

## **A lesson in moral leadership**

By Philip Delves Broughton,

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TEACHING ETHICS at a business school may sound to some like teaching optimal portfolio selection at a seminary: interesting but moot given the central purpose of the respective institutions.

Corporate scandals and the growing interest in corporate social responsibility have changed all that. Over the past few years, most leading business schools have introduced classes in business ethics to their required curricula.

But the issue of whether ethics can or should retain a place in an MBA's education remains unresolved and continues to rear up and bite business schools just when they least expect it.

Last month, 119 applicants to Harvard Business School followed a link on a *Business Week* message board to access the website containing confidential information about their admittance. Harvard decided this constituted hacking and Kim Clark, the dean of the business school, decided the applicants would all now be rejected.

"Our mission is to educate principled leaders who make a difference in the world," he explained. "To achieve that, a person must have many skills and qualities, including the highest standards of integrity, sound judgment and a strong moral compass—an intuitive sense of what is right and wrong.

"Those who have hacked into this website have failed to pass that test."

To many, including *The Crimson*, Harvard's undergraduate newspaper, the reaction seemed excessive. "HBS has scored a media victory with its hard line stance," said its editorial. "Americans have been looking for a sign from the business community, particularly its leading educational institutions that business ethics

are a priority. HBS's false bravado has given them one, leaving 119 victims in its angry hands."

A poll taken by the business school's own newspaper, however, showed that 70 per cent of Harvard's MBA students approved of the dean's stance. Many students spoke of the importance of protecting the HBS brand.

"There were mixed reactions on campus," says Bill Krause, co-president of HBS' Leadership and Ethics Forum, a student club designed to foster debate about ethics.

"If you take a 50,000 foot perspective, you can see an ethical issue and it's clear where the administration drew the line. But if you consider each individual candidate, it's much harder to take a black and white stance.

"This institution is looked to by a lot of circles. Not that that should be its only motivation, but it does prompt quick, decisive action."

Stanford's Graduate School of Business, faced with the same situation, invited the accused hackers to explain themselves in writing.

"None of those who gained unauthorised access was able to explain his or her actions to our satisfaction," concluded Robert Joss, the dean. He added that he hoped the applicants "might learn from their experience".

As people apply to business schools, they can only hope the quality of their character shines through proxy measures, such as their references and the nature of their extra-curricular activities. Nowhere on the form can they explain how they never fiddled their expenses, took home office stationery or refrained from trading on their

sister's stock tip. It confirms the impression that while bad behaviour is easily punished, good behaviour is rarely rewarded. This applies equally when it comes time to graduate.

"One area of disappointment has been this disconnect between what the recruiters emphasise and what the leaders of their organisations are saying is important," says Craig Smith, professor of marketing and ethics and associate dean of the London Business School.

"Having said that, over the past couple of years, students say that recruiters are asking them about ethics and how they might have handled some of the big scandals."

He adds that, despite all the talk about ethics at a very high level, "ethics isn't getting a huge amount of substantive attention at business schools".

One view is that ethics at a business school should hold the same place as it does in a science or medical school. You supply physics and biology students with knowledge and hope they do not then decide to apply it to rogue nuclear or biological weapons programmes.

Likewise, when MBAs are taught accounting, they are warned of the consequences of manipulating earnings, over-aggressive tax-minimisation or mistreating employees. Option grants are properly explained so that people no longer mistake them for straightforward employee incentives and end up robbing shareholders.

Many schools go even further and try to prepare students for the internal, psychological battles they may face as their personal and business ethics collide.

Harvard's three-year-old required Leadership and Corporate Accountability course confronts students with situations in which business, ethical and legal considerations clash.

Mr Krause says that a business school

can at the least "create an environment where students can reflect on their individual experiences and the grey areas in their lives so that they can take a more confident approach to ethical decisions in the future".

"You can find all kinds of excuses not to teach ethics," says Henri-Claude de Bettignies, professor of leadership and responsibility at INSEAD.

"You can say we don't know what to teach, or it's too late when students are 28, or there are all kinds of ethical values, American values, British values, Japanese values, which ones are we supposed to teach?"

But, he adds, there is real value in helping MBA students to act in business in a way consistent with their own values. "When you bring out the ethical issues in finance, or accounting or marketing, students end up saying: 'Oh, that's very interesting, I had no idea that was an ethical issue.'"

Three years ago, Insead students introduced a graduation pledge in which they vowed to work only for ethical companies. Two years later, the pledge was abandoned.

Nonetheless Prof Bettignies believes that while the term corporate social responsibility may be a passing fad, the interest in business ethics is here to stay.

"Some people don't like the word ethics. So perhaps we have to give it a different name, like 'Business in Society' to show that all we're doing is raising awareness among MBAs of the ethical dilemmas they are likely to face in business."