

An Exploratory Study: Are AACSB Accredited Schools of Business Teaching Ethics Based on the Ethics Education Task Force Recommendations?

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Business leaders have tried to use one set of ethics for their professional responsibilities, another for their personal activities and still another for their family responsibilities. This circle of circumstantial ethics has gotten many leaders into trouble. Ethics is ethics! Given today's ethical challenges, business ethics is the study of how personal moral norms apply to the activities and goals of the business. For purposes of this paper, business ethics is defined as the study of how individuals, at all levels of an business, try to make decisions and live their lives according to a standard of right or wrong behavior; Business ethics is not a separate moral standard, but the study of how the business environment poses its own unique challenges for the moral person who acts as an agent of the business. This paper examines the standards established for business ethics education in AACSB accredited undergraduate programs, the ethical challenges in today's society, and a review of AACSB accredited business school courses to determine if they are addressing the AACSB standards and the ethical challenges in today's business world.

Translated from the ancient Greeks, ethics refers to one's theory of life (DesJardins, 2009). It addresses the question, how should I live my life? (Wicks and Palmer, 2009). Business ethics is often defined as the written and unwritten codes of principles and values that govern decisions and actions within a business. In the business world, the business's leaders and culture sets the standards for determining the difference between good and bad decision making and behavior.

The phrase business ethics is used to describe the actions of individuals within a business, as well as the business as a whole. Thus, business ethics is a vast field of study regarding the business' situations, activities, and decisions where issues of right and wrong are addressed (Crane and Matten, 2010). Given today's ethical challenges, business ethics is the study of how personal moral norms apply to the activities and goals of the business. Ethicist Ghillyer, (2009), defines business ethics as the...study of how people try to live their lives according to a standard of or right or wrong behavior, in both how they think and behave towards others and how they would like them to think and behave toward us. For some, it is a conscious choice to follow a set of moral standards or ethical principles that provide guidance on how they should conduct themselves in their daily lives. For others, where the choice is not so clear, they look to the behavior of others to determine what is an acceptable standard of right, and wrong or good and bad behavior. How they arrive at the definition of what's right or wrong is a result of many factors, including how they were raised, their spiritual orientation, and the traditions and beliefs of their culture and society.

Business ethics is not a separate moral standard, but the study of how the business environment poses its own unique challenges for the moral person who acts as an agent of the business. Business ethics deals with the choices of what the laws are verses what they should be and whether or not to follow them or how to follow them. It is the choices about the social and economic issues outside the domain of the law, and choices about the priority of self-interest over the business's interest.

For decades leaders have tried to use one set of ethics for their professional responsibilities, another for their personal activities and still another with their family responsibilities. This circle of circumstantial ethics has gotten leaders into trouble. A morally educated leader is one, who is "equipped with ethical awareness, ethical reasoning skills...and is postured to shoulder the duties and rewards of (ethical) stewardship, including consideration of multiple stakeholders' concerns, before making decisions and using power responsibly" (Jackson, 2006). Badaracco (1992) noted that leaders have four spheres of ethical responsibility; as a person, as a business leader, as an economic agent, and as acting beyond the firm's boundaries. Thus, ethics is ethics!

Business exists to make a profit. Without profits, a business could not be sustained. The economic point of view is therefore an essential factor in all business decision-making. However, long-term sustainability requires that business leaders build relationships with key stakeholders. Stakeholders are those individuals and outside organizations essential for the survival of the business. Primary stakeholders include; employees, financial institutions, shareholders, customers, vendors and suppliers, government regulators and community-at-large. Secondary stakeholders include; government regulators, special interest groups, citizens at large, etc., to mention a few. When making an economic

decision, leaders should ask themselves: Is this decision in the business's best economic interest, is this decision in my best economic interest as a leader, and is this decision in the business stakeholders' best economic interest.

It is essential that business leaders take into consideration the legal environment within which they operate. "If it's legal, then it's OK," expresses the perception that the law is a sufficient moral compass for business leaders to anchor their decisions. However, is this always true? Is what is legal synonymous with doing what is right? How do business leaders know what is legal and right? Business leaders use laws and government regulations as guides for decision-making. However, governmental rules and regulations are often not definitive and are open for interpretation. Laws may not be clear and law making is slow. They, therefore, have to look to the courts for interpretations of laws and regulations. Court cases can take years to finalize, yet business leaders have to comply with laws and regulations today. However, the strength of the legal point of view, as a guide for business decisions, is that the law is the codification of society's values. Thus, the law has historically addressed many of the ethical issues that arise in business.

Business leaders often respond to pressures from the external political environment within which they operate. They may be challenged to make decisions which may or may not be in their best short-term economic interests, but may be in the business' long-term economic interests. Additionally, business leaders may make external political decisions based on the best interests of the broader industry needs of which they are a part. Examples can include political contributions to candidates, political parties, political action committees, and industry lobbying efforts.

Like all individuals, business leaders may make emotional decisions. External or internal pressures from various stakeholders, personal interests, or personal ego may lead to such decision-making. Such decisions, when not found to be economically feasible, are often disguised as "good public relations" or "good brand awareness" opportunities. Finally, business leaders make ethical decisions based on moral foundations. As ethicist Ciulla, Martin and Solomon (2007) noted, what is thinking ethically? It is thinking in terms of compliance with the rules, implicit as well as explicit, thinking in terms of the contributions one can make as well as one's own possible gains, thinking in terms of avoiding harmful consequences to others as well as oneself.

Business decision-making is sloppy. Leaders should examine all points of view without one view dominating the others. For today's business leaders, three of the five points of view must be balanced against the other two. Economic, legal and ethical decision-making represents an integrated approach. Political and emotional decision making can seldom be integrated into the other three. Often, they stand alone as the sole decision making referent. The integrative approach can maintain consistency and continuity for long-term business sustainability.

The beginning of the 21st Century saw unprecedented business scandals in America. Names like British Petroleum, Enron, Adelphia, Halliburton, WorldCom, Tyco, Arthur Anderson, Dynegy, and Quest dominated the public's awareness of business scandals. Handy (2002) noted that; few business leaders, thankfully, have been guilty of deliberate fraud or wickedness. All they've been doing is playing the game according to the new rules. Unfortunately, the American public was uncomfortable with these new rules. The public's confidence has weakened in business America was shaken by excessive salaries and buyouts for leaders in poor performing companies, exorbitant earnings by energy companies, outsourcing of jobs to developing nations, and the failure of financial institutions and the automobile industry.

Ethics programs, as was expected, were effective in improving the ethical culture of businesses (Trevino and Brown, 2004; Kaptein and Avelino, 2005; Kaptein, 2008 and Kaptein, 2009). Critics claim that business schools had encouraged their students to focus too much on analytical skills in order to manipulate bottom line performance at all costs without consideration of the ethical implications of their actions (Mitroff, 2004; Ghoshal, 2005). They also argued that the theoretical foundations of business education were linked to ethical lapses of leaders trained in business schools. Business schools traditionally had taught transaction based economics, economic liberalism, or agency theory focusing on short-term profits at the cost of long-term profitability and stakeholders relationships (Mitroff, 2004). Ethicists argued that the teaching of these theories had freed business students from a sense of moral responsibility (Goshal, 2005; Podolny, 2009).

Business schools took pride in, and marketed the success of their graduates, but they failed to assume any responsibility for their ethical failures. Another argument for the lack of adequate ethics education in business schools was the competitive nature of national rankings. These rankings of business schools placed emphasis on quantitative analysis courses and scientific research published by the faculty. Bennis and O'Toole (2005) noted the root cause of problems in management education was that business schools had adapted this self-defeating model of business education. Podolny (2009) expanded this argument by noting that business schools taught many technical skills, but they appeared to do little to foster responsibility or accountability. He went on to note that business schools taught leadership as a soft, big picture-oriented course, distinct from the details on which hard quantitative courses focused. Leadership was about setting vision, not the detail work that was done without consciously considering factors such as values and ethics (Podolny, 2009). Another root problem relating to ethics programs in business schools, identified

by Sutton (2009), was “that too many (business schools) were infested with assumptions that reinforced and brought out the worst in human beings. Most economists are clueless about the nitty-gritty of management, which cannot be captured in elegant mathematical model.”

Kerr (2009) advocated that business schools should not be held accountable for today’s financial and economic crisis. However, he noted the public has the right to expect our business schools to teach right from wrong relating to business principles and practices. Donovan (2009) reinforced this reasoning by noting, “Is it the responsibility of schools to teach ethics? I think it is-but only if it is done in the right way...they (students) need a simple tool kit that they can understand and have at the ready, not an impression that all ethics are relative or just intellectual chewing gum.”

Jennings (2006) argued that, “it was not the knowledge of business ethics that was lacking in leaders, but a lack of a strong moral character to resist wrong-doing in the face of pressures.” Merritt (2003) and Beggs and Dean (2007) noted that, business ethics education was where careers begin, and it should play a significant role in cleaning up business America. It was where a leader began to understand the importance of becoming a strong moral being. Korten (2009) raised the questions; Do business schools have a responsibility to prepare their students to redesign the business system so that crucial public needs are met? Or are they merely fancy trade schools?

Today, business leaders, policy-makers, investors, consumers and other stakeholders are increasingly concerned about the vibrancy of the capital markets and their responsible delivery of products and services. The National Business Ethics Survey (NBES) asks: Are bad business ethical practices threatening the American economic system? There is both good and bad news. The good news is: a) the number of formal ethics and compliance programs in business schools is on the rise, b) the companies that move beyond a singular commitment to just complying with laws and regulations and who adopt an enterprise-wide ethical culture are dramatically reducing misconduct, and c) the characteristics that comprise an effective ethical culture can be identified. (Ethics Research Center, 2009).

The bad news, according to the NBES, is: a) ethical misconduct, in general, is high, and b) many employees are observing unethical practices. The most prominent observed ethical issues of misconduct are: business resource abuse, abusive behavior, lying to employees, email or Internet abuse, and conflicts of interest (Ethics Research Center, 2009).

AACSB Business Ethics Task Force Recommendation

Association to Advance Collegiate Schools of Business International (AACSB) accredited business schools and their undergraduate programs cannot be expected to assume total responsibility for ethical dilemmas in today’s business world. An undergraduate business education is not the only determinant of human behavior, and responsibility for ethics education is not the exclusive province of higher education. Nonetheless, business ethics education is part of a business curriculum; and AACSB International accreditation standards have mandated that ethics be taught as part of management degree curricula. In 2004, AACSB established the Ethics Education Task Force on the premise that the crisis in business ethics was not only a challenge for business America, but was also an opportunity to strengthen management education (Ibid, 2004).

This report called for AACSB schools to renew their commitment to the centrality of ethical responsibility at both the individual and business levels in preparing business leaders. Both at the undergraduate and graduate levels, business schools are to encourage students to develop a deep understanding of the myriad of challenges surrounding business, business responsibility, and business governance. Additionally, they are encouraged to provide students with the tools they needed for recognizing and responding to ethical issues, both personally and organizationally and to engage them at an individual level through analyses of both positive and negative examples of everyday conduct in business. Faculty are encouraged to think more deeply and creatively about how to advance ethical awareness, ethical reasoning skills, and core ethical principles that would help to guide business leaders respond to a changing legal and compliance environment, as well as complex, conflicting, and sometimes highly problematic interests and opportunities (Ibid, 2004). AACSB fully recognized that each institution would identify different challenges and would use different approaches to business ethics education concurrent with their institutional mission.

Four Broad AACSB Themes

Four broad themes were identified as essential for a comprehensive undergraduate ethics program. These were: the responsibilities of business in society; ethical decision-making; ethical leadership; and business governance (AACSB, 2004). These four areas were viewed as the cornerstones of a comprehensive and viable ethics education curriculum in any AACSB accredited undergraduate business curriculum.

First, the committee recognized that the first responsibility of business in society, in addition to providing profit

to owners or shareholders, was to act lawfully, produce safe products and services at costs commensurate with quality, pay taxes, seek opportunities for wealth creation through jobs and investments, new technologies, and minimizes negative social and environmental impacts. Unless business leaders attended to all their responsibilities, achieving fair returns to shareholders was not possible. There was more to the story of business - than making money. Business and society were and are mutually interdependent. Society depends on business for wealth creation. Business depends on society for an environment wherein it can meet its obligation to create wealth. It was essential for undergraduate students to understand the symbiotic relationship between business and society, especially in terms of the moral dimensions of the power placed in the hands of owners and business executives. The decisions of business leaders affected not only the business, but also direct and indirect stakeholders, e.g., customers, employees, investors, suppliers, governments, citizens, and communities. Additionally, the abuse of power by business leaders undermined trust in business and in the markets needed to ensure commercial success.

Second, AACSB accredited business schools were expected to help undergraduate students to understand the criticality of ethical decision-making in order to become effective and successful business leaders. Few undergraduates will be in the position to influence situations such as the BP Gulf of Mexico oil spill. But undergraduates, regardless of their levels in the business, will face issues of potential harm and fairness on a regular basis. Preparing students for ethical decision-making was to be a key component of the preparation of undergraduate faculty. Most business school undergraduates are at the conventional level of cognitive moral development, looking outside themselves to peers and leaders for guidance relating to ethical issues and dilemmas. The ethical messages leaders send and the business cultures which they create are potentially the greatest motivating force behind ethical behavior in business. Ethical leaders must be both "moral persons" and "moral leaders." Additionally, leaders become moral leaders by recognizing and accepting their responsibility for acting as ethical role models. They "manage ethics" by communicating about ethics and values on a regular basis and by holding the business accountable for ethical conduct.

Third, undergraduates will not be business leaders early in their careers; but they need to understand that, even as managers or supervisors, they may play a key ethical role in the business by influencing their direct reports. Managers and supervisors demonstrate ethical leadership by being open, fair, trustworthy, and caring with employees; by communicating about ethics and values; by role modeling ethical conduct; by focusing on means as well as ends in reward systems; and by disciplining unethical conduct when it occurs (Ibid, 2004). Undergraduate students often get their information from the electronic media; and, as a result, they are often cynical and skeptical about business ethics. Undergraduate students should learn about scandalous and unethical behavior, as well as business that operate at a higher level of integrity and social responsibility. Undergraduate students need to be familiar with the formal programs that support ethical conduct, such as the Cadbury Code and the King Report, the U.S. Sentencing Guidelines and the Sarbanes-Oxley Act. In many AACSB accredited schools, the commitment to ethics education cuts across the business curriculum. Honor codes for all students, a practice endorsed in the AACSB Standards interpretations, were frequently integrated into the business school curriculum. Such codes emphasized the importance of professional conduct, ethics and civility for administrators, faculty, and students in their professional and personal actions. Several other AACSB accredited schools adopted disciplinary systems, oaths, service projects, and other concepts to stress the importance of ethical behavior. Learning experiences encouraged undergraduate students to explore the cognitive and leadership influences on ethical decision-making in business settings. Additionally, it enabled undergraduate students to envision their responsibilities as business leaders who will manage their own ethics and the ethics of those who report to them.

Fourth, although ethics education was vital, it may be unrealistic to assume an undergraduate ethics program will negate the likelihood of future managerial wrongdoing relating to business governance. Situational pressures on undergraduates will occur in the future when a course in ethics is far from the consciousness of the stressed individual. An undergraduate's knowledge of the principles, practices, and philosophies of sound, and responsible business governance may be an important deterrent to unethical behavior. Additionally, an undergraduate student's understanding of the complex interdependencies between business governance and other institutions, such as stock exchanges and regulatory bodies, can be an important factor in managing risk and reputation (Ibid, 2004). Several AACSB accredited schools have established centers for business governance, having designed curricula that included governance elements, learning goals, and measured outcomes. AACSB recommended topics included: the role and responsibilities of the governing board of directors, the role and responsibilities of the audit committee, an understanding of internal controls, the role and responsibilities of management, and critical monitoring activities such as internal auditing, elements of an effective code of conduct, understanding of U.S. Federal Sentencing Guidelines and Sarbanes-Oxley, the U.K. Cadbury Code, the King Report from South Africa, and similar regulations and recommendations from other parts of the world (Ibid, 2004).

While the AACSB Ethics Education Task Force did not prescribe a particular curriculum, or course, it recommended that AACSB encourage its member schools and their faculties to renew and revitalize their commitment to ethical

responsibility at both the individual and business levels. Schools were encouraged to demonstrate this commitment throughout their academic programs, assessment processes, research agendas, and outreach activities. The task force recommended that AACSB support and encourage a renaissance in ethics education and exercises its leadership role to ensure the commitment of business schools (Ibid, 2004).

METHODOLOGY

During the fall 2009 and spring 2010 semesters, fifty AACSB accredited business schools were randomly selected, one per state, by the authors to examine the undergraduate business ethics course content, textbooks and related readings. Universities ranged in size from approximately 4,000 to 55,000+ students. Syllabi were obtained online. Business school websites were also reviewed for additional information on the philosophy of teaching business ethics at that institution.

A database was developed correlating the institutions and the four AACSB broad themes. These four themes were: a) the responsibility of business in society; b) ethical decision-making; c) ethical leadership; and d) business governance. The authors and three graduate students conducted a content analysis on the documents, identifying what four themes were covered in the course. A rating scale of 1 to 5, with one as the lowest and five the highest rating, was designed to evaluate the course content. Each team member scored each syllabus. A consensus was obtained through ongoing dialogues between the five participants of the averages.

A second database was designed by the authors listing the institutions on the horizontal axis with identifying textbook(s) and related readings used in each course (see Appendix 1). The twenty-seven National Business Ethics Survey "Specific Forms of Misconduct" were listed on the vertical axis. These were: company resource abuse, abusive behavior, lying to employees, email or Internet abuse, conflicts of interest, discrimination, lying to outside stakeholders, employee benefit violations, health or safety violations, employee privacy breach, improper hiring practices, falsifying time or expenses, poor product quality, stealing, sexual harassment, substance abuse, document alteration, misuse of company confidential information, customer privacy breach, environmental violations, misrepresent financial statements, accept gifts or kick-backs, use competitors' information, anti-competitive practices, bribe public officials, insider trading, and illegal political contributions.

As in the AACSB analysis, the authors and three graduate students conducted a content analysis on the textbook content and the content in the related readings of the course. The team identified if the topics were addressed in the textbook and related readings, how they were addressed (text reading, case study, situational analysis, embedded in the reading as an example, or embedded in a question) and the depth of content was rated. Additionally, the team classified the behaviors to the AACSB Four Themes. A rating scale of 1 to 5, with one as the lowest and five the highest rating, was used. Each team member scored each textbook and related reading. A consensus was obtained through ongoing dialogues between the five participants (see Appendix 2).

Analysis of Business Ethics Courses

The content analysis of the fifty ethics courses revealed that the four broad AACSB themes; responsibility of business in society; ethical decision-making; ethical leadership; and business governance were inconsistently addressed in the courses. The responsibility of business in society was directly addressed in 100% of the courses reviewed. Ethical decision-making was addressed in 84% of the courses reviewed. Ethical leadership was addressed in 92% of the courses reviewed; and business governance was addressed in 88% of the courses.

The intensity of content followed a similar pattern as above. The responsibility of business in society averaged 4.8; ethical decision-making averaged 4.2; ethical leadership averaged 4.6; and business governance averaged 3.9. The content analysis illustrated that AACSB undergraduate business ethics courses focused primarily on the: 1) responsibility of business in society, 2) ethical leadership, 3) business governance, and 4) ethical decision making. While ethical decision-making had the lowest scores, many of the other areas addressed the consequences of ethical decision making. Unfortunately, the authors found that most of the discussions evolved around applied decision-making with little references to theoretical ethical foundations of decision making. Content analysis of the twenty-seven National Business Ethics Survey "Specific Forms of Misconduct" revealed a great deal of diversity in their course coverage.

Findings

The content analysis of the fifty ethics AACSB accredited undergraduate courses revealed that the AACSB four broad standards of the responsibility of business in society, ethical decision-making, ethical leadership, and business

governance were addressed in all the courses examined. The responsibility of business in society was directly addressed in 100% of the courses reviewed. Ethical decision-making was addressed in 84% of the courses reviewed. Ethical leadership was addressed in 92% of the courses reviewed; and business governance was addressed in 88% of the courses. The authors believed that in the six years that the AACSB broad standards have been implemented, AACSB has been outstanding in communicating their expectations of classroom performance in business ethics education. Perhaps this was due in part to the association's five year review of business school's curriculum.

SUMMARY AND CONCLUSIONS

Given today's ethical challenges, business ethics is the study of how personal moral norms apply to the activities and goals of the business. For purposes of this paper, business ethics was defined as the study of how individuals, at all levels of a business, try to make decisions and live their lives according to a standard of right or wrong behavior. This paper examined the standards established for business ethics education in AACSB accredited undergraduate programs, the ethical challenges in today's society as presented in the 2009 National Business Ethics Survey, and a review of AACSB accredited business school courses to determine if they are addressing the AACSB standards and the ethical challenges in business. While the findings demonstrated that AACSB accredited business schools were successfully implementing ethics programs in the undergraduate programs, by addressing the associations four broad themes, added emphases was needed in the classroom to raise students' awareness of the importance of a broader horizon of ethical issues confronting the workplace and society. The authors recognized the exploratory nature of this paper and the need for more comprehensive research across business disciplines. Further research could be discipline based to determine if what is learned in the general business undergraduate ethics courses is being transferred, by the student, into his/her selected discipline; can business ethics be taught in other ways than in the classroom; and how are AACSB schools accessing their students ethical understanding.

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Appendix 1: Course Textbooks and Related Readings

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**Appendix 2: How Specific Forms of Misconduct Are Addressed in
Textbooks and Classification to AACSB Four Themes**

	Text	Case	Situation	Embedded	AACSB
Business resource abuse	1.3	X	X	X	EL/CG
Abusive behavior	1.1	2.1	X	X	EL/ED
Lying to employees	4.4	2.6	1.3	.5	EL/CRS
Email or Internet abuse	2.6	1.5	x	x	EL/CRS
Conflicts of interest	3.6	3.1	.7	x	EL/CRS
Discrimination	4.8	3.6	2.4	.3	EL/CSR
Lying to outside stakeholders	2.6	1.6	x	x	EL/CRS
Employee benefit violations	2.7	2.3	.4	x	ED/CG
Health or safety violations	4.9	3.5	.6	x	CRS/EL
Employee privacy breach	4.7	4.6	.9	x	ED/EL
Improper hiring practices	4.3	4.5	.6	.2	EL/ED
Falsifying time or expenses	2.3	2.7	x	x	EL/ED
Poor product quality	4.5	3.2	.3	x	EL/ED
Stealing	3.5	3.2	.4	.3	ED
Sexual harassment	4.9	4.6	1.7	x	EL/ED
Substance abuse	1.5	1.4	x	x	ED
Document alteration	1.3	.6	x	x	ED/EL
Misuse of business confidential information	3.2	.5	x	x	ED/EL
Customer privacy breach	2.2	4.2	x	x	ED/EL
Environmental violations	4.5	4.6	.8	x	CRS/EL
Misrepresent financial statements	4.6	4.4	.5	.3	EL/CG
Accept gifts, kick-backs	4.7	3.7	x	x	EL/CG
Anti-competitive practices	1.3	1.5	x	x	EL/ED
Anti-competitive practices	4.2	4.3	.4	x	EL/ED
Bribe public officials	4.6	4.2	x	x	CRS/CG
Insider trading	4.7	4.1	.6	x	CRS/CG
Illegal political contributions	3.7	3.2	x	x	CRS/CG

CG = Business Governance

CSR = Business Social Responsibility

ED = Ethical Decision making

EL = Ethical Leadership