

Business Ethics Cases and Decision Models: A Call for Relevancy in the Classroom

David L. Mathison

ABSTRACT. Classroom cases and decision making models used in the teaching of business ethics may be inconsistent with the actual needs of practicing manager students. Three summary cases written by practicing manager students are included in this paper as well as evidence that concerns a focus more on interpersonal dilemmas rather than top management decisions. As well, the relevancy of philosophical perspectives of ethical decision models is questioned. More practical, hands-on models for ethical decisions are provided. Finally, conclusions of relevancy for the field are drawn.

Introduction

Few business faculties ever spend lingering moments after class just talking and listening to students. Even less often will these same professors point blank ask students for their honest opinions about just how this course actually squares with real experience in the office. Perhaps this timidity is understandable for those teaching courses in statistics or economics. But when it comes to a hands-on-course like business ethics, this situation warrants concern. To academics who listen, “absolutely irrelevant,” or “hopelessly out of touch” are not uncommon comments. Nor is, “How does Kant’s categorical imperative help me with my pressures to ‘adjust’ my billings?”

The point is simply this: business ethics courses, the way they are currently being taught, may not be speaking to real business persons facing real business

problems. They may, in fact, have an excessively philosophical bent more akin to the classics department. This leaves the field of business ethics with two burning questions that must be addressed: do academics genuinely understand the real ethical dilemmas faced by the real business students during the routine of a normal 10 hour workday? And akin to the first, do educators really serve our students’ best interest by teaching complex philosophical ethical decision models over simplified versions of the same material? The purpose of this paper is to address these two issues. Three actual ethical cases written by Masters level business students will be presented and compared with typical textbook cases. This is followed by three examples of practical ethical decisions that are currently being successfully used in the classrooms of business ethics courses. In an analysis of these questions, conclusions will be drawn.

Are textbook cases really relevant?

Most professors of business ethics would like to imagine they are teaching the “leaders of tomorrow” — entire classes filled with future corporate CEOs. The simple reality is they are not. The vast majority of business students, including MBAs, will find their ranks among middle management in medium to large corporations. This phenomenon has its roots in the emerging crisis of career plateauing experienced by baby boomers. They are glutting the managerial market seeking an ever shrinking number of top corporate slots (Bardwick, 1986). The problem with all this is that educators are not speaking to the real issues faced by real business persons at the managerial levels they will actually work.

This discrepancy is further exacerbated by the

David L. Mathison is an Associate Professor of Management at Loyola Marymount University in Los Angeles. He teaches primary management, policy and business ethics. His research and writing reflects a diversity of interests which include business ethics, women in management, and perception studies as they relate to assessment interviewing.

textbook writers in the field of business ethics and business and society. Both their textbook examples and cases reflect a strong bent toward top executives' dilemmas. Consider 16 major cases presented in Velasquez' (1982) text or the 18 in the Luthans *et al.* (1987), or even the 18 cases in Hosmer's *The Ethics of Management* (1987). Clearly over two-thirds of the cases are centered squarely on CEO concerns.

There is indeed an irrelevant dimension to the business ethics curriculum. Faculty apparently are teaching at one decision-making level and students are and will be functioning on another. The vast majority of our students will fill the ranks of working America at middle and supervisory levels, or become our corporation's sales representatives or in many instances, start their own entrepreneurial efforts (Rockmore, 1987). This fact of life needs to be recognized and respected.

So what can be done?

Professors at Loyola Marymount University have become increasingly aware of this gap in their classroom materials. In one MBA class in business ethics, students were asked to write their own cases based on their own life experiences of ethical problems in their work places. Additionally, they were encouraged to focus on what they interpret as the most critical of issues in their individual firms. The results proved humbling at best when this faculty group reflected on the differences between what was included in the classroom as "relevant and critical" and what they heard when they decided to listen.

These cases varied greatly. However, they were primarily centered on mid-management issues. Predominant themes proved to be more interpersonal in nature and devoid of national and international global issues such as the "Max Weber Reverse Discrimination" case, "Nestlé" or the "Ford Pinto" case. The most commonly cited problems were dismissal decisions, bribery, false billings, deceptions, politics and employee rights.

By example, three representative cases written by these students are presented in summary form. The individual names and firm's identity have been intentionally masked by the student reporters.

Case 1: The case of the sleepy star

When Mr. Beck explained his MBA was from USC, he was hired to head the multimillion dollar project on the spot. This clearly surprised him because of his own doubts about his youthful age and a tenure of less than five years with this major aerospace corporation.

This first managerial position presented many new challenges, but one stood out above the rest. Under his charge were six men and five women, one man and one woman considered by the group as "stars." That is, they were individuals who consistently outperformed the others, who gave their all to each assignment given to them.

The woman-star, however, had one mildly irritating flaw — she arrived invariably late for work every morning. This was something Mr. Beck attempted to overlook in the interest of goodwill and in consideration of the fact that she never left a task until it was completed. Under normal conditions, this was acceptable. However, the corporate V.P. issued a memorandum stating that to remain in compliance with government contracts, all employees are to be at work by 8:00 a.m. with no exceptions.

Mr. Beck was faced with no small problem, the changing of an entrenched tardiness pattern. He made repeated attempts at coercion but to no avail and finally gave up. He just was not going to lose an outstanding employee over such a minor issue. But more problems were brewing. The other ten employees were sending not-so-subtle hints that this very, very attractive starlet was receiving very special treatment. The intraoffice grumbling escalated and Mr. Beck knew some action needed to be taken immediately. In desperation, Mr. Beck started personally giving the sleepy-eyed star routine wake-up calls at 7:30 a.m. sharp each morning. She now wasn't so late. However, when the other ten employees found about this "special arrangement", the roof blew off the ceiling with direct confrontations. Morale deteriorated into shambles and the other star requested a transfer. The final blow to the whole mess — Our sleepy-eyed star is also sharing a very, very close relationship with Mr. Beck's immediate supervisor. So what's a young professional to do? (Nelson, 1987).

Case 2: Ohoy, on-the-take at the shipyard

Mark Take was a quick learner once he received his appointment as purchaser. This was a secondary duty to supervising the Electronics Lab at the San Pedro Naval Shipyards. He had the bribe system down to an art. Mark would initially test each new sales representative by suggesting lunch at one of the local spots. If a rep agreed to pay, Mr. Take would begin to develop the “friendship.” As the friendship warmed, Mr. Take would encourage a salesperson to contribute to Mark Take’s preferred charities. The check was paid to the order of Mr. Take and Mark would, in turn, keep a percentage of the collected money, while taking full write-offs for the small amount ultimately sent to the charities.

As things continued, the sales representatives were encouraged to take Mark and his wife out to very expensive restaurants. As Mr. Take’s avarice steadily increased, he would strongly hint at desires for specific, highly priced items. In a short period of time, he would invariably receive the desired objects, including luxury automobiles.

Mr. Carson, another sales rep, worked for a second company who also did a considerable amount of business with the shipyard. This second firm also had a history of “working with” Mark Take. Carson was aware of this history and with the “methods of business” of Mark Take. Mr. Take contacted Carson and proceeded to “work with” him using the same methods that he has used in the past. So what’s Carson to do — he is between two parties with an established pattern of bribery and perhaps extortion — blow the whistle and lose an account or even worse, a job? (Davison, 1987).

Case 3: So why not? GM can afford it

The life of an accounting manager in charge of five subsidiaries of one of the largest rent-a-car companies is never easy, but why this? Why now? Why me?

Slease Rent-a-Car had an agreement with General Motors (GM) to use GM cars exclusively. For the “privilege” of using and advertising only GM cars, Slease is reimbursed 70% of its advertising expenses by GM. Ms. Dean, CPA, was solely responsible for preparing the report each month which is, in turn,

signed by the V.P. of Finance and the President and then sent to GM. It is her professional task to maintain accuracy and completeness in this report and to survive any audit with “flying colors.”

There is, however, just one nagging problem with this report nearly each time she’s asked to complete it. As the Accounting Manager, she is often asked to inflate and/or create invoices in order for Slease Rent-a-Car to receive, extra, unwarranted revenue. Monthly the President routinely decided if the total dollars on the upcoming report are “adequate.” If not, the V.P. of Finance is told to make some “changes” and he in turn asks the Accounting Manager to create additional “advertising expenses.” The situation is simple; Ms. Dean complies or she loses her job. She is locked in an impossible situation (Luttrell, 1987).

Ethical decision models that work for real business students

Doctor of Philosophy. That’s the degree most Professors of Business hold and that also seems to be their most unshakable framework for thinking — philosophical. This is fine, even preferred, in advanced academic study but it may not cut it with business students especially if philosophy is applied to ethical decision making. A second brief overview of the same textbooks in business ethics revealed yet another disparity. With scant few exceptions, these manuals for the practitioners devote three or so full chapters to advanced philosophical perspectives of ethics.

More critically, few instructors move beyond this error in the classroom. Most lectures within the first month attempt to communicate the utter necessity of learning “Kant’s Categorical Imperative” or the Deontological framework of thinking or Epicurus’ Hedonism. In final desperation, students invariably gravitate toward the old workhorse “utilitarianism” because undergraduates especially, are simply baffled by the intricate logic and terminology. Graduate students, on the other hand, may grasp the concept but throw it to the wind — when it comes to real decisions in the office — again irrelevant.

The experience of Ethics Professors at Loyola Marymount University still validates the need for dealing with the core foundational concepts of

ethics. The merits and disadvantages of egotism, utilitarianism, moral idealism and intuitionism are all explored in the classroom.

However, three additional tools are also presented. The first of these models, termed the "synthesis model", attempts to integrate the best aspects of the traditional models mentioned above and focuses on three core concepts: obligations, ideals, and effects. The other two models (Nash and Pegano) constitute a series of simple but probing practical questions.

Synthesis model

This model is the most philosophically sound among the three because it directly integrates traditional concepts from the field of ethics. It is easy to teach, learn and use and by all reports is useful for the working student when applied to daily situations on the job.

Three foundational concepts must first be understood:

(a) *Obligations* — restrictions on behavior, things one must do or must avoid. *Example*: business relationships, fidelity in contracts, gratitude and justice.

(b) *Ideals* — notions of excellence, the goal of which is to bring greater harmony to self or others. *Example*: concepts as profit, productivity, quality, stability, tolerance and compassion all fit here.

(c) *Effects* — the intended or unintended consequences of a business decision. *Example*: oil rigs on the high seas, a spillage.

The three step process

Step 1 — Identify the important issues involved in the case using obligations, ideals, or effects as a starting point. *Example*: One asks, what are the obligations, ideals or effects involved in this case? The goal here is to expand one's view.

Step 2 — Decide where the main emphasis or focus should lie among the five or so issues generated in Step 1. Which is the major thrust of the case? Is it a certain obligation, ideal or effect? *Example*: It may be a choice of remaining silent about a wing design defect with the effect of people dying in a

plane accident vs. going to the media with the effect of damaging a plane manufacturer's credibility over a personal "hunch".

Step 3 — With the well focused issue worked out in Step 2, now you apply the BASIC DECISION RULES:

(a) When two or more obligations conflict, choose the more important one;

(b) When two or more ideals conflict, or when ideals conflict with obligations, choose the action which honors the higher ideal;

(c) And, when the effects are mixed, choose the action which produces the greatest good or lesser harm. *Example*: In the case of the questioning engineer, clearly saving human lives is the greater good over saving a manufacturer's image (Mathison, 1987).

Nash model

The Nash model (1981) suggests that 12 questions ought to be posed in examining the ethics of a business decision. Laura Nash argues persuasively that these guidelines would make the consideration of ethical dimensions of decisions more practical than relying on the rather abstract concepts of philosophy.

The questions:

(1) Have you defined the problem accurately? — gain precise facts and many of them.

(2) How would you define the problem if you stood on the other side of the fence? — Consider how others deserve it, objectives?

(3) How did this situation occur in the first place? — Consider the history, problem or symptom.

(4) To whom and what do you give your loyalties as a person and as a member of the corporation? — Private duty vs. corporate policy or norms.

(5) What is your intention in making this decision? — Can you take pride in your action?

(6) How does this intention compare with the likely results? — Are results harmful even with good intents?

(7) Whom could your decision or action injure? — A good thing resulting in a bad end? Wanted A, got B.

(8) Can you engage the affected parties in a discussion of the problem before you make your

decision? — Example, talk to workers before closing the plant.

(9) Are you confident that your position will be valid over a long period of time as it seems now? — Look at long-term consequences.

(10) Could you disclose without qualm your decision or action to your boss, your CEO, the board of directors, your family, or society as a whole? — Would you feel comfortable with this on TV?

(11) What is the symbolic potential of your action if understood? If misunderstood? — Sincerity and the perceptions of others.

(12) Under what conditions would you allow exceptions to your stand? — Speeding to a hospital with a heart attack victim (Nash, 1981).

Pagano model

This model simply consists of six clear questions to ask. Pagano argues that rather than relying on one approach or model, it seems far more advantageous to utilize several tests on the ethics of a particular action. He suggests that using the six tests (or questions) can provide useful insights into the ethics of a business action. The Pagano model has advantages over the others in its compactness and simplicity.

The questions:

(1) Is it legal? — This is a core starting point.

(2) The benefit-cost test — The utilitarian perspective of greatest good for greatest number.

(3) The categorical imperative — Do you want this action to be a universal standard? — If it's good for the goose, it's good for the gander.

(4) The Light of Day Test — What if it appeared on TV? Would you be proud?

(5) Do unto others — Golden Rule. Do you want the same to happen to you?

(6) Ventilation Test — Get a second opinion from a wise friend with no investment in the outcome (Pagano, 1987).

Conclusions

Clearly, professors of business ethics and authors of business ethics textbooks have not listened to the practicing manager-student. While massive issues such as disinvestment in South Africa have currency

in the classroom, that is not where most students are. Their concerns are more immediate and personal, such as, should I lie or fudge to save my job, or should I blow the whistle on that petty theft or shall I go along with building a case against a subordinate who is being blackballed? Business ethics textbooks, curriculum and faculty must begin to reflect such issues with more vigor, depth and sensitivity. Academics need to realistically understand the issues that authentically weight down the minds of a generation caught in the middle.

As well, academics, like clergy, need to learn when to leave out the abstract, heady "theology". They must simply become pastoral by repackaging solutions in a language that lay people understand and give them practical tools that get them through the day. Complex philosophically-based ethical decision models are fine for academic study and national conferences. But too often when the tire-meets-the-road on a late Thursday afternoon, academics have only confused the student and all that remains is the Prof said, "Be good." Educators must educate.

Several nuts and bolts models have been presented. Perhaps more will be developed. The challenge is indeed great but if there is not more relevancy, these lofty professors must plead "guilty as charged" to the proverbial accusation of the Ivory Tower.

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*College of Business Administration,
Loyola Marymount University,
Los Angeles, CA 90045,
U.S.A.*