



1-1-2004

Education / California's Response to Lack of Business Ethics

Brian L. Coggins

Follow this and additional works at: <https://scholarlycommons.pacific.edu/mlr>

 Part of the [Legislation Commons](#)

Recommended Citation

Brian L. Coggins, *Education / California's Response to Lack of Business Ethics*, 35 MCGEORGE L. REV. 439 (2004).
Available at: <https://scholarlycommons.pacific.edu/mlr/vol35/iss3/11>

This Greensheet is brought to you for free and open access by the Journals and Law Reviews at Scholarly Commons. It has been accepted for inclusion in McGeorge Law Review by an authorized editor of Scholarly Commons. For more information, please contact mgibney@pacific.edu.

California's Response to Lack of Business Ethics

Brian L. Coggins

Code Sections Affected

Education Code §§ 66351-66353 (new).
SB 821 (Alarcon); 2003 STAT. Ch. 599.

*"Nothing which results in profit is regarded as disgraceful."*¹

I. INTRODUCTION

Accusations of lying, cheating, and plagiarizing seem commonplace among our top managers and corporate icons.² Recent scandals at Enron, WorldCom, Adelphia, and Martha Stewart, Inc., to name a few, exposed the behavior of top management to the American public.³ Worse yet, for the few who are caught, hundreds more are getting away with unethical behavior in the name of profits.⁴ It often seems that profits dominate today's business culture, while ethical behavior seems to be an afterthought.⁵ Marjorie Kelly, editor of *Business Ethics*, aptly quoted one former Enron employee who said of the company's implicit message, "We've got an ethics program, but you are being paid to meet your goals and you better meet your goals, no matter what."⁶

This profit-driven attitude can be explained, in part, by the lack of emphasis that universities place on ethical behavior in their business programs.⁷ While all Master of Business Administration ("MBA") programs in the U.C. system offer ethics courses, only three currently require that their MBA graduates take a

1. See Monica Soto, *High Road vs. Bottom Line: Classes Dealing with Business Ethics Have New Relevance in Business Schools*, SEATTLE TIMES, Oct. 27, 2002, at F1 (quoting Greek historian Polybius).

2. See Meg McConahey, *Ethics Scandals Reach Epidemic Level*, Pressdemocrat.com (June 8, 2003), at http://www.pressdemo.com/local/news/08ethics_a1.html (copy on file with the *McGeorge Law Review*) (characterizing recent allegations of corporate leaders).

3. See Jeanne Fogler, *Despite Boardroom Scandals, No Erosion of Ethics Noted Among the Rank and File*, CAL. JOB J., Mar. 16, 2003, at 1 (commenting on the largest corporate scandals of the past few years).

4. See McConahey, *supra* note 2 (remarking that recent scandals have made headlines, but it is doubtful that they will lead to any meaningful reflection on ethics).

5. See Soto, *supra* note 1 (explaining that maximizing profits overrides everything else at some companies, such as Enron).

6. *Id.*

7. See Keener A. Tippin II, Kansas State University, *Amidst Corporate Scandals, K-State Professor Spearheading Required Ethics Course Initiative for Business Schools*, Dec. 6, 2002, at <http://www.mediarelations.ksu.edu/WEB/News/NewsReleases/ethics120602> (copy on file with the *McGeorge Law Review*) (connecting recent business scandals with the lack of business ethics courses).

course on ethics.⁸ California's universities do not require a stand-alone ethics course on any of the sixteen campuses that offers an MBA program although they do require graduates to take a course with a "significant" ethics component.⁹ Tom Campbell, Dean of U.C. Berkeley's business school, feels strongly that universities and business schools need to "play a major role" in teaching ethics.¹⁰ Accordingly, he has expanded his program at U.C. Berkeley to include MBA students visiting business people convicted of illegal activities at correctional facilities, an elective course in socially responsible business leadership, and an expanded lecture series featuring speakers such as Sherron Watkins, known for her web activities at Enron.¹¹

Chapter 599 addresses the need for expanding ethics components in California's state universities by creating an award for graduate students dedicated to social responsibility.¹² In addition, Chapter 599 requires the formation of a task force with the purpose of developing a plan for integrating business ethics into all levels of higher education.¹³ The Legislature believes future business executives with the proper ethical training in college will enhance not only their own financial well-being, but will contribute to the well-being of the entire state.¹⁴ Even so, the question still remains: Will Chapter 599 actually improve the ethical behavior of future California graduates?

II. LEGAL BACKGROUND

California's institutions of higher education are governed by the California Education Code.¹⁵ Implemented in 1960, the Donahue Act recognized three segments of higher education: the Community Colleges, the California State University ("CSU"), and the University of California ("UC").¹⁶ The Donahue Higher Education Act, Part 40 of the Education Code, provides provisions for postsecondary education; specifically, chapter five of the Higher Education Act promulgates rules of student conduct.¹⁷

8. SENATE COMMITTEE ON EDUCATION, COMMITTEE ANALYSIS OF SB 821, at 1 (May 7, 2003) (reporting that only U.C. Berkeley, U.C. Irvine, and U.C. Riverside require students to complete ethics courses).

9. See SENATE APPROPRIATIONS COMMITTEE FISCAL SUMMARY, COMMITTEE ANALYSIS OF SB 821, at 1-2 (May 19, 2003) (analyzing the fiscal impact of requiring stand-alone ethics courses).

10. David Goll, *Scandals Spur Expansion of Haas Ethics Program*, E. BAY BUS. TIMES, Sept. 13, 2002, at 1.

11. *Id.*

12. See SENATE RULES COMMITTEE, COMMITTEE ANALYSIS OF SB 821, at 2 (May 30, 2003) (establishing the Golden State Business and Social Responsibility Award).

13. CAL. EDUC. CODE § 66352 (enacted by Chapter 599).

14. SENATE RULES COMMITTEE, COMMITTEE ANALYSIS OF SB 821, at 3 (May 30, 2003).

15. CAL. EDUC. CODE § 66000-67400 (West 2003).

16. *Id.* § 60010(a).

17. *Id.* §§ 66300-66301.

Existing law under the Donahue Act, however, does not provide curriculum guidelines with respect to business ethics.¹⁸ The Legislature has recognized the autonomy of each higher education institution to specify the content of its business program.¹⁹ Thus, the Donahue Act does not have any provisions requiring the inclusion of ethics components, awards, or courses.²⁰ Nevertheless, twelve CSU and four UC business programs are accredited by the Association to Advance Collegiate Schools of Business (“AACSB”),²¹ which has long required the coverage of business ethics in accredited business schools.²² However, because the AACSB leaves the method of teaching up to the college, the particular college may choose a stand-alone course or integrate ethics into its core curriculum.²³ Recently the AACSB has been re-evaluating its ethics requirements.²⁴ It also raised ethics to the top of the list of topics business schools should cover.²⁵ But the AACSB still maintains that schools can choose their method of instruction, maintaining some degree of flexibility.²⁶

Currently in California, an intersegmental faculty group is creating a consensus for a core of common courses in business programs.²⁷ The faculty group includes representatives from the UC, CSU, and Community College systems.²⁸ The representatives are debating different ways that business ethics should be taught.²⁹ Specifically, they have discussed the merits of integrating ethics into all business courses over teaching stand-alone courses.³⁰

18. See SENATE COMMITTEE ON EDUCATION, COMMITTEE ANALYSIS OF SB 821, at 4 (May 7, 2003).

19. *Id.* (noting that this responsibility typically falls on a campus academic senate).

20. See CAL. EDUC. CODE § 66003 (West 2003) (indicating that the governing boards are to be given ample discretion in implementing policies and programs).

21. See *McBane's List of AACSB International Accredited Business Schools Online*, at <http://mkt.cba.cmich.edu/aacsbmkt/geolist.htm> (last modified Feb. 20, 2004) (copy on file with the *McGeorge Law Review*).

22. Tilden Curry, *Ethics in Business and Education*, ENEWSLINE (June 2002), at http://www.aacsb.edu/publications/enevline/archive_deans/dc-tildencurry.asp (copy on file with the *McGeorge Law Review*).

23. *Id.*

24. Carolyn Y. Woo, *The State of the Association*, BIZED, Sept.-Oct. 2003, at 46, available at <http://www.aacsb.edu/publications/archives/sepoct03/p46-40.pdf> (copy on file with the *McGeorge Law Review*).

25. AACSB International, *AACSB Expectations*, at http://www.aacsb.edu/resource-centers/ethicsedu/overview_expectations.asp (last visited Apr. 17, 2004) (copy on file with the *McGeorge Law Review*).

26. AACSB International, *Why Won't AACSB International Require A Course in Ethics for All Business Programs?*, at http://www.aacsb.edu/resource_centers/ethicsedu/overview_notrequired.asp (last visited Apr. 17, 2004) (copy on file with the *McGeorge Law Review*).

27. ASSEMBLY COMMITTEE ON HIGHER EDUCATION, COMMITTEE ANALYSIS OF SB 821, at 2-3 (July 8, 2003).

28. *Id.*

29. *Id.* at 3.

30. *Id.*

III. CHAPTER 599

Chapter 599 establishes the Golden State Business and Social Responsibility Award, established to reward students who show socially responsible leadership.³¹ To qualify for the award, graduate students in business must complete a minimum of two ethics courses and complete at least fifty hours of community service.³² The qualifying student may have the seal of the Senate, the Assembly, or the Governor affixed on his or her diploma or transcript.³³ Chapter 599 specifies that the participation of each institution of higher education is voluntary, and any costs incurred are to be born by the institution.³⁴ This bill represents the Legislature's declaration that "[e]thics in business is vital to the economic well-being of the state."³⁵

Chapter 599 also requires the formation of a task force to develop a plan to integrate business ethics into California business schools.³⁶ The task force will be comprised of members from the Trustees of the California State University and the Board of Governors of the California Community Colleges.³⁷ In addition, the Legislature encourages the Regents of the University of California and the Association of Independent Colleges and Universities to join.³⁸ This task force is to report its findings and recommendations to the Legislature.³⁹ Presumably, the Legislature will use the findings to support another bill requiring California's universities and colleges to integrate business ethics into their business programs.

IV. ANALYSIS

In the original draft of SB 821, Senator Alarcon proposed that every business student at CSU and each community college district complete coursework in business ethics.⁴⁰ However, this requirement was amended and replaced by the formation of the task force to decide how California should teach business ethics.⁴¹ In fact, the formation of the task force and the Golden State Business and Social Responsibility Award were the only requirements left after the final amendment of SB 821.⁴² Still, the most important question remains: Should ethics be taught as a stand-alone course or as a topic integrated into the core curriculum?

31. CAL. EDUC. CODE § 66353(a) (enacted by Chapter 599).

32. *Id.* § 66353(c).

33. *Id.* § 66353(b).

34. *Id.* § 66353(d).

35. *Id.* § 66351(a).

36. *Id.* § 66352.

37. *Id.*

38. *Id.*

39. *Id.*

40. SENATE COMMITTEE ON EDUCATION, COMMITTEE ANALYSIS OF SB 821, at 2 (May 7, 2003).

41. SENATE RULES COMMITTEE, COMMITTEE ANALYSIS OF SB 821, at 2 (May 30, 2003).

42. *See supra* Part III (explaining the requirements of the final version of SB 821).

Because no standards exist as to the “correct way” to teach ethics, business schools vary in their approach; their methods ranging from stand-alone courses to a curriculum devoid of any significant courses in business ethics.⁴³ Traditional lecture format classes will not have the desired effect because students must learn ethics from constant one on one interaction.⁴⁴ One must teach the class in small groups, allowing students to learn from other students that operate on a higher ethical platform.⁴⁵ According to some experts, this is the only way to improve a student’s ethical development.⁴⁶ Business schools approach ethics anywhere from stand-alone courses to no significant courses in business ethics.⁴⁷ The lack of consensus in teaching ethics, in fact, has led one expert to say, “The bottom line is that a threshold course in ethics and corporate responsibility should be a requirement in all business degree programs.”⁴⁸

Certainly a required ethics course in all business programs could provide some uniformity in instruction among business graduates; however, some experts believe that a stand-alone course is a waste of time and money.⁴⁹ Opponents of stand-alone courses usually prefer that ethics be integrated into other core business courses, such as accounting, marketing, and management.⁵⁰ Proponents of stand-alone courses emphasize the lack of success with integration, leading one ethics professor to say, “If you believe that it’s integrated in all of the courses, then I’m willing to offer you the Brooklyn Bridge.”⁵¹ Two things are clear: the debate is still very active and it may never be resolved. SB 821 originally took a bold step in requiring a course in business ethics for all business graduates. However, after all the amendments, Chapter 599 took a much lighter step, postponing any required ethics courses by allowing the task force to determine the best way to teach ethics.⁵² Even though Chapter 599 did not end the ethics debate, it did declare that ethics are an important aspect of business and should be rewarded.

V. CONCLUSION

Chapter 599 promises to improve the welfare of the state by instilling a strong ethical standard in all future business graduates through an award and task

43. Interview with Richard Guarino, Associate Dean, College of Business Administration, California State University, Sacramento, in Sacramento, Cal. (June 10, 2003).

44. *Id.*

45. *Id.*

46. *Id.*

47. Tippin, *supra* note 7.

48. *Id.* (quoting Diane Swanson, Kansas State University, Associate Professor of Management).

49. David Nicklaus, *Is a Bigger Dose of Ethics Needed in Business Schools?*, ST. LOUIS DISPATCH, Dec. 18, 2002, at 1.

50. *Id.*

51. *Id.*

52. See *supra* Part III (detailing the final version of SB 821).

force.⁵³ Certainly, if giving an award and forming a task force could ensure ethical behavior, then this law would be extremely valuable. However, many experts believe that ethical behavior can not be taught in the classroom. According to those experts, the state is just wasting time and money.⁵⁴ Proponents believe that if we expect our business leaders to make difficult choices, then we must equip them with the tools necessary to make the best choices. If all we teach our business leaders is to maximize profits, we are likely to see another Enron or WorldCom.⁵⁵ Chapter 599 makes a clear statement to all those interested in a career in business: Ethics are important and ethical behavior is rewarded.⁵⁶ However, Californians will just have to wait and see what the task force decides is the best way to ensure California graduates receive a good education in ethics.⁵⁷

53. *See supra* Part III (explaining that an award will provide graduates with incentive to concentrate on business ethics).

54. *See supra* text accompanying notes 46-48 (outlining the theory of Richard Guarino).

55. *See supra* Part I (addressing the recent scandals of Enron and WorldCom).

56. *See supra* text accompanying notes 32-35 (explaining that the Governor will affix a seal to any graduate's diploma if they complete the requisite requirements in business ethics).

57. *See supra* Part III (stating that a task force will make recommendations on whether to teach business ethics as a stand alone course or integrated in all business courses).