Chapter 29

Rethinking Ethics Education in Business Schools in the Post–Financial Crisis Epoch: An Icelandic Perspective

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ABSTRACT

This chapter deals with a multitude of perspectives on ethics education in business schools and provides a compelling example of Iceland, where unethical behavior of its business elite and the total disregard for commonly accepted ethical rules of conducting business led to unsustainable expansion of the financial industry and its subsequent collapse in the fall of 2008. The authors examine whether ethics education or more precisely, the lack thereof, played any role in this financial collapse, and whether business schools should contribute to molding moral characters of their students, who will ultimately become the next generation of business leaders. Here are a few important highlights of what has been found. First, a consensus seems to have been reached that business schools have an important role in developing the moral character of their students, something they haven’t practiced sufficiently according to managers. Second, business schools ought to take a more direct part in a society’s discourse on business ethics and perhaps be in the forefront of these discussions. Third, there is a clear need for not only asking business schools to contribute to molding the moral character of students but to reshaping that of practicing managers through re-training and continuous education.

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INTRODUCTION

In order to help us address these issues, one thousand top level managers of Icelandic firms were approached and asked a multitude of questions aimed at establishing the relationship between ethics education and the moral character of business students as well as the roles of business schools in forming and developing that moral character. The managers were asked to evaluate three important themes which business schools have full or partial control over, namely (a) What is lacking in current business graduates, regarding their moral character and ethical standards, (b) What is lacking in the attempt of business schools to strengthen good ethics in business graduates and (c) How should business ethics be taught in business schools? The results of this survey will be discussed in later sections of this chapter.

In the past few years, as deep financial crisis ravaged economies worldwide, multiple corporate scandals have come to public attention (Enron, Tyco, WorldCom, etc.). Subsequently, new and loud calls for improving the moral character of modern business people and enhancing the field of business ethics are coming from all over the world. In this chapter we are going to deal with both concepts – moral character and ethics – so let us begin with the definitions.

Moral character can be defined as an evaluation of a certain individual’s enduring moral qualities, such as honesty, bravery, loyalty, habits, etc. Moral character primarily refers to the set of specific characteristics that distinguish one person from another, or as a tendency to demonstrate behavior in “consistent patterns … across a range of situations” (Pervin, 1994, p. 108). A few key factors influence one’s character and moral development. Among these factors are early childhood upbringing, adult role models, peer influence, the external environment, communications media, and education, both primary-secondary and higher (Huitt, 2004). The concept of moral character of business people and business ethics are interrelated, since business people bring their own moral character, skills, and experience to corporations, making the ethics of a company a reflection of the people who work there.

As Timpe (2007) indicates, two main approaches help in understanding and dealing with moral character. The first approach is Normative Ethics, which examines general determinants of what is right or wrong. The second approach is Applied Ethics, which involves particular and contentious issues with a moral choice and a set of possible solutions to the problem at hand (Timpe, 2007). Business ethics, in turn, is a form of Applied Ethics that examines ethical principles as well as moral issues that people face in a business environment. More specifically, it is pertinent to all aspects of business and is applicable to the conduct of all individuals and organizations as a whole. Business practices that neglect the field of ethics may result in a ruined reputation and possible collapse of the company, affecting employees, suppliers, clients, and society.

Ethics has proved to be of foremost importance across all areas of business – from marketing to sales, from customer service to human resources, and from operations to finance. Therefore, adopting and maintaining a comprehensive ethical approach to conducting business is paramount to ensure the legitimacy and the long-term success of an organization. Furthermore, it is important to have a comprehensive ethical approach to all the stakeholders of an organization: employees, customers, shareholders, and the community at large. Embracing these approaches is essential to ensuring that a company runs a successful business with a strong potential to develop, grow, be profitable in the long term, and benefit the society by remaining a good corporate citizen.

Business people who have a strong moral character and a strong ethics are, therefore, essential for organizations, since they affect company’s both longevity and prosperity. However, the situations where the entire business culture in a society does not promote ethical behavior and, what is even
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