**Chapter 1**

**Introducing Straight Talk About Business Ethics: Where We’re Going and Why**

**Contents:** *(Please note: the Instructor Guide for every chapter will follow this structure.)*

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**Chapter Outline**

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**Discussion Questions – Teaching Notes**

**1.** ***Before reading this chapter, did you think of ethics as "just a fad?" Why or why not? What do you think now? Why?***

Probes to Stimulate Discussion

* "If a roving reporter had stopped you last week on the street and asked you your opinion of the attention being given in the media to business ethics, what would you have said?"
* "Would you have said the same thing if the street had been Wall Street?"
* "Has your opinion changed since reading this chapter? Why?"
* "What three points would you use to respond to someone who claims that business ethics is a fad?"

***2. Have you been cynical about business and its leaders? Why or why not?***

***(See the following cynicism exercise.) How does cynicism affect you, as a business student or as a manager?***

Probes to Stimulate Discussion

* "If you are cynical, name two instances that illustrate the source of your cynicism."
* "What about each of these instances makes you cynical?"
* "If you don't feel cynical, what is your opinion about the lapses in ethics represented by such practices as sexual harassment disclosures, attempted bribes, or skimming profits?”
* "What does your score on the "Cynicism Quotient" mean to you? Were you surprised by it?"
* “How does cynicism affect you, as a business student or as a manager?”
* "In what ways would the cynical attitudes of others influence your ethical behavior?"

1. ***Can you think of something that is legal but unethical, or something that is ethical, but illegal?***

Probes to Stimulate Discussion

* “If something is legal but unethical, what do you think would be the best way to ‘manage’ it in the organization?”
* “Is it appropriate for an individual to act on personal ethical beliefs (e.g., pro-life beliefs) in a work organization? For example, would it be appropriate to picket your company for offering health care benefits for abortion?”

***4. Do you think business ethics/social responsibility is important? Why or why not?***

Recall what was said in Chapter 1 about the cynicism of the public regarding business and industry in light of the media coverage of their ethical lapses:

a. Public holds contemptuous mistrust of many professional groups

b. Prevalence of cynicism among managers and business students that employers do or will require them to compromise their ethics

1. Causes of cynicism:

* Businesses' preoccupation with gain
* Lack of reinforcement of ethical behavior
* Competition
* Acceptance of unethical practices within business and industry
* Perception that only results are important
* Ineffective enforcement of ethics codes

Although there are mixed research results regarding the claim that good ethics is good business, it behooves any intelligent organization to get and maintain an ethical image if they want to retain and increase their client base.

It is the social responsibility of organizations to conduct their business ethically, because they are role models for their employees and society at large.

Business ethics gives an organization the knowledge and skills necessary to:

* Set ethical standards for themselves and their employees
* Establish policies and practices that support ethical behavior
* Provide managers the tools to manage unethical behavior

Probes to Stimulate Discussion

* "Regarding the responses above, what was the basis of response #1?" (Economic concern)
* "What was the basis of response #2?" (Moral concern)
* "Have you observed situations where business ethics was important? Describe one. What would have happened differently if the participants hadn't behaved ethically?"
* "Briefly describe two different situations, one which relates an ethical behavior that you have observed, the other which relates an unethical behavior that you have observed."

***5. Identify reasons why an organization would be interested in being ethical, and classify those reasons in terms of whether they represent moral motivation or economic motivation.***

Possible Answers with Economic Motives

* Ability to attract employees
* Better public image
* Industry pressure
* Sentencing guidelines

Possible Answers with Moral Motives

* The fair and right thing to do
* Consistent with values of the organization

Probes to Stimulate Discussion

* "Let's take a poll before we answer this question. How many think there will be more reasons dealing with moral motivation and how many think there will be more reasons dealing with economic motivation?" Ask for show of hands, and then ask volunteers from each side of the question. "Why did you vote the way you did?"
* "What are three attitudes that predominate in ethical decision making in your organization?"
* To what extent is each level responsible?"
* "Is operating on the philanthropic level an option or a responsibility?"

***6. Think about the television programs and films you've seen recently in which business was portrayed in some way. How were business and business people portrayed? Is there anything business could or should do to improve its media image? Some businesses try to stay out of the limelight. Why might that be? What do you think of that strategy?***

Probes to Stimulate Discussion

* "Describe a situation from a television show or a film in which an unethical behavior occurred. Who was involved? What were the results to others of the unethical behavior? Have you seen this kind of situation before in other shows or films? Does this represent "art imitating life" or "showing what sells?"
* "Do you think the media is being responsible in the way it reports the ethical behavior of individuals and organizations?"
* "Does the media teach ethics in their story lines? What kind of ethics do they teach?"
* "In addition to outright unethical behavior, what are the other ways in which business contributes to the image of "profit first"?"

***7. Do you believe that employees are more attracted and committed to ethical organizations? Are you? Why or why not? Make a list of the companies you would prefer to work for and the reasons why. Are there also companies that you would refuse to work for? Why? Are there “ethically neutral” companies that don’t belong on either list***?

Possible Answers

* Research suggests that individuals are attracted to ethical organizations.
* Students line up to apply for jobs at Vanguard, Google, and other highly regarded companies because of their excellent reputations for ethical management.

Probes to Stimulate Discussion

* "What can average employees do in an ethical environment that they can't do in an unethical one?"
* "If we believe that employees are more attracted to ethical organizations, does that support the contention that moral motives are every bit as powerful as economic ones in peoples' decision making?"
* "What are the flaws in thinking only about economic motives?"
* "What are the flaws in thinking only about moral motives?"
* "Imagine that you've been asked to describe five characteristics of an ideal organization. What would they be? Take 3 to 5 minutes to think about this so you don't just write down the first things that come to your mind. Is ethics among the top five characteristics? Why or why not?"

1. ***Discuss the importance of trust in business. Can you cite examples? What happens when trust is lost?***

Possible Answers

* Trust is essential to efficient business – if there is no trust, it’s almost impossible to do business.
* Without trust, one needs complicated contracts and lots of lawyers.
* In situations where trust is high, business can be conducted with a promise and a handshake.
* Regulators and the public are forgiving when companies try to do the right thing; they’re very unforgiving with companies that lie or stonewall.
* The best insurance policy a company can have is the will to do the right thing.

Probes to Stimulate Discussion

* “In the wake of the financial debacle, what will it take for the investing public to regain their trust the financial markets?”
* “How do you think the financial crisis has affected the reputations of financial firms such as Citigroup, Morgan Stanley, Bank of America, and Goldman Sachs? Do you think college students are as eager to be hired by one of those companies as they used to be before the crisis? Have these firms suffered as a result of the crisis. If no, why not?

1. ***What can we learn about business ethics from the recent financial crisis?***

Possible Answers:’

* A lot of people think, “Greed is good.”
* The financial industry (Wall Street, government, regulators, rating agencies – pick your poison) is corrupt.
* Unregulated business can be a recipe for disaster.
* Ordinary people who invest are no match for professionals – it’s all “inside baseball.”
* Huge compensation packages can cause huge problems.

Probes to stimulate discussion:

* Who do you think was most to blame for the financial crash of 2008?
* Has anyone been punished for his or her role in the crisis?
* Do you know of anyone who suffered harm as a result of this financial collapse?
* Will new regulations help prevent a future crisis?
* What role do you think compensation played in the crisis?
* What role will the bailouts of 2008 play in future crises?

**In-Class Exercises**

**Exercise #1: Who Has Integrity?**

As you know, it’s important to get students engaged in the subject matter of a course as soon as possible. You can begin this process of interaction in the first class by asking students to introduce themselves and describe someone they know who has high integrity. Here’s how it works:

1. Allow each student about 1 minute (give or take) to introduce himself/herself and describe a “person with high integrity” in his/her life. (Most of the time, students will talk about their parents or grandparents.) So, if you have 25 students in your class, it will take about 30 – 40 minutes to complete this exercise.
2. Ask each student for two things:
   1. Introduction: their name, year, and major
   2. Who do they know with high integrity – and describe how that person behaves that makes that obvious
3. You should start it off by describing someone YOU know who has high integrity – demonstrate what you want from your students and take a few minutes to do this. It will give them time to think about an answer. Go around the room in order.
4. As students rattle off the qualities that indicate integrity, write them on the blackboard or flip chart and try to distill the qualities they are describing. Typical responses include: consistency. honesty, high standards, kindness, focus on others (not just themselves) etc.
5. When the students have finished, the blackboard should contain an overview of the characteristics most of us think of when we consider honesty and integrity. The students’ words will have “painted a picture” of integrity.

**Exercise #2: Your Cynicism Quotient**

This is a great exercise because it will give students some idea of how they have been affected by media portrayals of business people. Of course, you can use this as a PPT slide and ask for a show of hands for each question. You can also hand out a paper survey in class and have students complete it right there as an in-class exercise and use it as a springboard for discussion. You can also use a free online web survey (like Survey Monkey) and have students complete the survey online. You can then tally their responses and use the results in the next class to spur discussion. Students will no doubt be surprised by the results.

*A note: In research that is currently underway – we’ll write about the results in the next edition of the book – we’re finding that about 20% of male and 10% of female undergraduates are very cynical and about 10% of males and 5% of female undergraduates are moderately cynical.*

You can copy the grid on the following page and use it in class.

**Your Cynicism Quotient**

Answer the following questions as honestly as you can. Circle the number between 1 and 5 that best represents your own beliefs about business.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Strongly Disagree** |  |  |  | **Strongly Agree** |
| 1. Financial gain is all that counts in business | **1** | **2** | **3** | **4** | **5** |
| 2. Ethical standards must be compromised in business practice | **1** | **2** | **3** | **4** | **5** |
| 3. The more financially successful the businessperson, the more unethical the behavior. | **1** | **2** | **3** | **4** | **5** |
| 4. Moral values are irrelevant in business | **1** | **2** | **3** | **4** | **5** |
| 5. The business world has its own rules. | **1** | **2** | **3** | **4** | **5** |
| 6. Business persons care only about making profit. | **1** | **2** | **3** | **4** | **5** |
| 7. Business is like a game - one plays to win. | **1** | **2** | **3** | **4** | **5** |
| 8. In business, people will do anything to further their own interest | **1** | **2** | **3** | **4** | **5** |
| 9. Competition forces business managers to resort to shady practices. | **1** | **2** | **3** | **4** | **5** |
| 10. The profit motive pressures managers to compromise their ethical concerns. | **1** | **2** | **3** | **4** | **5** |

Scoring Procedures

\* Add the total number of points. The maximum is 50 points. Total \_\_\_\_\_.

\* The higher your score, the more cynical you are about ethical business practices. Think about the reasons for your responses. Be prepared to discuss them in class.

**Exercise #3**

We feel that it’s important to encourage students to think about what they stand for and what “brand” or image they are communicating to the world. Here’s an exercise we’ve used with great success. This entire exercise takes about 20 - 30 minutes and students generally are very engaged while doing it.

1. Design a slide that looks something like this: Try to use famous people who are very different (who have different “brands”). Below, we have featured Laura Bush, Donald Trump, Tiger Woods, Oprah Winfrey, Paris Hilton, Barack Obama, and Bono. Just pull the images off of the Internet.



2. Divide the class into teams of 3 – 5 students per team. Either assign each team a famous person or ask each team to choose one they want to discuss.

3. Ask the class if anyone present knows any of the famous people featured. (No one will!) Even though they don’t know any of these celebrities, they can probably answer these questions based on what they have read or heard about these people. Give the class 5 – 10 minutes to discuss this in their teams.

Here are some questions you might want to use, or use your own:

* What three adjectives describe him or her?
* What kind of car does he or she drive?
* What is his/her favorite piece of jewelry?
* What three artist/songs are at the top of their favorite playlist?
* Where do they go for their news of the world?
* Do they have a tattoo? If yes, of what and where?

4. Now have each of the teams report out. After each team announces its “guesses,” ask the entire class if they agree. (Almost everyone will!) “Does this sound about right?” When all teams have presented (combine presentations from teams who have the same celebrity), begin the discussion.

5. Why were they able to answer these questions? Was it easy? Was it difficult? In our experience, students find it very easy to “fill in the blanks” about these celebrities. The point: This happens to all of us! People extrapolate all the time based on what they already know about us. So, if you have given people the impression that you are casual about your standards, then they may well extrapolate and figure that you might cooperate with them in fudging the numbers or lying to a client, etc. The very best protection you can have in the workplace is to understand what it is you stand for and then very consciously communicate it. We communicate our “brand” all the time, in everything we do. This exercise is a good way to begin to encourage students to think about what they are projecting to others and be mindful of that personal brand and what others may assume based on it

**Exercise #4: What Would You Do?**

1. Divide the class into teams of 4 – 5 students per team and have them consider the following case:

“When your colleague, Bill, is out of town, you receive a call from his wife. She's having a crisis with one of their children and needs to reach Bill immediately. You offer to track him down for her and when you do, you inadvertently discover that he's vacationing with Marie, the chief investment officer of a prestigious college endowment fund that Bill manages. He tells you to keep his location a secret and that he will call his wife immediately. Two hours later, his wife calls back and screams that his cell phone is off and she hasn't heard from you or him. What do you do?”

* 1. tell her you haven't been able to reach him. Then call your boss and update him on his wife's latest call.
  2. give his wife the number of the hotel where she can reach him.
  3. tell your manager's manager about the situation.
  4. tell her that you left an urgent message for him, but she'll have to wait for his call.

2. Ask them to spend a few minutes discussing this case as a team and deciding which course of action they would take, making sure that they have justifications for their choice. Once the teams have reached their decisions, discuss the case as a group.

Possible Probes to Promote Discussion:

* What are the ethical issues involved in this case? (Most students will “miss” the conflict of interest issues (for Marie and the boss) and the risk to the firm of this relationship.
* Who are the stakeholders?
* Who has the most to lose?
* What are your obligations?
* What could happen if you do nothing?

3. Then reveal the “scores.”

Scores:

A) tell her you haven't been able to reach him. Then call your boss and update him on his wife's latest call. (-30 -- a big lie and collusion with the boss)

B) give his wife the number of the hotel where she can reach him. (10 -- deals only with the immediate crisis, not the conflict of interest)

C) tell your manager's manager about the situation. (30 -- the only option that has the potential to deal with both ethical issues.

D) tell her that you left an urgent message for him, but she'll have to wait for his call. (0 -- also a lie)

NOTE: You can revisit this vignette several times during the semester to discuss ethical frameworks (See Chapter 2) and moral awareness (Chapter 3).

**Homework Assignments:**

**Assignment #1 – Movie Review**

Have students choose a recent Hollywood film to watch for homework. They can watch in small groups or alone. The only requirement -- that the film portrays business in some way. Have each student write a one-page thought paper on how business was portrayed in the film. In class, have a discussion about the general portrayal of business in film. What you should find is that business is generally portrayed in negative terms. For example, most business people in these films are motivated by greed. There are exceptions. For example, in Jerry Maguire, the lead character is motivated by an ethical code. But, throughout the film, he fights the greed of others. Discuss how this generally negative portrayal feeds public cynicism, and why students are choosing to study business if this portrayal is accurate. This assignment is a great way to begin the class, especially for undergraduates who come to a business ethics class with little, if any, work experience. You can demonstrate to them how much their beliefs and attitudes may be influenced by the media.

Some suggested films:

Promised Land

Arbitrage

Something Ventured

The Company Men

The Devil Wears Prada

Inside Job

The Social Network

Too Big to Fail

Wal-Mart: The High Cost of Low Price

Shattered Glass

A Civil Action

Office Space

Boiler Room

Class Action

Michael Clayton

The International

Up in the Air

Capitalism: A Love Story

Sicko

The Constant Gardener

The Corporation

Crash

Disclosure

Enron: The Smartest Guys in the Room

The Firm

Glengarry Glenross

The Insider

Jerry Maguire

Norma Rae

North Country

Philadelphia

Quiz Show

Roger & Me

Syriana

Wall Street

Working Girl

**Assignment #2 – Interview Someone You Respect**

This assignment is actually a way for students to pay a huge compliment to someone they admire and it gives them plenty to think about if they interview someone who has high standards. In our experience, many students select a parent, grandparent, or manager to interview.

Instructions:

* Select someone who you respect and admire. Choose an adult whom you believe has high personal standards. The interview should be approximately 15 – 30 minutes in length.
* Ask the following questions or questions you select for the interview:
  + How important do you think integrity is on a scale of 1 to 10 (1 being not important; 10 being vital)? Why?
  + Who had the most important influence on the formation of your ethical character?
  + Describe a situation that you feel really tested your integrity. What are you glad you did? Is there anything you wish you had done differently?
  + In your experience, what factors can make it difficult for people to make ethical decisions?
  + How important do you think it is for someone to be vocal or open about his or her personal standards?
* Write a two-three page paper about the interview. Make sure you include the following information about the person you interview:
  + Name (or an alias if you wish the person to be anonymous)
  + Relationship to you
  + Age group (e.g., 20s, or 50s, etc.)
  + How long have you known this person?
  + Why did you choose this person to interview?

**Additional Resources**

*1. Frontline on PBS*

Frontline has produced a number of mostly one-hour programs on the financial crisis that are excellent for use in class. A real plus is that most of them are free and can be viewed in their entirety on the Frontline website – click “Watch Video Online”: <http://www.pbs.org/wgbh/pages/frontline/>

Among the fascinating programs are:

On the Financial Crisis:

* The Retirement Gamble
* The Untouchables
* What Happened to the American Dream?
* The Madoff Affair
* The Warning
* The Card Game
* Inside the Meltdown
* Breaking the Bank

Other Programs on Ethics in General:

* Poisoned Waters
* Sick Around America
* Black Money
* The Medicated Child
* A Dangerous Business Revisited

*2. This American Life on National Public Radio*

No one tells as story as well as This American Life and there are many wonderful programs that can be assigned or listened to in class. Their website is at: <http://www.thisamericanlife.org/radio-archives>

Among the best stories are:

* Inside Job (2010 Archive – about the financial crisis and how one Chicago hedge fund made hundreds of millions of dollars for itself while making the financial crisis worse for the rest of us)
* A Giant Pool of Money (2008 Archive – about the financial crisis and what caused it)
* Another Frightening Show About the Economy (2008 Archive – also about the financial crisis)
* NUMMI (2010 Archive – about a GM plant that could have saved GM if they had known what to do with it)
* Getting Away With It (2012 Archive – about people who break the rules and try to justify their behavior)
* Loopholes (2012 Archive – about people who act on technicalities in the face of tough regulations)
* Take the Money and Run for Office (2012 Archive – about the deals that are made in back rooms by lobbyists and politicians)
* Game Changer (2011 Archive – about fracking controversies in Pennsylvania)
* There are many more shows on This American Life that explore business and personal ethics and you can easily explore them by looking through their archives.

*3. Video: American Dream*

This is a1991 documentary film about the 1986 labor dispute between Hormel Company and Hormel's union workers. Hormel lowered employee wages and simultaneously reported $29 million in annual profit.

4. American Apparel Website ([www.americanapparel.net](http://www.americanapparel.net))

This is a provocative website and organization. American Apparel manufactures clothing in Los Angeles and prides itself on making profits but also treating its workers in a very humane way – and it introduces people to workers on the website. The products clearly appeal to youth – the photo collections are sexy and suggestive. That said, the website can make for some interesting discussions in class.

5. Guest Speakers: Convicted White-Collar Criminals

Some people feel it is controversial to invite in a guest speaker who has served time for a white-collar crime. However, the authors’ experience in doing that has been positive. While some people feel strongly that we should not be “rewarding” ex-cons by paying them to speak to a class, we feel that it can be an excellent teaching device. In our experience, ex-cons can deliver a powerful message to students about crime if they are contrite and accept responsibility for their behavior. We have found that they generally deliver the following messages:

* Ethical decision-making is a slippery slope.
* Prisons – even the good ones – are no fun. In fact, they are just awful.
* The effect of the whole “trial, conviction, incarceration, publicity” thing takes a terrible toll on the criminal’s family and can, in many cases, destroy family relationships.
* It’s extremely difficult to get any kind of a job once you have been incarcerated.
* They have paid a debt to society and they continue to pay that debt. It does not end when they are released from prison.

The challenge is finding an ex-con who is contrite, professional, and is someone with whom students can identify. We can recommend Aaron Beam, former co-founder and CFO at Health South who served a short time in prison for his part in the accounting fraud. He is a good speaker and students react well to him. You can contact Aaron via his website ([www.aaronbeam.net](http://www.aaronbeam.net)).

Another possibility is Mark Whitacre, the whistleblower from the ADM price fixing case (and about whom the movie, The Informant, was made. He ended up in prison for years for fraud. His is a complicated but fascinating story. You can contact Mark via his website <http://www.markwhitacre.com/adm.html>.

Finally, another possibility is Justin Paperny who exited federal prison in 2009 for his actions as a stockbroker with a prestigious firm in Los Angeles.  According to Walt Pavlo (who used to speak for us but has now gotten on with his life), Justin is the type of person who admits his shortcomings and has learned from them.  According to Walt, Justin is well spoken, humble and tells his story in a straightforward manner. Justin has a degree from the University of Southern California and was also on the baseball team at USC, appearing in the College World Series. Walt has transferred the website and the Etika business to Justin who will now carry on the work of teaching from mistakes that send too many of our business leaders to prison.  For more information you can visit [www.EtikaLLC.com](https://exchange.smeal.psu.edu/owa/redir.aspx?C=02258a1f9bd74cd7b98b8283d15ea8ee&URL=http%3a%2f%2fwww.EtikaLLC.com) or email Justin directly at JustinPaperny@EtikaLLC.com. We recommend that you get references and check with other business ethics professors before inviting any untried speaker. We have found some speakers to be a bit too slick for our taste. You are giving these speakers credibility by inviting them so caution is definitely in order. On the other hand, this kind of event can be a highlight of a semester.