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ABSTRACT

With the near-collapse of financial markets in 2007-2008 and the subsequent scandals, the pendulum has again swung back – in the field of business education – to the question of how business ethics is taught. To explore along these lines, a scenario involving an ethical conflict in a Total Quality Management (TQM) initiative was developed. A class of operations management students was asked to respond. Though the students had no formal business ethics education, the overwhelming majority chose an ethical option. In the light of the results obtained from this experiment, the implications for business education and business are discussed.

Keywords: **Business ethics, Total Quality Management, moral leadership**

INTRODUCTION

"When the bubble finally burst and the crash came, it soon became clear how corrupt and leaderless the […] system had become." [5, p. 684] This was not written about the near-collapse of the financial system in 2007-2008. It was not written after the Enron-era scandals early in the millennia. It was written in 1995 about the October 1987 stock market crash; not the crash of the U.S. stock market, but the crash of the Australian stock market. It is no surprise that a renewed focus on business ethics followed the near-collapse of the U.S. financial system in 2007-2008 and the subsequent scandals. Specifically, how do business schools educate ethical business leaders (a topic that seems to get revisited in the aftermath of the bursting of a financial bubble)? In addition, the topic of quality management also attracts renewed attention following a financial crisis, as excess capacity confronts reduced demand. Therefore, not unexpectedly, there has been a substantive amount of recent work, which demonstrates how business ethics and quality are two sides of the same coin (see, for example, [3]). How can ethics and quality be two sides of the same coin? Ethical managers and employees focus more on serving the customer than lining their pockets. The means by which ethical managers and employees can place the highest value on customers is by providing them (customers) with the highest possible quality goods and services.

If there is a renewed current focus on teaching ethics, exactly how do business educators teach this fundamental topic? Teaching business ethics has traditionally been accomplished through the use of the case study method. As Todd Bridgman [1, p. 2] writes "Typically, business ethics cases are used to teach moral reasoning by exposing students to real-life situations which puts them in the position of a decision-maker faced with a moral dilemma." However, most longer and more complex cases are written from the perspective of a CEO or an executive making corporate policy decisions [4]. Falkenberg and Woiceshyn [2, p. 214] point out "…relatively few business graduates will become senior executives; thus, additional cases highlighting the typical decisions of middle managers and professionals are needed." Even more recent work has posited that case studies should "… encourage … students to attend to structural constraints on managerial decision-making" [1, p. 4].

How, then, does the business educator demonstrate to students the link between quality and ethics in a manner that gives them an introduction to the real world of business decisions? This paper introduces a short fictional scenario that poses an ethical and moral dilemma to a manager implementing her company's TQM initiative. The scenario was presented to an introductory operations management class, where the students were required to describe and briefly justify the decision they would make if they found themselves in the given situation. The student responses are then analyzed; both to learn about their reasoning and for the purpose of improving the current scenario for future use, or for creating new scenarios.

ETHICS AS EXCELLENCE

In 1995, John Milton-Smith wrote that the decade of the 1980s "…was a decade of unsurpassed greed." [5, p. 683] One wonders what he would say of the first decade of the new millennium. Just as during the period after the greed-filled 1980s, "…business schools and professional bodies [have come] under increasing pressure to address the issue of business ethics and to 'develop and educate' a new generation of more ethical business-people." (Milton-Smith, 1991 as cited in [5, p. 684]) This reaction – the idea that "If only business schools could produce ethical business-people, then we would have no more financial bubbles and scandals" – is a logical reaction to the bursting of a financial bubble and the concomitant scandals. More recent news about Barclays and JPMorgan [9] simply serves to illustrate that the scandals are not over, by any means. Interestingly, though, in one study of the teaching of business ethics in business schools "… a significant minority of staff and students opposed the teaching of business ethics on the grounds that unethical behavior had become the norm and profit maximization was *the* [emphasis added] critical business value." [5, p. 685] Let us hope that this viewpoint never gets more than only "a significant minority" of support.

How, then, do business schools, and for that matter businesses, combat this worldview? One answer is "…ethical organizations develop, encourage and enable people at every level to exercise ethical judgment. They are led by executives who promote and practice the covenantal ethic as part of a long-term shared vision." (Robert, M., 1991 as cited in [5, p. 685]) The result is that "…employees obtain a sense of direction, an understanding of how they are contributing to the corporate mission and confirmation of whether or not the organization's espoused values really are its priorities for the purposes of everyday decision making." [5, p. 692] This paper focuses on educating business students to be cognizant of the ethical and moral conflicts that sometimes accompany everyday business decisions. It is the student (later an employee) in these everyday situations that create the ethical and moral foundations of the ethos that shapes eventual corporate behavior. Since situations requiring ethical and moral decisions occur in all facets of business life, it is appropriate and, indeed, necessary to incorporate situations requiring ethical and moral decisions into all facets (i.e., courses) of a business curriculum.

ETHICS AND QUALITY: PERFECT TOGETHER

Why mention ethics in conjunction with quality? Lussier and Achua write that "…to sustain [a] quality initiative in the organization, top management must demonstrate commitment by displaying consistently high ethical standards and by cultivating a high level of trust and respect from members, based not just on stated values but on their willingness to make personal sacrifices for the sake of upholding these values." [3, p. 210]. Philip B. Crosby stated this point much more succinctly: "Quality boils down to one word – integrity." [3, p. 210] So how does society foster ethical organizations? Prior to exploring this question, it is helpful to review the three key existing ethical management models, suggested by Maguad & Krone [3, p. 211]:

1. Moral management: "Conforms to the highest standards of ethical behavior and strives to operate within the confines of sound ethical practices predicated on such norms as fairness, justice, respect for rights and due process."

2. Immoral management: "Focus[es] on exploiting opportunities for corporate or personal gain. Not only is it devoid of ethical principles, but it also implies a positive and active opposition to what is ethical."

3. Amoral management: Not just a middle position between moral and immoral management. Amoral managers believe that different rules apply in business from those in other realms of life.

So what determines into which category an employee falls? We believe that a small percentage of employees actively place themselves in the first category and another small percentage of employees place themselves in the third category. A significant percentage of employees are left to be placed in the second category. We further believe that the size (or percentage) of this second category determines whether the organization as a whole can be considered ethical or not, because it determines whether there are just a few bad apples or the whole lot is bad. What influences can prevent the whole lot from being bad? As Maguad and Krone [3, p. 211] write, "…of utmost importance is the need for top management leadership. The behavior of managers has the most important influence on the ethical behavior of their subordinates." Thus, if a change is to be made in the ethical standards of top managers, how is such a change to be accomplished? As stated previously, most business cases are written for top managers, and the need exists for more cases to be written for middle managers and business professionals. This is especially important when one remembers that a very small minority of top managers start out at the top level. Most work their way up, and are aided in their upward journeys by top management. The problem with this system is that people tend to surround themselves with likeminded individuals, leading to Michael A. Roberto's treatise: *Why Great Leaders Don't Take Yes for an Answer: Managing for Conflict and Consensus* [7]. Maguad and Krone [3] speak of having strong organizational ethics programs and the need for ethics education as a means to prevent ethical lapses.

We believe that ethics education should be emphasized among students and lower-level employees, so that these individuals get adequate practice and exposure in making ethical decisions under "low-pressure" situations and, therefore, do not find themselves in the situation of making their early ethical decisions as a top manager in a "high-pressure" situation. Our adopted scenario, nevertheless, is involved with quality. Why are we then spending so much time on ethics? Maguad and Krone [3, p. 216] write about internal ethics failures vs. external ethic failures and note that "… [internal ethics failures] go largely unnoticed and unmanaged." Bottorff draws an explicit link between quality and ethics, when he states "…[over] half of all documented quality costs could be attributed to the cost of ethics failures." [3, p. 216]. The result is that "… the associated ethics component [of quality costs] is costing companies billions of dollars or pounds annually." [3, p. 216] So, there we have it: Ethics and quality - perfect together. Ethics education will therefore improve quality and save costs. The question, then, is how to teach ethics, especially to students and those below the top management echelons?

CASES, MORAL DILEMMAS, AND MORAL REASONING

Properly constructed cases "…provide a 'halfway house' between abstract concepts and real life experience." [6, p. 142] But, as was pointed out earlier, most ethics cases are written from the perspective of top management. So, the need exists for ethics cases targeted at middle managers and professionals. Additionally, Adler has written that cases should be emphasized that focus not on "…individual bastards, but on cases that tell us something about the broader system and how it permits, encourages, even forces firms to do terrible things." [1, p. 8].

All of these ideas led us to attempt to create a fictional case that illustrated the link between ethics and quality that did not involve top managers. The result was a scenario or "mini-case" developed for an introductory operations management class that raises an ethical conflict in the implementation of a TQM initiative within a company and asks students to respond. Student responses are then analyzed to determine if the fictional scenario is effective in terms of evaluating, whether or not students choose the option that is ethically sound.

The scenario adopted for our purposes is outlined below:

(**N.B.:** Although the companies and the CEO mentioned here are real, the scenario is entirely fictitious.)

> *You are the plant manager for the Ft. Wayne, Indiana plant where Zollner Pistons are manufactured. The pistons manufactured in your plant are sent to Ford's Cleveland Engine Plant No.1 where they will go into 3.5-liter EcoBoost V-6 engines. As part of Ford's quality initiative, top-tier suppliers (of which Zollner Pistons is one) have been asked to implement similar quality initiatives – thereby ensuring that Ford receives parts and components with minimal defects. Consequently Dr. Gerd Kleinert, the CEO of Kolbenschmidt Pierburg (the company that owns Zollner Pistons), assigns you – the plant manager – the job of implementing TQM in your plant. As part of this assignment you must implement a process control system (e.g., quality control charts). After all, Ford is a major customer, pistons are extremely important in the functioning of a vehicle engine,*

and pistons that are either too small or too large are useless. Due to the importance of high quality, Dr. Kleinert tells you that he will determine whether or not you will receive your $100,000 annual bonus based on measurements displayed on your control chart(s). Specifically, you will only receive your annual bonus if your control chart(s) show out-of-control situations AT MOST one percent (1%) of the time. Dr. Kleinert then tells you that you are free to implement the TQM initiative (and create the necessary control charts) however you wish. You head back to your office and start thinking.

*Your plant is a very simple plant with two processes: a process that produces the pistons and another process that involves the arranging of office supplies****.** *The process that creates pistons has – for the last three years – been running with out-of-control situations approximately 25% of the time. The process that arranges the office supplies has – not surprisingly – been running with no (0%) out-of-control situations. If you create control chart(s) that measure the piston-producing process, you won't receive your bonus. If you create control charts that measure the office-supply-arranging process, you will receive your bonus. If you choose the second option, however, there is a 10% chance that Dr. Kleinert will find out what you have done. In that case, not only you don't get your bonus, but you get fired.*

Which process (producing pistons or arranging office supplies) do you measure with control charts? Justify your actions using information from Chapters 9 (Management of Quality) & 10 (Quality Control) with a brief (maximum 10-sentence) response.

*****The process of arranging office supplies was selected due to its low importance

(The textbook in question is Stevenson, W.J. *Operations Management*, 10^{th} edition, 2009 [8, p. 404-485]).

The results obtained from 30 students who participated in this study are summarized in the table below:

	Which process would the student measure?			
	Pistons	Office Supplies	Both	Neither
Percent of students (number of students)	70.0 (21)	6.7 (2)	16.7 (5)	6.7 (2)

The students who chose to measure only the process that produces pistons (we believe) felt they were making an ethical decision. If anything, the students who chose to measure both processes were being more ethical than the students who chose to measure just the piston process: Dr. Kleinert (the CEO) would see the results of both processes (making pistons and arranging office supplies) and, thus, would base the plant manager's bonus on how well both processes were operating – the plant manager would not be "hiding" anything, let alone the piston process. The two students who would measure neither process didn't understand the question, so these two students' answers should be removed from the results. The two students who would measure only the process of arranging the office supplies, were putting the potential for increased income above the ethical need to "…do the right thing."

The useable data, then, have 26 "ethical" responses and 2 "unethical" responses. This is a fairly remarkable result, since these students – all undergraduates – had not had a business ethics course to date. In fact, the brief (two-paragraph) mention of the combination of quality and ethics (in the chapter on "Management of Quality") was not mentioned by the instructor in class. One wonders if the students in this class are representative of students in business courses everywhere – and if the nearly 7% of the students who gave "unethical responses" are the ones whose unethical behavior leads them to high-ranking positions in the business world where they are responsible for the behavior we all abhor.

We use the usable data, mentioned above, to statistically test the proposition that, generally speaking, business students would tend to be more inclined to behave in an ethical manner, in making their choice under the proposed scenario. Defining π as the proportion of students in the population who makes the ethically sound choice, the following null and alternative hypotheses are subjected to a *t*-test:

$$\pi = 0.5$$
$$\pi > 0.5$$

The results of the test clearly show that at the 1% level of significance, the null hypothesis cannot be accepted. In other words, our sample data indicate that a majority of business students do tend to choose the ethical decision, in the context of the experimental situation.

SUMMARY AND CONCLUSION

So what have we learned from this exercise? It is clear that there is a consistent need for business managers in organizations, who act in a more ethical manner. We have also learned that introducing students in business classes to ethical dilemmas involving quality decisions can yield interesting results – results that appear to show that the majority of students tend to make what an impartial observer might classify as ethically sound decisions.

Future work in this area should include the development of more involved and complex cases where the ethically sound choice is not clear-cut, but more muddled. Such work could also include having incoming business school freshmen – before their first class – respond to such a scenario, and then match the results with responses to a similar scenario from graduating seniors. It would then be possible to evaluate if the propensity to make ethically sound decisions increases or decreases over the course of an undergraduate business school education.

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