

# LEARNING PLAN 5



## Ethics

The 18th Century economist Adam Smith demonstrated how in a free market the self interest of producers and consumers will produce an outcome desirable to all concerned. Where ever free markets have operated the societies that have embraced them have realized a quality of life and standard of living far above all other economic systems. However, as with any system it is only as effective as the people involved. Any system will fail if it thought to lack integrity or treats some of the participants unfairly. Enforcing all participants' behavior to be ethical is one way to keep the free market system operating effectively.

Recently Toyota has been involved in mass recalls of their cars. How ethically have they conduct themselves during the

resolution of this situation could determine how well they recover from this ordeal. In the past some companies like Johnson & Johnson reacted swiftly and openly to address a problem of tampering with their Tylenol product. Even though only a very small number of bottles were contaminated by unknown persons in a very small area of the country they recalled all products on the shelves plus all the products that had been purchased. Over the last ten years included two major down turns in the market their stock price has gone from \$35 a share to \$64 a share. That is a significant increase in shareholder value.

Arthur Anderson which was one the country's largest and highly respected accounting firms, was the auditing firm

for Enron Corporation in Houston, Texas. Enron was embroiled in unethical accounting practiced that was meant to defraud employees and other investors by hiding the true financial condition of the company. Unlike Johnson & Johnson, Arthur Anderson decided to help with the cover up of these unethical and illegal activities. Arthur Anderson is no longer in business. This was an appropriate responsible for their unethical collaboration.

As the story of these companies suggests, an important ethical dimension is present in most business decision making. In this Learning Plan, we examine ethics in business and its impact on people and society.



## ETHICS & VIRAL MARKETING

When most people think of professionals whose "purpose is to serve the greater good," MBAs don't leap to mind. That's probably part of the reason authors of a new oath for MBAs, which uses those words in the opening sentence, set such modest goals for the project. Started by 33 second-year MBA students at Harvard Business School (Harvard Full-Time MBA Profile) as a way to bolster B-school ethics, the group originally hoped 100 of their classmates in the Harvard class of 2009 would sign up to "act with utmost integrity." At the time, it seemed like a stretch.

But something about the project struck a chord. Maybe it was the desire to distance themselves from B-school villains of the financial crisis, or an effort to get a head start on their future careers in the nonprofit world, or maybe it was genuine idealism. But whatever the cause, the oath has quickly taken on a life of its own. Within weeks, more than half of Harvard's class of 2009 had signed. Perhaps more interestingly, it didn't stop at Harvard Yard. MBAs around the world forwarded the oath to friends, gathering nearly 800 signatures to date. Max Anderson, the 2009 Harvard graduate who came up with the idea, said he received requests from people at more than 25 schools around the world about bringing it to their campuses. He still sounds a little awed: "Our inbox has just exploded."

So far, people from 115 countries representing 49 languages have visited the MBA Oath Web site, where visitors can also find links to some of the articles that helped to spread the word. While some campuses have asked for help adapting it, e-mails have been circulating independently at others. About 40 students at Northwestern University's Kellogg School of Management (Kellogg Full-Time MBA Profile) have signed on, along with more than 30 students at Oxford University's Saïd Business School (Saïd Full-Time MBA Profile). Anderson says the group plans to translate the code into



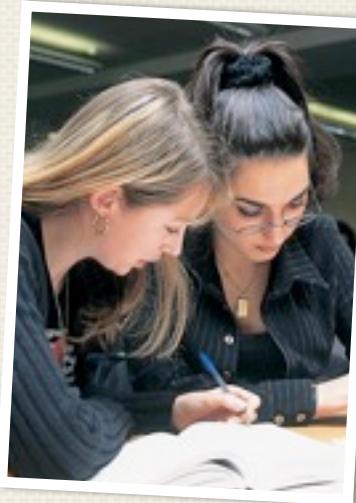
## LEARNING ACTIVITIES

1. LEARNING PLAN 5 APPLIES TO THE INFORMATION COVERED IN CHAPTER 2

THE FOLLOWING ACTIVITIES ARE COMPLETED ONLINE AT [HTTP://FERRELM.MCGRAW-HILL.COM/](http://FERRELM.MCGRAW-HILL.COM/)

2. COMPLETE THE DESTINATION CEO VIDEO & QUIZ.

DON'T SUBMIT THE RESULTS TO ME. THIS ACTIVITY IS FOR YOUR SELF-IMPROVEMENT.



## ASSESSMENT ACTIVITIES

1. COMPLETE THE LP5 - BUSINESS AND ETHICS ASSIGNMENT. WHEN PREPARING YOUR RESPONSES PLEASE TAKE THE TIME TO FULLY DEVELOP YOUR RESPONSES/THOUGHTS AND PROVIDE SUPPORT MATERIAL WHEN NECESSARY.

2. COMPLETE THE LP5 - ETHICAL BUSINESS PRACTICE ASSIGNMENT. WHEN PREPARING YOUR RESPONSES PLEASE TAKE THE TIME TO FULLY DEVELOP YOUR RESPONSES/THOUGHTS AND PROVIDE SUPPORT MATERIAL WHEN NECESSARY.

German, French, and Spanish because of multiple requests. And representatives of schools in Iceland and Norway have expressed interest in adapting it.

This isn't the first time the MBA industry has made a stab at establishing a code of morality, but it does seem to be the first effort that has the potential to catch on with a broader audience. Critics of the movement say that the oath is simply an effort by students to shield themselves from the populist rage at the role MBAs

played in the current financial crisis and that the ethics push will fade once the economy stabilizes. But some B-school leaders caution that such a conclusion underestimates the younger generation. There's a possibility, they say, the oath is only the tip of the iceberg, and that a bigger change—in student sentiment, business school programs, and what it means to be an MBA—is poised to hit the business education world.

<http://www.businessweek.com>