

Are Business Schools Silent Partners in Corporate Crime?

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DURING THE PAST YEAR THE US PUBLIC has witnessed unprecedented corporate misconduct and crime, with each new scandal pointing to new levels of selfishness, greed and dishonesty in business. The ink was barely dry on the story of Enron's bogus financial accounting when the announcement of WorldCom's misrepresentation of US\$3.8 billion in expenses hit the media. As if that disclosure were not mind-boggling enough, the public subsequently learned that the miscalculation was more to the tune of US\$7.6 billion. Then Enron was back in the news again after Arthur Andersen, an accounting firm that long trumpeted a reputation for high ethical standards, was accused of cooking the books for Enron. Adding insult to injured investors, Martha Stewart, America's darling of homespun mass consumerism, faced allegations of insider trading (McHutchinson 2002; Solomon and Sandberg 2002).

None of this was lost on the stock market, already battered by 9/11, President Bush's bellicosity toward Iraq and a shaky economy. The signal to investors was loud

and clear: they could neither trust the validity of financial information nor the stock market itself as a level playing field. The value of pension funds plummeted and thousands of employees of scandal-ridden firms lost their jobs. Faith in financial capitalism lost ground as well. Bush hurriedly reacted with comments meant to soothe rattled investors, implying that the scandals were the result of a few bad apples and that most business in the USA was still in good hands. But the stock market plummeted anyway. Wall Street foundations were shaking as the shockwaves of corruption and fraud registered loudly in the American psyche.

An unexplored question is the link between corporate misdeeds and the nation's business schools. Although policy-makers in Washington have now changed the rules for stock options and 401K plans, they have not yet investigated business schools as possibly unwitting accomplices to corporate crimes. This oversight seems odd, since the executive managers of the scandal-ridden firms and their partners in crime, some holding MBA degrees, may

reflect an approach to business education that elevates narrow self-interest above broader values of community and corporate citizenship. This ideology was never very far from the minds of the executive carpetbaggers who stole from their own companies, wiped out employee pensions and made distrust of business a national byword. In the aftermath of this wholesale robbery, members of the Association for the Advancement of Collegiate Schools of Business (AACSB) in the USA have maintained an inexplicable silence. Behind their wall of quietude, these deans of colleges of business who set the standards for business school curricula worldwide are proposing wobbly new accreditation guidelines that will do little to head off a new generation of MBAs who are at risk of Enron-like behaviour.

Knowing that the fellowship of deans will vote on the proposed standards in April, we contacted AACSB and were told that the member deans have acknowledged the crisis in business by putting ethics first among equals in the proposed standards for degree programmes. Big deal. The rub is that the delivery of that ethics content is to be left to each individual business school. The damage that can result from this 'doctrine of flexibility' goes way beyond ethics. Topics such as corporate citizenship, public policy and corporate governance can also be 'flexified' at a school's whim.

As news of the proposed standards swept through academic circles in the autumn of 2002, the AACSB office has been inundated with messages of protest from a cross-section of professors in the USA and abroad. Even though these professors teach a variety of management subjects and hold divergent viewpoints, they have spoken with one voice to tell AACSB that its standards for ethics education are patently inadequate. This unanimous demand is truly an extraordinary development, since professors from different backgrounds rarely agree publicly on anything.

The cat is out of the bag. The professors who voted their dissatisfaction so openly

did so because of their experience to date with the failed doctrine of flexibility. A relatively recent innovation, the gospel of flexibility effectively absolves schools from requiring *any* courses in ethics. Deans can claim that ethics is incorporated into curriculum overall, meaning that professors from disciplines such as marketing, finance, operations management, accounting and strategic management can claim to teach a smattering of ethics topics in their courses. In reality, however, these professors find it burdensome to try to integrate well-developed variants of ethics across the curriculum, particularly given their understandable desire to teach their own areas of expertise first and foremost. Additionally, members of the AACSB teams who visit schools to judge accreditation status find it difficult if not impossible to assess the quality of ethics coverage in such a system. We know of a case where an accrediting team spent an entire day poring over a school's course offerings, looking as if through a magnifying glass for just enough ethics content to 'pass' the school. The listing of ethics on various syllabi does not qualify as satisfying any particular standard. At best, such ad hoc coverage is superficial and uninformed. At worst, it is inaccurate and woefully inadequate. There is simply no substitute for ethics delivered as a dedicated course by a knowledgeable faculty.

To compound issues of accountability and transparency in curricular standards, members of AACSB accrediting teams sometimes have long-standing professional relationships or personal friendships with the deans of the schools they visit, calling into question the arm's-length relationship expected of accreditation judgements. One might as well ask Arthur Andersen to audit Enron, where cronyism reigned.

An AACSB official points out that seeking accreditation is voluntary, and that no one forces schools to accept AACSB standards.¹ But this response begs the question for schools bearing AACSB's seal of approval. An association that accredits

1 Personal communication with an AACSB accreditation official, 16 October 2002

professional degree programmes should take the high road on ethics standards, especially in the aftermath of what are arguably the worst corporate scandals in the history of financial capitalism. Moreover, it is disheartening to hear the rhetoric of 'free to choose' from AACSB, given that this same refrain has been a long-standing chorus of free-market pundits who argue vociferously that corporate managers should not consciously try to fulfil moral obligations to society. Such invocation of freedom is misguided when it functions as a cover for the right to act selfishly and irresponsibly in business or for an educational approach that denigrates a broad sense of ethical and moral responsibility to society.

We urge AACSB officials not to quest for institutional autonomy at the expense of more laudable citizenship goals. We are reminded that the executive managers of Enron, WorldCom, Global Crossing and others have literally cashed in by autonomously setting their own standards of gross misconduct. In drawing this parallel, we do not question the sincerity of deans or the AACSB. Nor do we cast aspersions on most practising managers. To do so would be to sidestep the real issue, which is that large-scale organisations are chain-of-command structures that encourage policies and behaviour that narrowly serve the status quo. This state of affairs puts dissenting managers and other employees in harm's way, especially if they dare to blow the whistle on superiors who exhibit dubious behaviour. In the absence of countervailing forces, whole organisations and perhaps even industrial sectors easily become self-serving, inert and out of step with environmental imperatives.

Ironically, AACSB deans have more than a passing acquaintance with these well-known and critical insights from contemporary management theory. The crux of the matter is that the proposed AACSB standards do not speak to the experience of practising managers, leading us to believe that AACSB needs to solicit more input from its corporate constituents.

Perhaps the most distressing aspect of this whole situation is that it represents ground covered before (Frederick 1977). This is yet another characteristic of the status quo—its agents do not necessarily learn from history, especially when accreditation is reinforced by a school's internal politics. AACSB's doctrine of flexibility can contribute directly to reducing or eliminating the number of professors teaching ethics in business schools. Here is the way it works. In spite of a stacked political deck, some schools have developed excellent programmes in ethics, corporate social responsibility and, more recently, corporate citizenship. Yet, as Professor Duane Windsor (2002) attested in an open letter to AACSB, these gains are easily wiped out by faculty attrition, especially when key senior professors retire and are not replaced. This happened at the University of Pittsburgh, according to Professor Donna Wood's recent correspondence with AACSB (Wood 2002). As a result, Pitt's Katz School has quickly earned a dubious reputation for dismantling a long-standing and distinguished programme in ethics and corporate social responsibility. Amazingly, the axe fell on this programme in August 2002, even as sensational news of the corporate scandals was still unfolding. Such folly is permitted or even encouraged by flexible ethics guidelines, loosely enforced.

Not that flexibility should be ruled out completely. A certain amount is called for, given the plurality of AACSB constituents. The issue is one of scope. As proposed in 1977, the existence of one required threshold course in ethics and corporate social responsibility need not dampen other curricular initiatives. Nor does it dictate the design or placement of individual courses in a curriculum (Frederick 1977: 2). Moreover, the requirement for one threshold course does not preclude professors from addressing ethical and environmental issues across the curriculum. Potentially everyone gains by keeping the material on ethics and social responsibility intact as a required threshold course. By design, this

approach encourages cross-fertilisation of ideas within other business courses. It is an eminently 'flexible' base for any and all schools to infuse greater ethical awareness in their students.

Is this too much to ask and expect of business schools and their accrediting agency, given the dark cloud of disrepute and failed trust that now shrouds the management profession and, by association, management education? Peter Drucker (1969: 210) summed up the legitimacy of institutional aims long ago when he stated:

To satisfy their members is not and can never be the first task or the test of the pluralist organisations of our society. They must satisfy people outside, must serve a purpose outside, must achieve results outside.

The AACSB's ethics standard and accreditation guidelines do not meet Drucker's test of serving 'outside purposes'. Even worse, they signal that business schools and their leaders will not be summoned to work conscientiously and collectively to prevent the next assault of corporate criminality on society.

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