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IDEAS -- VIEWPOINT

By Jeffrey E. Garten

B-Schools: Only A C+ In Ethics

Schools need to do much more to help students make moral choices

Before I stepped down as dean of the Yale School of Management on June 30, the question I was most frequently asked by people outside the university was whether business schools were doing enough to instill the right values in their students. My answer: MBA programs have come a long way -- but not nearly far enough.

To be sure, I don't believe B-schools can turn someone who is dishonest into a virtuous person. Enron's former chief financial officer, Andrew Fastow, would likely have turned out to be a bad apple no matter what he was taught in graduate school. Nor can an MBA program give someone the backbone to make a moral decision that risks the loss of a company's market value, as happened at Johnson & Johnson ([JNJ](#)) in the 1980s when Chief Executive James Burke courageously took Tylenol off the shelves because of safety scares. That kind of character must be developed much earlier than the typical age of a B-school student, about 27.

What business schools can do, however, is teach students how to apply value judgments when issues are not black and white. An obvious place to start: the admissions process. In evaluating applications, business schools should ask prospective students pointed questions in their essays and interviews about ethical turning points in their lives. Admissions officials should also plumb views about current moral controversies in the business world. When soliciting references, business schools should specifically request input on a candidate's character. The answers to all these questions should be evaluated with the same seriousness as grades and test scores.

By the time they graduate, MBA students should be able to assess issues such as whether Hewlett-Packard Co.'s ([HPQ](#)) decision last month to make large-scale layoffs and sever pension programs fairly balanced the pressures for financial performance against obligations to loyal employees. They should have a view on whether Goldman, Sachs & Co.'s ([GS](#)) recent representation of both the New York Stock Exchange and Archipelago Holdings in a merger of the two, while holding financial stakes in both, constituted a conflict of interest or just an efficient consensual transaction. And these would-be leaders should be able to reason whether Microsoft Corp. ([MSFT](#)) -- in its effort both to expand in China and also uphold Chinese law -- is doing the right thing by helping Beijing prevent its citizens from researching concepts like democracy and human rights on the Internet. The idea is not for B-schools to provide simple right or wrong answers, but to prepare these future executives to better assess the morally complex choices they will face during their careers.

Top business schools are wrestling with such issues in different ways. Harvard requires all students to take a course on leadership and ethics. Dartmouth concentrates on a broad agenda of extracurricular consciousness-raising activities in which issues such as Merck & Co.'s handling of Vioxx are debated by students, professors, and people who have been directly involved. Columbia has established a research institute devoted to ethical leadership. And the new dean at Yale, Joel M. Podolny, is revamping the curriculum with a series of seminars on business ethics at its center.

But if such institutions were to really get serious about ethics, each should undertake a combination of all these programs. In addition, new courses should be added beyond what is normally required. All students, for example, should gain a fundamental understanding of business law. They should study relevant fiction, such as Tom Wolfe's *The Bonfire of the*

Vanities, which explores character better than case studies ever could. And, to acquire context, they should take courses in business history, dissecting such books as Ron Chernow's *The House of Morgan*.

The most prestigious faculty should lead the way in promoting ethics, or students will quickly infer the subject is not critical. But most professors specialize in disciplines like finance or operations, and have little training in teaching values. As a condition for tenure, therefore, the next generation of lifetime faculty should be required to pass a rigorous exam on such matters, graded by experts inside and outside the academy.

The decisions made by business leaders have a tremendous impact on shareholders, employees, customers, suppliers, communities, and the broader economy. So enhancing their ethical education at a formative stage is arguably the highest priority that business schools should have. Although many are working at it, none has yet fully risen to that challenge.

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