fact that no one questions the legitimacy of endowments in North America. Andy’s own Chair was funded by the family that brought KFC to Canada! However, unless you really embed ethics into the DNA of the business school, once the endowment runs out, so will the enthusiasm for the subject.

Across the board, Andy believes that there is an appetite for the subject of business ethics both in terms of curricula and research in most business schools. However, because there is little incentive to specialise in business ethics as an academic, there is not enough well qualified talent in the pipeline and too few high-quality PhDs coming through. Whilst business schools are unlikely to say business ethics is unimportant and not needed, they are quite conservative when it comes to change.

How far can universities promote ethics in their institution and curricula?

The opening discussion session on the second day was chaired by Sheila Bloom, Chief Executive of the Institute for Global Ethics UK Trust.

José Chambers, Development Fellow of the Comino Foundation and, latterly, the Assistant Vice Chancellor of the University of Winchester, opened by saying that, to some extent, although universities have until now received large amounts of public money, they do not operate in the public sector. Rather, they exist in a market place and are required to compete against each other. As such, they have been prey to marketers and have, in some instances, been tempted perhaps to promise more than they can deliver in their efforts to attract students. José suggested that students have already formed their attitudes in advance of arrival at university through other influences and the context in
which they have operated, and the contexts in which they hope to operate. The survey findings presented in the opening session showed that many business school students expect to operate in contexts where they assume that ethical behavior will not be at the top of the list of priorities for the business. This begs the question of the limitation of universities to teach business ethics.

José posed the question of whether universities have been expected to deliver more than they can conceivably deliver by the state at large. She referred to Peter Mandelson’s *Higher Ambitions* White Paper published in November 2009, which states that universities are central to the country’s economic performance, that they equip people for the modern workplace, and, alongside that function, universities have an important role in restoring standards in public life and in the renewal of trust in the workings of a democratic society. Is this a tall order for universities?

Finally, she related her personal experience as Vice Chancellor of the University of Winchester, which she described as branding itself as a small ‘boutique’ university, led by a Chancellor who is genuinely committed to living out its values (e.g. through community engagement, volunteering and sustainability commitments). Therefore the business school is also concerned with ethical practice in business and is making that a central part of its offering. Ultimately, whilst this is all genuine, it is part of the university’s marketing strategy — reputation management and niche marketing. That the university is relatively newly-formed and small, has helped it in the pursuit of integrating ethics into the institution and the curriculum. In addition, the majority of its students are not seeking to work for large financial or professional service companies. In contrast, larger, older universities with different student and subject profiles may find it more difficult to pursue business ethics in the same way.

Ian Jamieson, Visiting Professor, School of Management, University of Bath, made the point that one of the greatest assets that any university has is its reputation. That reputation must, in part, be built upon behaving in an ethical manner. This is played out locally (pressure to be a ‘good citizen’ e.g. contributing resources to the local community) and nationally (its position in rankings is key to student recruitment and research funding). For international students in the market place, reputation is everything. As with other organisations, universities also live in a regulatory environment, which Ian feels pushes them in a generally benign direction.

Ian pointed out that business schools and their staff are very different to the rest of the university. They often have the best buildings and equipment, the student profile is different (older, wealthier people), staff are paid more and have different career trajectories to other academic staff, while the research they produce is often narrow, case-study based and not very highly rated. Generally speaking, they bring in the most money to the university which it uses to cross subsidise other parts which lose money. However, there is a degree of suspicion between the business school and the rest of the university which can sometimes make it harder to persuade the business school to do certain sorts of things.

The role of students at universities varies enormously from place to place. At Bath they are very powerful. Generally speaking they are set to become the biggest stakeholder in the future since they will be putting more of their own money at stake. Changes in legislation will also mean that student unions will become much more independent and therefore be in a position to challenge universities more than they ever have in the past.

One of the ethical issues that Bath has faced is how honorary degrees are awarded to individuals. Even though nominations are decided in committee, there have been lots of disagreements and quite a number of nominees are turned down because they, or the company they are associated with, are thought to be disreputable and have been involved in unethical practices. There are also arguments about ethical investments and alliances and partnerships with institutions in countries where free speech is not guaranteed.

In business studies the share price is taught as ‘the bottom line’. You are taught to value this over all else. Business studies is missing an integrated approach to business ethics.
When it comes to teaching business ethics it can be difficult to tell people what to teach. Whilst Bath legislates for things such as assessment and cheating, it works on the presumption that each department knows what it is doing and there is not a great deal of pressure or scrutiny on curriculum content – as long as it satisfies core syllabus requirements.

**APPENDIX**

**CONVENOR**

The **Institute for Global Ethics UK Trust** is a UK charity set up in 1995 with a mission ‘to promote ethical behaviour in individuals, and cultures of integrity in institutions and nations, through research, public discourse and practical action’. It encourages the exploration of shared values, and promotes ethical decision-making and taking action with individuals and organisations through its project work, training and consultancy. IGE was originally founded in 1990 in the US as an independent, non-profit research and educational organisation dedicated to promoting ethics in a global context. From 1999-2009 IGE UK led a long-running project *Personal Responsibility: Building a Responsible Society* jointly funded by the Comino and Gordon Cook Foundations. These consultations build on the Comino Foundation’s long interest in business ethics and responsible wealth creation and the Gordon Cook Foundation’s more recent drive in Scotland to promote professional ethics.

**FUNDER**

The **Gordon Cook Foundation** is an Aberdeen-based charity, established in 1974, and is dedicated to the advancement and promotion of all aspects of education which are likely to promote ‘character development’ and ‘citizenship’. It has promoted over 230 projects based on ‘values’ education.

**FACILITATOR**

The **Institute of Business Ethics** was founded 25 years ago. It has published over 20 books on business ethics topics; conducted surveys on the use of codes of ethics within companies; developed training programmes in business ethics, from induction programmes to the board room; worked with academics and business schools to promote the study of business ethics within MBA and business studies courses; and offered advice and support to business ethics practitioners and their companies. The IBE also holds events under the Chatham House Rule so that ethical issues which organisations commonly face may be discussed.

**VENUE**

**St George’s House** is a venue conducive to open moral debate. The facilitation of this type of debate was a central tenet in terms of its creation in the mid 1960’s by the Duke of Edinburgh and the Dean of Windsor. Since then, St George’s House has been at the heart of driving ethical analysis and decision-making around public and personal affairs. This consultation continues its long-standing interest in the dissemination of values and ethical behaviour.
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* Unable to travel on the day