

A SOCRATES/TED KOPPEL PARADIGM FOR INTEGRATING THE TEACHING OF BUSINESS ETHICS IN THE CURRICULUM

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INTRODUCTION

This paper aims to assist business school professors and administrators who want to integrate a business ethics module in their functional courses and professors not trained in philosophy who teach business and society/business ethics courses. According to a 1990 survey conducted by the Curriculum Development Committee of the Academy of Management's Social Issues in Management Division, 48 percent of the undergraduate programs and 42 percent of the graduate programs require a business ethics or a business and society course (Collins & Wartick, 1995). Only 10 percent of the

faculty members teaching these courses were trained in philosophy. The remaining schools either offered an elective class or integrated the material in functional courses. Unfortunately, only half of the faculty respondents at schools with separate courses, and just one-third of the faculty respondents at schools that integrate the material in functional courses, were "generally satisfied" with curriculum and content in this area.

According to Payne (1993), business school professors and students struggle with business ethics material due to philosophical jargon (what is deontology?), the diversity of ethical theories (which is right, deontology or utilitarianism?), uncertainty about their own philosophical assumptions, and a lack of prior philosophical course work by most business students. Similarly, Sims and Sims write that (1991, p. 213):

In most business schools, the faculties do not have a knowledge of ethics or the writings of moral philosophers that would allow them to teach ethics.... In our experience, students without exception feel that moral issues are seldom touched on in their courses, and when they are, are treated as afterthoughts or digressions.

The following section offers an inductive case study methodology that allows business professors who are not trained in philosophy to integrate a business ethics module in their courses. The case study provides students an opportunity to debate the ethics of a pragmatic business problem (Collins, 1996a).

TEACHING BUSINESS ETHICS

In order to learn from a discussion of ethics students must be challenged to examine their own decision-making process. It is better for students to learn what they believe, and how ethical theories guide belief structures, than to hear opinions from an authoritative source about the "right" thing to do. Based on our experience we believe the best way to overcome faculty and student resistance to business ethics topics is to fundamentally change the teaching paradigm. The professorial role model should be Ted Koppel, a modern-day version of Socrates, who facilitates probing questions during his nightly television news program, not the magisterial moral philosopher who deposits ethical answers in the minds of students (Freire, 1971).

Table 1. The Pricing Dilemma

You are employed as a management consultant. Sage Barnett, the owner of a small business that sells children's clothing, is a client. The store's product line includes children's toys, a high mark-up category. Christmas sales represent 60% of Sage's gross income. Sage has always used the advertising tag line, The Best Merchandise at the Lowest Prices. Her store is located in a working class neighborhood that borders an upper middle-class area. Sage has relied on the working class as her primary customers. Due to the recession and competition, this has been a terrible year and the store may not survive another.

This holiday season the hot children's toy is Galactic Robot. The manufacturer has successfully pursued a strategy of over-advertising and under-producing them. Demand far exceeds supply. Every child in the community wants Galactic Robot this Christmas. The toys are so hot that when an unreverent New York City disk jockey joked on the airwaves that people who wanted the hard-to-get toy should show up at the Giant Stadium parking lot in East Rutherford, New Jersey at noon, lift their credit cards over their heads so an airplane pilot could fly overhead, photograph the credit cards, charge \$75 to their accounts, and then mail them the toy—people actually showed up.

Sage has guessed right and the store is well-stocked with over 100 of these robots. She is particularly excited because the assistant manager visited other stores and found very low inventories that will likely run out by December 10th.

The manufacturer's suggested retail price for Galactic Robot is \$30 and Sage has been selling them for a discounted \$25. The assistant manager suggests that Sage quadruple the retail price to \$100. Sage is still very likely to sell out at this high price if she targets the upper middle-class people who live nearby. Sage has already received two telephone calls from people offering \$150 in cash, off-the-books, no questions asked, if she guarantees immediate delivery. These calls make her think that maybe \$100 is not enough. Why not \$200?

On December 5th you receive a hurried call from Sage asking your advice on what price to charge for the Galactic Robots: \$25, \$30, \$100, \$150, \$200? Sage has pulled the robot inventory from the shelves until she decides on a course of action.

What price would you recommend? Why?

Students who argue with one another about right and wrong develop a deeper appreciation of how their ethics differ from those of their classmates and realize the need for win-win solutions that satisfy multiple stakeholders.

The ideal case study is a pragmatic business problem that is germane to the class material and elicits diverse student responses. A case on pricing that we have used many times in student workshops ranging from 50 to 90 minutes in length appears in Table 1. The case, not previously published, is appropriate for finance, marketing, and general management classes. It is a real dilemma faced by some managers during the Cabbage Patch doll craze of 1983. Similar cases

and an explanation of this teaching methodology appear in Collins and O'Rourke (1994). Suggestions from professors who use this methodology are included throughout the paper.

Case Discussion: A Seven-Step Process

We highly recommend the following seven-step teaching process as a guide for nonphilosophers teaching a business ethics module. A summary of the steps appears in Table 2.

Step 1

The student's recommendation. As a homework or in-class assignment students provide written responses to the two questions: (1) what price would you recommend? and (2) why? A written answer

Table 2. Seven-Step Teaching Process

Step 1: The Student's Recommendation

Students provide their own written response and reasoning to the ethical dilemma.

Step 2: Count the Votes for Each Recommendation

Teacher writes the five price strategies on the board and takes a vote to determine how many students chose each price strategy.

Step 3: Position Rationale

Students are divided into two groups, a high-price strategy group (\$100, \$150 and \$200) and a low-price strategy group (\$25 and \$30). Within the group, each student reads his or her answer. Students then question each other about their answers, generate additional reasons, and rank order them in support of their price strategy.

Step 4: The Debate

Two representatives from each team defend their price strategy to the entire audience. Students in the audience question the opposing group. The teacher moderates the discussion and notes reasons used for supporting each strategy.

Step 5: Defining

Discuss the debate experience and the need for managers to make group decisions.

Step 6: Teach the Ethical Theories

Teach the five ethical theories. Categorize reasons used during the debate according to the five ethical approaches.

Step 7: Teach the Analytical Framework

Teacher applies the analytical framework to the case, noting what is right and wrong about each option. Note how much or how little self-interest factors into each group's decision. Ask if anyone has changed his or her position on the issue.

encourages greater reflection than to simply state a verbal opinion. It also provides an initial data point that can be compared to a student's belief after completing the module. Some students are tempted to change their pricing strategy based on how others vote. Writing one's vote down helps to prevent this from occurring. Nonetheless, even with written answers some students do not respond when their price strategy is announced unless a significant number of classmates raise their hands. We make a joke about this and ask students to raise their hands based on what they originally wrote. Lastly, during step 4 of this teaching methodology we occasionally ask students who appear to be shy, apathetic, or from a non-English-speaking background to read their written responses in order to involve them in the discussion.

Some students want to offer a non-price solution, such as contacting the supplier to obtain more dolls. We point out that non-price solutions still entail a pricing decision. For instance, how much money will they charge for the additional dolls?

Step 2

Count the votes for each recommendation. Write on the board or a flip chart how many students voted for each of the five prices. Some students want to offer a price not listed, such as \$50, under the assumption that \$30 seems too low but \$100 seems too high. We ask students to limit themselves to one of the five listed prices.

Table 3 summarizes how 92 new MBA students attending four orientation-week workshops responded to the case. Combining all four sessions 47 students (51%) chose the low-price strategies of \$25 and \$30. Most students in this group chose \$30, thus eliminating the discount the store had previously offered. Forty-five students (49%) chose the high-price strategies of \$100, \$150, and \$200, with most choosing \$100. We also ask the participants about a \$300 or \$400 price. Whoever raises his or her hand at \$200 is likely to keep it up in the air as these higher prices are suggested. Some students laugh as these hands remain extended, others stare wide-eyed in disbelief.

At this point, students quickly learn that they make the following three *false* assumptions about ethical dilemmas: (1) "I know what is right and wrong," (2) "Everyone probably agrees with me," and (3) "Those who don't agree with me are either stupid, dumb, or naive." Some students feel ambiguous about their decision on what price to

Table 3. Pricing Strategy Initial Votes

Price	Session	Session	Session	Session	Total #	Total %	Cumulative %
	1	2	3	4			
\$25	4	1	3	1	9	10%	—
\$30	12	12	8	6	38	41%	51%
							(Low Strategy)
\$100	6	9	9	8	32	35%	
\$150	3	3	1	3	10	11%	
\$200	2	0	1	0	3	3%	49%
							(High Strategy)

charge when they see that others chose a different price strategy. Recognizing and overcoming these assumptions, and developing an ethical viewpoint, requires both individual reflection and public discussion.

Step 3

Position rationale. Assign students who chose a price of \$25 or \$30 to a "low-price" strategy team and those who chose \$100 or more to a "high-price" strategy team. Each team must develop a hierarchical list of rationales for its price strategy. Each team member reads his or her written price explanation before team members start discussing their differences. Sometimes we play devil's advocate to enhance the team's discussion, noting that people on the other team reason differently. The teams brainstorm why the other team's reasons are not compelling. Lastly, each team rank orders the reasons for its price strategy.

Step 4

The debate. We then ask the two most active students on each team to debate the issue in front of the class, with the high-price strategy team going first. Typically, these students provide very forceful and foundational arguments on the virtues of a free market system. The toy is a nonessential product, they reason, and should be completely free of any price controls. After the low-price strategy team presents its reasons for restraining the price students in the audience ask questions of either group. If only a few students choose a particular price strategy, then only those with the minority viewpoint should defend their strategy in front of the class and respond to questions.

These discussions often become emotional, as should be expected in experiential dialectical learning (Dehler & Welsh, 1993). Intervene when students use derogatory labels such as "do-gooders" or "price gougers." Acknowledge the emotions and ask for respectful expressions of opposition in order to heighten the learning experience through sincere questioning (Liedtka, 1992). Tolerating and managing opposing viewpoints is an important skill for students to develop. Win-win cooperative strategies are more likely to surface after it becomes obvious that significant disagreement exists about the right course of action.

We have experimented with having team representatives sit or stand while leading the discussion, and found the debate becomes more volatile when they stand. We intervene when the teams begin to argue directly with each other instead of answering a question from the audience. Team representatives should make a compelling argument to the larger community, not to the opposing team.

During the debate jot down on a piece of paper or flip chart the primary reasons offered to support each position, and use them later as examples of the five ethical theories described in step 6. Also note any other interesting issues you may want to address later. Set a time limit for the debate, which could carry on forever. A debate exchange that took place during one of the four sessions appears in Table 4.

Step 5

Debriefing: Stop the discussion and note that, obviously, the issue is not one wherein consensus is easy or even possible. Thank the team representatives for their participation. Some students become frustrated with the debate and wonder why members of the opposing side have not changed their minds. Some believe that what took place was a lot of people with opposing viewpoints espousing nonsense. Direct the students' thoughts from the content of the debate to the process that took place so that experiential learning can be highlighted (Sims & Lindholm, 1993). Although it may seem easier for a manager to dictate a contentious policy rather than risk asking others what they believe should be done, such action damages workplace morale and may cause stakeholders to retaliate. The ping-pong nature of the debate suggests that students and managers need help to clarify and rank alternative business strategies.

Table 4. Sample Debate

High-Price Team Representative: You have to be primarily concerned with your own survival, and this is a matter of survival. The store may go under if you don't charge what the market can bare.	Low-Price Audience Member: But what about being loyal to your customers? They have supported your store in the past, they want the toy. When they need you the most you raise the price to a point where they can't afford it.
High-Price Team Representative: If the regular working class customers were really loyal to the store, then Sage wouldn't be almost bankrupt. Obviously, they've abandoned her so it's okay for her to abandon them.	Low-Price Audience Member: But they haven't abandoned her, they just don't have as much discretionary income. That's not abandonment.
High-Price Audience Member: The low-price strategy means you just don't have what it takes to survive in business. You are too humanistic.	Low-Price Team Representative: It's more than just loyalty. What about personal integrity? The store has always advertised that it had the lowest prices in town. What are you going to say to a customer who accuses you of false advertising?
High-Price Team Representative: You can have one item at a high price and still, in the aggregate, have the lowest prices in town. And if the store goes bankrupt then you have no prices and no product.	Low-Price Team Representative: Maybe keeping the price low will stop the store from going bankrupt. You keep the price low and the customers will be very appreciative. They will say that you stuck with them when they needed you so they will continue to shop in your store. You've probably spent years trying to build this loyal customer base. If you screw up on this one big item that everybody wants, then they will never forgive you.
High-Price Audience Member: Yeah, but that's the point. It's just a toy, a luxury good. I could see keeping the price low if it was medicine, but not for a toy. Nobody deserves a toy. Nobody has a right to it.	Low-Price Audience Member: Obviously you don't have kids!
High-Price Audience Member: Kids have to learn that they can't always get what they want. This may be a good time for the kid to learn that lesson. The parent should tell the kid that is why the kid should stay in school, get a good education, get a good job and save money. By doing that, when the child grows up he can buy whatever he wants and not worry about the price.	High-Price Team Representative: That's a good point. Why should the store owner have to risk going out of business just because a kid wants to buy the toy? That's silly.

(continued)

Table 4. (Continued)

Low-Price Audience Member: How do you think the media is going to respond to abandoning the working class customers? They could make you look foolish in an article and then you'll have protestors outside. Charging a high price will just guarantee bankruptcy because as soon as the Christmas season is over who do you think you will have to depend on to stay in business? Your regular working class customers. You certainly don't think that the rich people who buy the toy are now going to become regular customers, do you? Nope, they won't. You could even exploit your low price as part of a public relations program.

High-Price Team Representative: But that's not how the system works. A business person should charge whatever the market will bare. You can explain to the working class customers that you had to do this just once to keep the store in business. If the store goes under then you will be laying off your employees, who are probably working class people, and they all will have to travel farther to buy clothes.

Low-Price Audience Member: But

Step 6

Teach the ethical theories. This is the only time during the session where we step out of our Socrates/Ted Koppel facilitator role and offer the material in a lecture format. At this point in the process, when it becomes obvious that the pragmatic business problem contains an ethical dilemma, students want to learn how ethical theories can help them.

Step 6 needs to be taught only once in the business school curriculum. If this material has been covered in another class, or during an orientation week, then go directly to the analytical framework outlined in step 7. Another option is to assign students to read the ethical theories (step 6) and analytical framework (step 7) in Collins and O'Rourke (1994, pp. 4-12). The book explains the theories at a level undergraduate students with no philosophy background can understand.

Ethical reasoning is just like any management problem-solving process. Typically, managers list the available options and determine which of the alternatives makes the most sense. Often, the reasons that support one option are better than the reasons that support others.

Social philosophers, who have been ranking decision options for several thousands of years, have determined that some options are more morally acceptable than others. For example, it has been long established that deontological and utilitarian ethical theories take

Table 5. Five Ethical Theories

Egoism: How does the action relate to me? If the action conforms with my interests, then it is right. If it conflicts with my interests, then it is wrong.

Social Group Relativism: How does the action relate to my social group? If the action conforms with the social group's norms, then it is right. If it is contrary to the social group's norms, then it is wrong.

Cultural Relativism: How does the action relate to the national culture, particularly its laws? If the action conforms with the national culture's norms, then it is right. If it is contrary to the national culture's norms, then it is wrong.

Utilitarianism: How does the action relate to everyone who is affected by it? If the action is beneficial to the greatest number of people affected by it, then it is right. If it is detrimental to the greatest number of people affected by it, then it is wrong.

Deontology: Does the action treat others in the way that you would want to be treated? Does it treat every stakeholder truthfully and with respect and integrity? If it does, then it is right. If it does not, then it is wrong.

precedence over egoism, social group relativism, and cultural relativism in terms of social desirability (Brady & Dunn, 1995; Collins & O'Rourke, 1994). Lower level ethical theories are often justified according to higher level theories. This ranking is made explicit in Lawrence Kohlberg's stages of moral development (Kohlberg, 1981). Table 5 provides a very short summary of five prominent ethical theories in rank order. Table 6 categorizes the reasons used by students to support their pricing strategy according to these five ethical approaches.

The first three ethical theories are those most often used by managers—egoism, social group relativism, and cultural relativism. For the most part social philosophers rate these three theories at the lower end of the ethics spectrum because they do not take into account the ramifications of decisions beyond one's self or social group. The fourth and fifth ethical theories are those that most social philosophers encourage—utilitarianism and deontology. Each ethical theory examines a situation from a different perspective and raises different concerns.

Egoism

An egoist would ask: "How does the action relate to me?" If the action conforms with my interests then it is right. If it conflicts with my interests then it is wrong. Your moral obligations are those that you personally choose. Egoists tend to reason as follows: "I strongly believe that 'x' is the best decision because that is my personal preference."

Table 6. Ethics and Pricing Strategy Justifications

Ethical Theory	High-Price Strategy	Low-Price Strategy
Egoism	<ul style="list-style-type: none"> • More money in short term • Prevents bankruptcy 	<ul style="list-style-type: none"> • More money in long term since it builds customer loyalty • Good public relations • Can be sued for violating advertising claim
Social Group Relativism	<ul style="list-style-type: none"> • Maximizing profit is a common business practice • Would save employee jobs, so they would support it 	<ul style="list-style-type: none"> • Satisfies loyal working-class customers
Cultural Relativism	<ul style="list-style-type: none"> • Legal • Capitalism improves a nation's living standard 	<ul style="list-style-type: none"> • Legal • Can be sued for violating advertising claim
Utilitarianism	<ul style="list-style-type: none"> • Capitalism improves a nation's living standard • Children will learn about economic limits and need to stay in school • Community benefits by store avoiding bankruptcy 	<ul style="list-style-type: none"> • Enables most community residents and loyal customers to afford toy
Deontology	<ul style="list-style-type: none"> • Fulfills duty to save jobs of employees • Doesn't hurt anybody • Duty to keep price affordable applies only to essential items, a toy is a nonessential item 	<ul style="list-style-type: none"> • Maintains personal integrity • Maintains advertising claim • Fulfills duty to regular customers • Respects manufacturer's suggested retail price • Maintains holiday spirit

For this particular case some students argue that a high-price strategy should be pursued because it prevents bankruptcy and avoids a consumer rush for the product. On the other hand, some students argue that a low-price strategy should be pursued because it has long-term payoffs—it generates praise from the local community and positive word-of-mouth advertising. Egoism tends to dominate managerial decisions in this particular case. Both teams typically argue that their strategy is preferred because it generates personal benefits.

Egoism is a very common ethical theory. We often apply egoism when deciding what job to accept and where to live. It is ethical to look after your self-interests. If you don't then who will? However,

if ethical theories were ranked in terms of *social desirability*, most social philosophers would place egoism at the bottom of the list.

People must consider their own interests, but what should be done when someone else's interests interfere with yours? Is it right for the owner's interest to always outweigh customer interests? Egoism does not help us solve this dilemma.

Social Group Relativism

A social group relativist would ask: "How does the action relate to my social group?" If the action conforms with the social group's norms then it is right. If it is contrary to the social group's norms then it is wrong. One's moral obligations are those that the social group values.

Associating oneself with the ethical standards of a group is often considered to be a higher stage of moral development than egoism. In this sense you are not just an isolated individual doing your own thing, you are part of a group. We often join groups because we share common interests with group members. Social group relativist are very concerned about what particular social groups (such as other managers, industry norms, professional associations) think about an issue.

Social group relativists tend to reason as follows: "I strongly believe that 'x' is the best decision because that is what my group stands for." If you disagree with the group's norms then you should try to change them.

For this particular case some students argue that a high-price strategy should be pursued because competitors would charge a higher price; doing so also saves jobs. Other students argue that a low-price strategy should be pursued because it satisfies the loyal working-class customers' needs and maintains good supplier relations.

Association with social groups is essential and individuals must consider their social group's interests; however, what should be done if you associate with two social groups whose interests clash? What if you identify with both competitor behaviors and working-class customer sentiments? Social group relativism does not help us solve such dilemmas.

Cultural Relativism

A cultural relativist would ask: "How does the action relate to the national culture, particularly its laws?" If the action conforms with

the national or dominant culture's norms then it is right. If it is contrary to the national culture's norms then it is wrong. One's moral obligations are those that the culture values.

Associating oneself with the ethical standards of a nation's culture is often considered to be a higher stage of moral development than social group relativism. Cultural relativists reason that they are not only a member of a group that has its own agenda, but also a member of a larger culture that develops norms for relationships among individuals and groups. Laws are often established to codify culturally preferred norms. Cultural relativists sacrifice their personal interests for those of their culture. If they disagree with a culture's norms then they should try to change them.

Cultural relativists tend to reason as follows: "I strongly believe that 'x' is the best decision because that is what this nation stands for." When asked why a certain action was taken, a cultural relativist is likely to respond: "That's how people operate in this nation—everyone does it."

For this particular case some students argue that a high-price strategy should be pursued because we live in a capitalist society that largely grants managers discretionary power to make these types of decisions. Other students argue that a low-price strategy should be pursued because one is legally obligated to meet the advertising claim of "lowest price."

While people must consider a culture's norms and laws, what should be done when one culture's norms/laws are ambiguous, contradictory, or clash with those of another culture? What should one do if the norms of capitalism encourage the violation of a firm's advertising norms? Cultural relativism does not help us solve these dilemmas.

Utilitarianism

A utilitarian would ask: "How does the action relate to everyone who is affected by it?" If it is beneficial to the greatest number of people affected by it, then it is right. If it is detrimental to the greatest number, then it is wrong. One's moral obligation is to pursue those actions that benefit the greatest number of people.

The standards of utilitarianism, as well as deontology (the fifth approach), are often associated with a higher stage of moral development than cultural relativism, social group relativism, and

egoism, because they analyze situations according to universal ethics. Both theories generate actions independent of one's self-interests, group interests, or cultural interests.

Utilitarianism assigns right and wrong by evaluating the consequences of an action on all those who are affected by it. Utilitarians consider themselves as one person among the many who are affected by an action. Under utilitarianism everyone counts equally. Particular individual attributes such as race, social status, or religion do not matter to the utilitarian. Democracy is utilitarian in the sense that everyone's vote counts equally. Utilitarians tend to reason as follows: "I strongly believe that 'x' is the best decision because it benefits the greatest number of people." Utilitarianism demands that individuals sacrifice their own personal interests for those of the majority.

For this particular case some students argue that a high-price strategy should be pursued because everyone benefits in the long term under the free market system, and the store's survival benefits everyone in the community. Other students argue that the store's survival depends on a low-price strategy because it is the preferred choice of the store's target market, the working-class community.

Utilitarian absolutists have difficulty when actions that benefit the greatest number of people also cause undue burdens on particular individuals. What if, in the name of "community benefit," a majority of people believe that blacks should be enslaved, Jews exterminated, or loyal working-class customers abandoned? Deontology guides our moral intuition in situations where utilitarian reasoning falls short.

Deontology

A deontologist would ask: "How does the action relate to my duty to treat others in the way that I would want to be treated?" Does it treat every person truthfully and with integrity? If it does then it is right. If it does not then it is wrong. One's moral obligation is to apply this duty to relationships with others. Deontology gives managers the most difficult moral problems because it demands that the company respect each stakeholder in its pursuit of profits.

Deontologists follow "moral rules," such as the Ten Commandments, that universalize how all other human beings should be treated. For a deontologist the appropriate action is *always* to be honest, keep promises, provide mutual aid when needed, respect

people, respect property, and so on. Most importantly, people should not be treated solely as a means to somebody else's desired end. Because you want people to respect you, then you have a duty to respect others. These duties are categorical, not contingent, imperatives. Deontologists tend to reason as follows: "I strongly believe that 'x' is the best decision because as human beings we have a duty to treat others with respect." Deontologists sacrifice their own personal interests when they conflict with respecting others. The concept of "human rights" is based on deontology. For a deontologist the duty to respect human rights supersedes cultural laws.

For this particular case some students argue that a high-price strategy should be pursued because managers have a duty to employees to keep the store open and nobody is really hurt by the high price. Other students argue that a low-price strategy should be pursued because it preserves loyalty, honesty, and personal integrity.

Deontology absolutists have difficulty with situations where the application of one moral rule conflicts with another moral rule, or when adherence to a moral rule generates tremendous negative consequences. What if a man wanting to kill your mother approaches you and asks where she is? Should you tell him the truth? What if fulfilling your duty to loyal working-class customers causes the store to go bankrupt? Utilitarianism guides our moral intuitions in those situations where deontological reasoning is inadequate.

Step 7

Teach the analytical framework. Table 7 provides six questions that reveal the ethical dimensions of any business problem and clarify areas of disagreement between the high-price and low-price strategy teams.

The first question encourages students to think about everyone affected by the decision. These people are referred to as "stakeholders" because they have a stake in the decision outcome. A typical list of stakeholders includes owners, managers, employees, customers, suppliers, local communities, government, and the natural environment.

An action that can be justified by all five ethical theories is ideal. Imagine an act that is beneficial to the interests of the individual, one's social group and one's national culture, that also results in the greatest good for the greatest number of people affected by it, and treats all people with respect and integrity. This is what Adam Smith

Table 7. Determining Right and Wrong

1. Who are all the people affected by the action? (stakeholder analysis)
2. Is the action beneficial to me? (egoism)
3. Is the action supported by the social group? (social group relativism)
4. Is the action supported by national laws? (cultural relativism)
5. Is the action for the greatest good of the greatest number of people affected by it? (utilitarianism)
6. Are the motives behind the action based on truthfulness and respect/integrity toward each stakeholder? (deontology)
 - If answers #2-6 are yes, do it.
 - If answers #2-6 are no, don't do it.
 - If answers #2-6 are mixed, amend your decision.
 - If #5 and 6 are yes, this is the most ethical action. Develop strategies to minimize the no answers to #2-4.
 - If #5 and 6 are no, this is the least ethical action. Amend the action in consideration of these objections.
 - If #5 and 6 are mixed, this is moderately ethical. Amend it in consideration of the shortcomings revealed by 5 or 6. You may need to further amend it in consideration of any no answers to #2-4.

believed capitalism would do. By intentionally pursuing one's own economic self-interests (egoism), one improves the situation of owners, customers, laborers and the local community (social group relativism), and the wealth of one's nation (cultural relativism). This process results in the greatest good for the greatest number of people affected by it (utilitarianism). Smith assumed that people would restrain their pursuit of economic self-interests when it resulted in harm to others, because he believed people are by nature empathetic to the situation of others (deontology) (Collins & Barkdull, 1995; Smith 1759/1976).

Importantly, Smith encourages the application of the lowest level of ethical theorizing (egoism) in the business sector on the assumption that one of the highest levels of ethical theorizing is actively practiced (deontology) and that it results in the greatest good for the greatest number (utilitarianism). Lower-level ethical justifications are encouraged as long as they enhance, or are restrained by, the higher-level ethical justifications.

Each of the six questions provides information relevant to the ethics of the case under discussion. The answer to the first question provides the decision maker with a list of people whose interests should be considered when formulating an ethical response to the dilemma. Questions 2 through 6 refer to the five ethical theories discussed in the previous section. If the answers are all favorable—that is, the action favorably affects the decision maker (Q2), the decision maker's social group (Q3), is legal (Q4), is for the greatest good of the greatest number of people affected by it (Q5), and is based on truthfulness and respect/integrity toward each stakeholder (Q6)—then this action is very ethical and should be pursued. If the answers are all unfavorable then the action is very unethical and should not be pursued.

Applying the universal ethical principles of utilitarianism and deontology may result in answers that are in conflict with the answers derived by egoism, social group relativism, and cultural relativism. When this occurs the ethical policy decision should be guided by the utilitarian and deontological answers. In other words, if responses to the utilitarian and deontological questions are both favorable then the action should be taken. If they are both unfavorable then it should not be taken.

In the real world decision makers must sometimes modify their answers according to information obtained by applying egoism, social group relativism, and cultural relativism to the case. We must be extremely cautious in recommending that people do the greatest good for the greatest number and that which treats everyone with respect, if doing so violates the law, alienates them from their peers, endangers their jobs, or causes their business to fail.

Utilitarianism and deontology point the decision maker in the right direction. For many managers the hardest ethical dilemmas are those where deontology and utilitarianism are in agreement with what is right, but they conflict with the answers derived by egoism, social group relativism, and cultural relativism. The creative challenge for managers is to determine how to do what utilitarianism and deontology conclude is "right" in a way that minimizes the personal or organizational costs that are revealed by egoism, social group relativism, and cultural relativism. Businesses that ignore the information provided by utilitarianism and deontology can suffer major public relations problems, increased government regulation, and/or legal problems.

For social philosophers the hardest ethical dilemmas occur when deontology and utilitarianism are in conflict, or where one theory generates contradictory recommendations. In these situations what is good for the greatest number of people may mean treating others in a disrespectful manner. Conversely, treating others with respect may have negative impacts on the majority of people. Both dilemmas are present in the pricing case. The deontological virtues of loyalty and personal integrity seem to demand a low-price strategy, while the utilitarian calculation seems to demand a high-price strategy. Although both groups support their strategy choice with higher ethical theories, the debate often collapses into a dispute over egoism—both teams try to convince the other that their strategic choice is in the owner's long-term self-interest. Thus, egoism serves as a common ethical theory that dominates the reasoning of both student teams.

At the end of this exercise some students want to know if there is a right answer or what you (the professor) would do in this situation.

Sometimes we tell them. We are deontologists who strongly believe in "do unto others as you want others to do to you"; and we also give special contingency preferences to those living in economic, spiritual, or physical poverty. Therefore, we recommend selling the doll at \$25 and pursuing all the creative ideas that the low-price strategy team mentioned during the debate.

Sometimes we don't tell them. Instead, we tell them that we are not acting as "the moral authority" with "the moral answer." We are merely their guides, with the primary purpose of teaching a framework to analyze business problems.

CONCLUDING COMMENTS

After debating the case and discussing the pricing strategy options in terms of the ethical theories take another vote to determine how many people changed their minds about the issue. Very few do, and these tend to be moderations of the extremes. Typically, a few people who initially chose the \$25 price strategy change to a \$30 strategy and those who initially chose the \$200 or \$150 price strategy change to a \$100 strategy.

At this point we remind students of a problem Thomas Moore (1965) tried to solve in his book *Utopia*. According to Moore,

politicians too often give their intuitive response to an issue immediately, and subsequently defend this position out of fear of looking inconsistent or indecisive. Moore recommends that an issue not be publicly discussed until 24 hours after it has been raised, thus allowing time to provide a well-thought out response. The same is true with this case and many other ethical dilemmas we have facilitated. Sometimes a year may pass and a former student informs us at a social gathering that he or she has changed positions on the pricing strategy case.

We recommend that the ethical analysis framework be discussed *after* students debate the issue, not before. Once class begins "Ted Koppel" or "Socrates" should step forward, not Immanuel Kant. Nonetheless, the discussion is even richer if students are already familiar with the ethical theories. Students should feel free to use a deductive method when working on the case as an assignment. Often, different individuals applying the same analytical framework to ethical dilemmas arrive at different salient issues and policy recommendations. A person's answers to the six questions in Table 7 are a function of his or her experience, knowledge base, assumptions about human nature, gender, economic status, and so on. Due to these individual differences a public discussion of the ethical dilemmas is a useful way to teach the five ethical approaches. Keep in mind that even social philosophers can disagree about the ranking of salient issues and ultimate policy recommendations. Moral philosophers spend their entire lives trying to resolve these issues. Students must continue to work on them when they are faced with ethical dilemmas in the course of managing a business.

Importantly, we do not suggest that professors save all ethics discussions for the special ethics module described in this paper. Ethics deserves more than one hour per class in the business school curriculum. Rather, we suggest that this module be conducted early in the semester so that students feel free to raise ethics issues throughout the course. Most students and managers believe in some form of relativism (egoism, social group relativism, or cultural relativism). The unthinking application of relativism generates many of the managerial decisions that appear to be, or are, unethical. Students learn a valuable lesson when they discover this about themselves and the prevailing business system. Students should be encouraged to raise these issues throughout the semester.

Tragically, most organizations limit managerial tasks to the accomplishment of specific organizational goals (profits/outputs) and specific personal goals (promotion/job security/bonus). Many managers suffer from unintentional "moral myopia" because they do not see the negative social ramifications of their decisions (Badaracco & Webb, 1995; Bird & Waters, 1989). As a result there are many inefficient and ineffective organizations whose intentions, actions, and consequences must be closely monitored by judges, politicians, and other public servants. Life within organizations then becomes highly politicized and centered on power.

Given these circumstances many managers make tough ethical decisions in private, issue their edicts, and hope their decisions are not questioned. Ethics demands the opposite, that decision making be public and inclusive of affected parties and alternative viewpoints. While managers are still responsible for the ultimate decision, providing a rationale for the decision enables others who participated in the process to understand and support it.

Most recent business textbooks contain ethical dilemmas and there are supplemental books that provide ethical dilemmas for a variety of business school disciplines (Collins & O'Rourke, 1994). The ethical dilemma presented in this chapter was chosen simply to illustrate a new paradigm for integrating ethics throughout the curriculum. Any ethical dilemma may be used, but this particular method for teaching it should be employed. A good case study is practical and generates some disagreement. As discussed in step 4, if only a few students choose an option then only those with the minority viewpoint should defend themselves in front of the class and respond to all of the objections. There are several hypothetical, yet experiential, exercises that also can achieve the same goal (Collins, 1996b, forthcoming).

Viewing ethics as a restraint on business practices is narrow-minded. Ethics are a restraint only if an organization's culture is unethical. Rather, consider ethics as the foundation for an organization's operating policies and procedures. For instance, most business ethicists *do not* oppose making large profits. The key ethical issue is that people be treated in a fair and just manner when accumulating and distributing profits. When businesses fail to act ethically, those who are negatively affected often appeal to politicians and judges for increased regulation. No system of laws and public policy can cover all activities. In this broader sense, integrating ethical considerations in business decisions is good for business.

As Aristotle noted, human beings are creatures of habit. Ethical analysis can be a learned habit. When practiced on a daily basis, ethical analysis can generate creative, practical, and profitable solutions to business problems. Companies that strive to do this will thrive in the future.

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