Are business schools doing enough to promote cultures of integrity in business?

Report of a Consultation at St George’s House, Windsor Castle
December 2-3, 2010
Acknowledgements

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We also benefited greatly from the support of Simon Webley, Research Director, of the Institute of Business Ethics who critiqued the agenda, helped bring business leaders to the consultation and chaired the final session at St George’s House.

Michael Cooper, who started the first UK Chapter in support of the 2009 Harvard MBA Oath at Strathclyde Business School, introduced me to Paul Hibbert, Reader in Management Studies, who helped shape the agenda. This led to the Dean of Strathclyde writing to fellow Deans of all the business schools in the UK that had signed up to the Harvard MBA Oath, inviting them to nominate current or recent MBAs.

We were most grateful to Steve Marshall, Chairman of Balfour Beatty plc., Charles Elliott, former Dean of Trinity Hall, Cambridge, and Michael Cooper MBA, representing the three constituencies that had been invited, and to get the conversation started, for speaking from a personal perspective on what ethics meant to each of them. Andrew Phillips OBE, Lord Phillips of Sudbury, braved freezing conditions and transport delays to act as our provocateur on the first evening.

We also wish to acknowledge the continuing generosity of the Comino and Gordon Cook Foundations, as without their financial support the consultation would not have taken place.

Sincere thanks are due to colleagues at the Institute for Global Ethics UK Trust – Steen Steincke, Chair of Trustees, Graeme Cullens and Anthony Ruback of the Corporate Development Group, not to mention Deepa Shah, Projects Assistant, who remained calm amidst the myriad changes in the composition of the consultation, occasioned by the severe weather conditions prevailing at the time.

Last, but by no means least, appreciation is due to the persistence of all those participants who did make it through the snow, and for the calibre of their contributions. This is their report.

Sheila Bloom
Chief Executive
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Executive Summary

Six defining issues loom large for UK business schools in promoting cultures of integrity in business. These were the conclusions of the participants at a consultation held in St George’s House at Windsor Castle on December 2 and 3, 2010. The consultation, organised by the Institute for Global Ethics UK Trust (IGE UK), funded by the Comino and Gordon Cook Foundations, and supported by the Institute of Business Ethics and Strathclyde Business School, sought to establish how current provision in UK business schools might need to be scoped differently to provide new business leaders with the tools for becoming the strong ethical leaders of the future.

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?

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.

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’.

RANKING AND ACCREDITATION Accreditation bodies, and league table setters such as the Financial Times, need to be challenged on what their success criteria for business schools are.

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.

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 include a better understanding of ethical issues.

THE QUESTION This report marks the beginning of an initiative by IGE UK, supported by the Comino and Gordon Cook Foundations, to explore how current provision in UK business schools might need to be scoped differently to provide new business leaders with the tools for becoming the strong ethical leaders of the future. A larger question, though it was not addressed in this particular consultation, loomed in the background. If business schools worldwide were sufficiently effective in teaching business ethics, would the global economic crisis of 2008 have occurred?

THE CONTEXT The impetus for the event came from a number of sources and was prompted by the Harvard MBA Oath initiated by the Class of 2009. It sought to 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. This consultation is a continuation of a long-running project on ‘Building a Responsible Society’ led by IGE UK and jointly funded by the Comino and Gordon Cook Foundations.
IGE UK also found it had a shared interest with the Institute of Business Ethics (IBE) in the area of business ethics education and has been most grateful for IBE’s collaboration, and also that of Strathclyde Business School which was the first UK Chapter to sign up to the MBA Oath, in planning the agenda and bringing together the participants.

All of this coincided with publication of ‘The Ethics Recession: Reflections on the Moral Underpinnings of the Current Economic Crisis’ by IGE’s founder and president, Dr. Rushworth M. Kidder.

**THE 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.

**THE FUNDERS**

The Comino Foundation is an educational charity whose vision is that people in Britain should live more fulfilled lives within a prosperous and responsible society. The Foundation encourages the development of an affirmative cultural attitude to industry and also works to enrich the personal impact of education through its Comino Centres and other grantees.

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.

**THE FACILITATORS**

The Institute of Business Ethics was founded over 20 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.

Strathclyde Business School is one of four faculties forming the University of Strathclyde in Glasgow. As one of the largest institutions of its kind in Europe, with around 200 academic staff and more than 3000 full-time students (undergraduate and postgraduate), its 11 subject departments and specialist units collaborate to provide a dynamic, fully-rounded and varied programme of specialist and cross-disciplinary postgraduate courses. Strathclyde was the first business school in the UK to set up a Chapter in support of the MBA Oath initiated by the Class of 2009 Graduates of Harvard Business School. This initiative, which was a direct result of that year’s economic crisis, had the objective of creating a community of MBAs with a high standard for ethical and professional behaviour in management and addressing some of the causes of this crisis.
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 1960s 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.

Drawn from across the UK, the participants represented three main constituencies – current or recent MBA students, academics and business leaders (for a full list of the participants, see back cover).

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 at St. George’s House, unless a decision is reached corporately at the consultation to publish a summary of the proceedings, as was agreed in this case.

The consultation was designed to obtain the thoughts and ideas of three key constituents:

- Current/recent MBA students
- Academics from business schools
- Business leaders

As key stakeholders in business education, the aim was to get each group’s views on whether business schools are doing enough to promote cultures of integrity in business. In order to encourage more focused discussion, the large group was split into smaller groups. On the first day of the consultation the groups were organised by constituency; on the second day the groups were mixed. The key points arising from the small group discussions were subsequently fed back to all participants.

To stimulate discussion, individual perspectives were offered by Steve Marshall, Chairman of Balfour Beatty plc, Charles Elliott, former Dean of Trinity Hall, University of Cambridge; and Michael Cooper, recent MBA graduate of Strathclyde Business School, on why ethics matters to each of them. Andrew Phillips OBE, Lord Phillips of Sudbury, also acted as provocateur in a keynote talk after dinner on the first evening, followed by open discussion.

Steve Marshall, Chairman of Balfour Beatty plc

Professionally, Steve Marshall is concerned that there has been an over extension of lessons from the financial services collapse to business. He also questions the public image there is some sort of ‘moral taint’ across corporate land and that something has to be done. There is evidence that a lot of large corporates have made significant progress in ethical issues over the last few years. In the long run, Balfour Beatty’s licence to operate depends on the ability of employees to behave ethically. There is a real risk to the reputation of the business if companies do not do the ‘right’ thing – the impacts can be catastrophic.

Personally, he related how he finds the subject of ethics fascinating. Markets such as the UK are becoming more secular, and moral codes that might have been taken as a given are no longer. What are employees really thinking when they come to
work and what are their values? This affects how receptive they are to what the company regards as a sensible way of doing business — is there going to be an easy fit anymore? Is there an element of anger, moral outrage and disappointment when you find someone has acted in an unethical way, or is it just a question of compliance? Can you really teach people business ethics? What does that mean?

Charles Elliot, Former Dean of Trinity Hall, University of Cambridge

Charles Elliott spent a number of years teaching economics and ethics simultaneously to different groups of students. He found it challenging and frustrating when he tried to generate dialogue between the two groups. Generally, the economists were not particularly interested in engaging in a serious conversation about the ethical foundations of economics, despite the fact that in the 18th and 19th century, economics was known as a moral science. When you moved to ethics, things got worse. He described the ‘ethics cupboard’ as ‘bare’. Our young people are being equipped with the technical ability but when, and if, they do ask about the ethical foundations of that, they find that the foundations are pretty wobbly.

There is a great amount of discourse around sustainability, but it will not do what an ethical framework needs to do. We need to ask difficult questions. There is a danger that we set up conversations about business ethics in too trivial a way. We talk about health and safety, killing people, misleading consumers and so on. Whilst these are obviously important issues, the real question is the ethics of making hundreds of employees redundant as a result of the banks’ failings. We need to raise the ethical game to examine the way in which we make business, and ultimately economic policy decisions, so these ethical questions are kept centre stage.

Michael Cooper MBA, Strathclyde Business School

Michael Cooper spent the last 10 years working with the pharmaceuticals industry where he witnessed unethical behaviour — but, he suggested, no more or no less than people do in any other sector. He came to think that the root cause of the problem in the industry was the culture and not the individuals. In his experience, he never encountered a culture of ethics from the top. For large pharmaceutical companies, complying with the law is optional — it is seen as how much can you get away with.

When he did an ‘ethical audit’ of business schools in the UK, there wasn’t much on offer. This inspired him to start the UK’s first chapter of the Harvard MBA Oath. Whilst the Oath has been criticised, he sees it as a good place to start and the first step towards professionalising management. He has noticed a lot more awareness of ethics amongst students and encountered both negative and positive feelings towards the MBA Oath but sees any reaction to business ethics as positive — it shows that even if you don’t agree with the principles, you have engaged with the concept. Just getting ethics on to the radar of students is half the challenge.

He does not believe that you can teach people to be ethical. All you can do is equip MBAs with the tools to make ethical decisions.
Andrew Phillips OBE, Lord Phillips of Sudbury

Lord Phillips described how the City of London has changed dramatically since he first worked in it several decades ago. The recent economic crisis, for him, was not a surprise – it was inevitable that we were heading towards some sort of implosion. The moral air was so thin that it could not sustain life indefinitely. While recognising that the City, and more generally, business, is by and large made up of good ‘normal’ people who don’t go into work to do ‘wicked things’, it is almost as if individuals are having to live ‘a split personality life’. Many are subject to intense pressures – were they to do anything against the grain they would suffer the direct consequences for it.

We have lost our moral bearings. Indeed business is terrified of morals. Morals confuse because people can have different morals, and morals slow things up. The more we abandon community values and self-regulation, the more parliament regulates; but the more you regulate the more it drives out moral self-regulation. And does reputation matter today for large firms? There are many examples of large companies that have been fined for unethical behavior, but have continued to operate relatively unscathed.

Moral courage is in devastatingly short supply these days. Yet it is as invaluable and indispensable a virtue as any. Today’s corporate structure plus limited liability has discouraged personal accountability. It does not, however, take away from each of us the personal duty to decide what is right or wrong. Ultimately, we need a reformation – could business schools be the leaders of this reformation? They would be the natural place to start.

THE CONCLUSIONS

Of the scores of points the participants discussed, six stood out as overarching issues that needed to be addressed to move this agenda forward. In no particular order, they were:

Nomenclature
There is a problem with language. We need to change the way in which business ethics is disseminated and presented in business schools.

We need to define clearly what we mean by business ethics and what the change in culture is that we wish to see. The distinction between the definitions of sustainability, corporate responsibility, business ethics, corporate citizenship remains blurred. It was suggested that there is a clear distinction – business ethics has direct reference to moral frameworks. There is a difference between doing ethical things and doing things ethically. What is important is that we concentrate on the issues that we want to address and not the labels. Recently, business ethics has taken a back seat to the discourse of corporate responsibility and sustainability – we need to bring it back to the centre of the debate about cultures of integrity. To achieve change within companies and business courses, we need to engage at both the high level (business leaders, deans etc.) and at the grassroots level (of recruits to companies, business students and alumni).

Teaching and researching business ethics
As a professional issue for academics, teaching business ethics or publishing on ethics-related research topics does not generally give status or advancement for one’s career or academic institution. Such topics are of marginal interest to prestigious business journals like the Harvard Business Review. Specialised journals, such as the Journal of Business Ethics, are not held in such high esteem and journal rankings are used by the government to hand out research funding. There is a need...
to challenge editors of business journals (mainly US-based) to raise the status of business ethics in the hierarchy of research-based articles, and to get articles on business ethics into high ranking journals, such as the Harvard Business Review.

**Embedding ethics in business courses**

There was general agreement that, overall, the current provision of business ethics education on offer from business schools in the UK is poor. More often, it appears the teaching of business ethics in business education is compartmentalised and not integrated very well into the programme. It is often trivialised and marginalised, through a focus on compliance, health and safety, labeling and such like. Where there is a module offered on the subject, it is more often than not an elective, rather than a core component of the course.

Although there is no clear sense that current provision is helping MBA students sharpen their ethical acumen, we found that 25 out of the 50 business schools we surveyed have signed up to the UN Principles of Responsible Management Education. However, behind the numbers there is a complicated picture and there can be a ‘mismatch’ between the claims that a university makes on its website, and what the student’s experience of integration of business ethics is.

There are exceptions, of course, including the MBA at the International Centre for Corporate Social Responsibility at the University of Nottingham, which is consistently ranked highly by the Aspen Institute; the initiative being introduced at Cass Business School to integrate business ethics across the entire syllabus, including training programmes for many academics in order to improve confidence and skills in embedding ethics within ‘standard’ MBA courses; and at Said Business School, University of Oxford, where business ethics is framed in the context of corporate responsibility, risk management, and new business opportunity particularly as it relates to social and environmental stewardship. Students are encouraged to consider the business ethics angle when making decisions in a ‘finite resource’ world. This presents the subject as ‘making good business sense’ as opposed to merely ‘nice to have’.

Whilst there was a general agreement amongst the group that a business school cannot teach people to be ethical, it is in a position to be able to engage students with ethical issues and ethical dilemmas, raise ethics onto the agenda, and encourage business students who are future business leaders to acknowledge ethics within their professional decision-making. There was a call for more captains of industry to go into business schools to talk to students. These should not be business ethics or CR professionals, but CEOs, CFOs and VPs who have unbiased stories to share that demonstrate the importance of managing with more than just the bottom line in mind.

**Ranking and accreditation of business schools**

It was felt that ranking was the biggest pressure on business schools. Schools are too focused on achieving their rankings, and ranking criteria - such as salary uplift, published research and internationalism - militate against the ethical dimension of MBA education. Ethics-related research topics are of marginal interest to business journals and fixation with rankings causes business schools to depart from their educational values.

Longer term, we need to understand the incentives that influence the behaviour of business schools (government funding of universities, government and corporate funding of research, journal rankings, business school rankings) and
focus on aligning these incentives with our objective of shifting behaviour and incorporating business ethics into the curriculum in business schools.

There needs to be a shift in the focus of rankings to incorporate the teaching of business ethics into their scoring criteria. It was also agreed that the Association of MBAs, the Association of Business Schools and other accreditation bodies are central to any change in business education.

**Institutional ethics**
Participants discussed the need for business schools to re-engage with the university and vice versa (as there appears to be little dialogue between them) and to have the conversation about what the university is for. Universities are like companies – seeking profit and investing in their brand. In addition to teaching citizenship and civic values, the university should be teaching ethics as well. Thus the question is not just what can business schools do, but rather what can universities, as a whole, do?

Some business schools are driving change in ethics education, some are not. And just as companies struggle with the structural problem of shareholder value, business schools struggle with the structural problem of a certain kind of competition around scholarship, in which neither ethics nor teaching are highly ranked.

It was debated whether financial reliance on international students militates against ethics teaching and if there is a fear that raising the profile of ethics will raise difficult issues of cultural difference, leading overseas students to go elsewhere, adversely impacting funding. Or should this be seen as an opportunity to focus on shared values across cultures and shared global challenges, rather than identifying differences and indulging in moral relativism.

International and cross-cultural perspectives are important in taking forward business ethics in business schools. Whereas some may see it as a dilemma whether business schools should ‘peddle’ Western perspectives, others felt it is the duty of business schools to make all students aware of cultural and ethical frameworks, and that cultural differences need to be recognised and addressed. It was suggested that business schools could be much more creative in drawing on their diverse student body to stimulate discussions around business ethics.

**Stakeholders**
It is challenging to understand where power really lies amongst the various stakeholders when thinking about pushing for enhanced ethics education. Who might lead this agenda? Is it the students? Is it the companies? Or is it the business schools? How can they lead this? Can the business schools work together to promote the importance of the subject?

We need to understand the incentives from different stakeholder groups that create behaviours, and understand where these are aligned and where they clash.
When we understand this we can start to change these incentives in the short term to achieve long term change.

In thinking of business education as an eco-system with three distinct groups of stakeholders (business, academics and students), what might be the most powerful drivers for change? Is it business? Are companies being clear about what they are looking for and what their expectations of business graduates are? Are employers likely to place more emphasis on the importance of having an ‘ethical awareness’ in their recruitment and selection processes?

The ethical practices of employers are more on the radar for graduates than ever before. However, it was suggested that it is more of a hygiene factor than a motivator when choosing an employer – remuneration being the ultimate influencing factor.

As is so often the case, the consultation raised more questions than it set out to answer. Further recommendations that are now also being explored include:

- Raising the profile of ethics in business education at the European Business Ethics Network (EBEN) Conference in the UK in April by involving the MBA alumni that attended the consultation.

- Convening a further consultation with a wider group of stakeholders and interested parties such as accreditation bodies including the Association of MBAs and European Quality Improvement System, trade associations, professional bodies, universities (as a whole – not just the business school), auditors, NGOs, and rankings organisations including the Financial Times. Agenda to include re-examination of the role of universities (including business schools): is it to prepare people for the world the way it is, or the way it should be?

- Establishing an informal network of ethical champions in the business schools, perhaps allied to and leavened by a few of their equivalents in the real world of business/finance, that would be mutually supportive and could help identify other initiatives that would ‘keep the ball rolling’.

- Promoting the creation of a single body/forum representing interests of all parties involved in this debate which would give greater voice to all and facilitate lobbying processes.

- Understanding the incentives that influence behaviour of business schools. Focus on aligning these incentives with our objective of shifting behaviour and incorporating business ethics into the curriculum in business schools.

- Mapping key stakeholders of business schools and providing a mechanism for them to feedback their expectations of students, which may include a better understanding of ethical issues. This is a method of lobbying.

- Exploring with receptive business schools the possibility of having a ‘pre-MBA’ course where the focus is on soft skills and business ethics.
Are business schools doing enough to promote cultures of integrity in business?

A Consultation at St George’s House, Windsor Castle,
Thursday 2 & Friday 3 December, 2010

Participant List

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José Chambers, Development Fellow, Comino Foundation
William Chapman*, Private Secretary to Lord Mayor, City of London Corporation
Michael Cooper, MBA graduate, Strathclyde Business School
Graeme Cullens, Partner, Lindisfarne Partners LLP, IGE UK Corporate Development Group
Claire de Sousa, Executive MBA Student, CASS Business School
Charles Elliot, Former Dean of Trinity Hall, University of Cambridge
Andrew Hall*, Head of Professional Standards, Chartered Institute for Securities & Investments
Stefano Harney, Chair in Strategy, Culture and Society, Queen Mary, University of London
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Keynote speaker:
Andrew Phillips OBE, Lord Phillips of Sudbury

For the Institute for Global Ethics UK Trust
Sheila Bloom, Chief Executive
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* Unable to travel on the day due to the severe weather conditions