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FEATURE

Infectious Greed: The Creeping Compromise

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Abstract - The recent rash of financial scandals fueled by what Alan Greenspan calls "infectious greed" has made the term business ethics seem like an oxymoron. But scandals are not new to business and greed dates back to the beginning of time. What is new is the convergence of deregulation, lax regulations, pervasive conflicts of interest, globalization, and information technology that has had a major impact on both Wall Street and corporate America.

This climate has inadvertently encouraged managers to "massage" their books to meet ever-demanding organizational goals. Furthermore, external auditors, society's financial watchdogs, have become more like lapdogs that are careful not to bite the hand that feeds them.

Business schools all across the nation have had a renewed interest in revising ethics courses to make them more meaningful and relevant. There is also evidence that ethics is now being taken seriously in corporate governance. But exposure to ethics in the classroom or the workplace will only go so far in a system fueled by infectious greed.

Teachers in Christian institutions of higher learning have the freedom to integrate biblically based values in the content of their courses while the more secular schools are still struggling over who's values to teach. Christian schools, therefore, have an edge and a better opportunity to make a difference.

"But change is not always sudden and dramatic, and the changes that can do the most harm are those that we don't see coming" (Clark, n.d.).

Try putting a frog in a pot of boiling water and it will immediately leap out. But put a frog in pot of cool water and gradually heat it. The frog becomes comfortable and will eventually boil to death. This is an apt illustration of where the business world is today. We have experienced a gradual erosion of ethics and a growing acceptance of greed and dishonesty and now we find ourselves in a boiling caldron.

Ancient History

A survey of history reveals that greed is as old as time, only the name and the location changes--Rome, Greece, Medo-Persia, Babylon or New York. One of the early references to greed, written over 3,000 years ago, is found in the Scriptures, in 1 Samuel 8. The children of Israel had demanded a king like the surrounding nations. Samuel warned how their lives would be changed to support the greed and luxury of a king and his officials. I Kings 10 and 11 illustrate how this was literally fulfilled about 40 years later when Solomon took the throne. Those chapters present a picture of luxury and excess and show how the heart of this wisest of all men was eventually turned from God. The Scriptures warn us that an obsession with money is the foundation of all kinds of evil (see I Timothy 6:10).

Recent History

The Conglomerates: The 60s and the 70s

Corporate executives are stewards and as such have a fiduciary responsibility to care for the property of the owner(s). Their salaries have traditionally been the domain of the board of directors who focused on profit maximization. The salary/bonus metrics of choice were accounting measures such as growth, sales, earnings-per-share. Until the 1980s, "management thinking was largely governed by a short-term earnings orientation; subsequently, corporate raiders provided an incentive for managers to focus on crating value" (Ferrarini, 2000, p. 1). The go-go years of the 1960s, and also the not so go-go years of the 1970s, saw the emergence of conglomerates primarily through mergers and acquisitions spurred by deregulation. Deregulation seems to posit, that any thing the government can do, private industry can do better. A major factor that fueled the conglomerate wave was the opportunity for almost instant growth in earnings-per-share. Managers of these newly formed conglomerates "tended to possess financial expertise rather than the operating skills required to improve the profitability of the acquired companies" (Malkiel, 2004, ¶ 4). Writing about conglomerates, Gough (2002) observed that such predatory firms used lax rules of accounting to arrive at peak profits per share with every company they owned.

These diversified behemoths did not enhance economies of scale but theoretically seemed to make sense because they could spread risk and balance out the business cycle by trading in a wide variety of goods and services (Greenfeld, n.d.). Caught up in the passion of empire building, corporate America lost sight of the bottom line. Wooed by the frenzied stock exchange to pay increasingly higher prices for acquisitions unrelated to their core business resulted in the decline of stock prices in the 1970s (T*he Finance Approach,* n.d.).

As a result of merger and acquisition activity, stock ownership became more widespread and professional executives rather than family members were called for to run these mammoth ventures. There was concern that these manager/nonowners appointed by the board of directors would not always be in tune with the interests of the owners.

Other People's Money: The 80s

During the 1980s, the time was right for the emergence of hostile takeovers. Shrewd entrepreneurs were able to purchase multimillion-dollar conglomerates often at bargain prices using borrowed money. These transactions, known as leveraged buyouts (LBOs), were typically financed with 90% debt (Bureau of the Census, 1995). Assets from the acquired company were used as security for the loan. Furthermore, the loan was repaid from either the cash flow or proceeds from the sale of assets from the *acquired* company.

Companies vulnerable as takeover targets were those with poor performance records where management had not increased shareholder value. These were companies where the assets were undervalued, i.e., market value of the stock was less than book value. The likes of Kirk Kerkorian, Henry Kravis, Carl Icahn and T. Boone Pickens became household names who collectively became known as "Corporate Raiders." Raiders driven by insatiable greed saw an opportunity to amass incredible profits without the risk of using their own money. Stewart (1992) observes:

> What really fueled the takeover boom was the sight of other people making money, big money, by buying companies and selling them…. Corporate raiders began to emerge, realizing that just about anybody could buy a company, slash expenses or break off pieces ruthlessly, and then unload the assets at a huge gain. The next best thing to buying and selling companies, and much less risky, was to be the investment banker, lawyer, or arbitrageur standing by as the money changed hands (p. 97).

Katz (2002) noted that "raiders like Pickens and Icahn defended their lucrative deals by claiming such acquisitions shook management and maximized shareholder value. But a number of post-deal studies in the nineties questioned whether these LBOs pumped up shareholder value—or merely the wallets of the raiders and the investment bankers doing the deals" (¶ 6).

Shared Greed: The 90s

By the 1990s, individual investors were becoming less important because the bulk of stock transactions were by institutional investors who began to pressure corporate executives to maximize shareholder value (Donaldson, as cited in Kaplan, 1997). Stock appreciation not dividend return became the driving force. To bring managers in better alignment with the owners, a portion of management compensation was composed of equity shares. Stock options became the most popular source of equity because they created no expense recognition. As a result, a strong link developed between the stock price performance and executive wealth (Harvard Business School, 2002). Changes in share price, a more objective criteria than the accounting metrics, became the basis for determining value.

Bishop (2002) describes the essence of this avarice by stating:

> "Greed, for lack of a better word, is good. Greed is right. Greed works." This credo by Michael Douglas, as Gordon Gekko in the 1987 film "Wall Street" seemed to capture the spirit of the decade, with its sharp-suited investment bankers using mountains of debt to buy up sleepy old companies, fire most of the workers and make themselves a fortune. But compared with the past ten years [1990s], the greed of the 1980s was as nothing. Whereas the 1980s story was all about greedy Wall Streeters battling against company bosses who wanted to preserve their firm and its traditional values, in the 1990s a shared greed nurtured a symbiotic relationship between Wall Street and company bosses that made rich men (and, increasingly, women) of them all (¶ 2).

Greed has been a problem wherever the high stakes of finances are involved. Black (2003a) observes , "Cheating became rampant in the mid-1990s, and because it was the norm it was no longer seen as wrong. Indeed, it became seen by competing CEOs as clever" (p. 5). Greed seemed to grip both Corporate America and Wall Street as never before.

The New Millennium: The New Gilded Age

What began in the 1980s and was nourished in the 1990s, came to fruition in the new millennium. The US was hit with a rash of financial scandals that were the worst since the Gilded Age of the 1920s. de Borchgrave (2003) indicates that the avalanche of corporate scandals during just five years exceeded similar events during the entire 20th century. He goes on to say that these scandals "inflicted more harm to the world's greatest free enterprise system since September 11 than al-Qaeda's terrorists did" (¶ 7).

The scandal took in its wake the bluest of the blue chips. Companies embroiled in financial manipulation included Tyco, Xerox, Halliburton, Bristol-Myers Squibb, Merck, K-Mart, Lucent Technologies, HealthSouth, Sunbeam, AOL Time Warner, Global Crossing, ImClone system, and Computer Associates. While investors were still reeling over the largest bankruptcy in US history with the demise of Enron, along came WorldCom to put Enron in second place.

Greenspan (*Testimony of Chairman*, 2002) pinpointed what he believed to be the problem:

> Why did corporate governance checks and balances that served us reasonably well in the past break down? At root was the rapid enlargement of stock market capitalizations in the latter part of the 1990s that arguably engendered

> an outsized increase in opportunities for avarice. An infectious greed seemed to grip much of our business community. Our historical guardians of financial information were overwhelmed. Too many corporate executives sought ways to "harvest" some of those stock market gains. As a result, the highly desirable spread of shareholding and options among business managers perversely created incentives to artificially inflate reported earnings in order to keep stock prices high and rising. This outcome suggests that the options were poorly structured, and, consequently, they failed to properly align the long-term interests of shareholders and managers, the paradigm so essential for effective corporate governance. The incentives they created overcame the good judgment of too many corporate managers. It is not that humans have become any more greedy than in generations past. It is that the avenues to express greed had grown so enormously (pp. 8-9).

The Information Age was in full swing and began to flex its considerable muscle to bring about change. Access to world markets and business-to-business transactions were on the upswing as a result of the advances in information technology. The speed of communication and acquisition of knowledge has increasedgreatly among an increasing worldwide population. This has resulted in greater interdependence and competition even as people search out for the planet's depleting resources (Conner, 1992).

Change was present everywhere. Our vocabulary now included terms like “lean management,” “reengineering,” and “downsizing.” No sooner would we get used to one strategy when another would take its place. Out went the adage “if it ain’t broke, don’t fix it,” in with the new “if it ain’t broke, break it.” Competition and markets were no longer confined to a geographical area. Globalization is the straw that stirs the drink. “A globalized economy is creating both more hazards and more opportunities for everyone, forcing firms to make dramatic improvements not only to compete and prosper but also to merely survive” (Kotter, 1996, p. 18). In this frenetic environment, where exceptional growth was demanded, managers concluded it was more convenient to juggle the books to reach the organization’s lofty expectations.

Conflict of Interest

The changes that were so visible with the corporate takeovers were also present in other areas of the US economy. Like a giant puzzle, in order for the complete picture of greed to evolve, all the other pieces had to be in place.

External Auditors

One of the reasons why external auditing is so important is that it serves as a watchdog for the industry. External auditors are to conduct their examination of the financial statements objectively with an independent viewpoint. Since most shareholders do not have access to the details supporting financial statements nor expertise in evaluating such statements, they increasingly rely upon the work of external auditors.

Auditing is fraught with contradictions and conflicts of interest. Auditors are hired, paid by and fired by their clients yet, they are to consider themselves agents of the shareholders with whom they generally have little or no contact. Furthermore, an accounting firm is expected to render an independent evaluation of its clients' financial statements from whom they receive substantial fees.

The conflict that exists between auditors and their clients is exacerbated with the addition of nonaudit services. Maister (2003) notes that auditing is a "low- (or no-) growth, declining margin, high-litigation-exposure business." As a result accounting firms view auditing "as a base from which they can cross-sell their other services" (¶ 7).

From 1976 to 1998 accounting firms realized a shift in their business emphasis from audits to the more lucrative consulting services. Performing both audit and nonaudit services for the same client puts accounting firms in an awkward position. To do audit work requires independence in appearance and "in fact" but consulting services demands a proclient attitude.

It is likely that the large fees from audit and nonaudit services for the same client compromises the independence of the auditor. Common sense tells us, "An accounting firm receiving hundreds of thousands of dollars in consulting fees may be very reluctant to issue an unfavorable audit report" (Byrnes, 1999, ¶ 9). Wyatt (2003) observed that the Security and Exchange Commission (SEC) challenged several accounting firms about certain services they offered that served to impair auditor independence. In the end, he states, "the Commission was not able to demonstrate any direct tie-in between consulting arrangement fees and the granting of an inappropriate opinion on financial statements by the auditors" (p. 4). Levitt (2002), however adds, "More and more, it became clear that the auditors didn't want to do anything to rock the boat with clients, potentially jeopardizing their chief source of income. Consulting contracts were turning accounting firms into extensions of management—even cheerleaders at times" (p. 116).

A study by Karen Nelson (as cited in Buell, 2001) of the graduate school of business at Stanford University concluded that "Taken together, our results suggest that the provision of non-audit services impairs independence and reduces the quality of earnings" (¶ 9) As a result, "Far too many auditors responsible for certifying the accuracy of a company's accounts looked the other way so their firms could rake in millions from audit fees and millions more from higher-margin consulting work" (Byrnes, 2002, p. 48). The loss of independence reduced the external auditor from a watchdog to a toothless wimp.

Over the years the accounting firms experienced a change in culture from "a central emphasis on delivering professional services in a professional manner to an emphasis on growing revenues and profitability" (Wyatt, 2003, p. 5). Nowhere was this more evident than at the accounting firm of Arthur Andersen.

Arthur Andersen is a study in excess. Their cozy relationship with clients brought in millions. The once proud and respected accounting firm kept pushing the envelope closer and closer to the edge until they never realized when they fell over. One after another of their audit clients was caught engaging in dubious accounting practice yet each time the firm issued a clean opinion. All the "red flags" were there, but Andersen turned a blind eye. They even stooped so low as to destroy documents that may have been incriminating in their audit of Enron. Can anyone think of the word "shredding" without thinking of Andersen? Not only did they make documents disappear, they also found a way to make themselves disappear. After almost 90 years of existence, the once mighty Arthur Andersen was forced to close its doors forever.

Wall Street

Wall Street, physically located in downtown New York City, is the financial epicenter of the US. It is where the major brokerage firms reside and its very name represents those firms. Two important positions in these firms are investment bankers and research analysts. Research analysts are expected to provide an objective evaluation of companies in the particular sector they specialize in. In speaking about the role of these analysts, Levitt (2002) notes, they:

> Review the financial performance, the management team, product strength, and market-share position. They also assess the economic climate in which the company operates, and its ability to sell more products or services and increase profits…. Analysts use all this information to try to predict the company's future—and its share price—so that investors know when to buy, hold, or sell (p. 69).

An important change took place in 1975 when the SEC deregulated commissions. Wall Street's center of gravity shifted. The big money no longer came from commissions but from institutions such as mutual and pension funds and from investment banking. Under the new Wall Street model, analyst loyalties also shifted. Individual investors fell to the bottom of the food chain, and powerful institutions and corporate clients rose to the top (Levitt, 2002, p. 70).

In 1980 the best salary a research analyst could expect to make was around $100,000. But by the 1990s, their annual earnings soared to $1-$2 million with a few earnings as much as $10 million. Under the new salary scheme, compensation for analysts was based in part on the amount of investment banking business they helped attract (Fox, 2003; Levitt, 2002). Dwyer, McNamee, Thornton, and Brynes (2003) note the Wall Street corruption that resulted from an unholy alliance in the 1990s:

> To attract corporate underwriting deals, investment bankers pressured analysts to pump out glowing reports they knew were false, and analysts propped up share prices by ignoring flaws in the companies they recommended…. To make sure analysts kept up the ruse, their bosses paid them according to how much new investment banking business they attracted. And to reward execs for sending them business, bankers "virtually bribed CEOs…with shares of hot initial public offerings (p. 34).

It was an open secret that analysts employed at investments banks often worked against investors. E-mail documentation indicates that while analysts were pushing certain stock for investors, privately they described those same stocks as "crap" and "junk" (Vickers & France, 2002). When these corrupt, to say nothing of these unethical relationships, were brought to light, ten Wall Street security firms agreed to pay fines totaling $1.4 billion without having to admit or deny any wrongdoing.

Investment bankers act as intermediaries between buyers and sellers. They advise their clients about which securities to buy and sell and provide research from analysts employed by the brokerage firm. Investment banking is built on conflicts of interest in which it serves two masters—their clients for whom they sell stocks and issues bonds, and investors whom they advise. "While companies want high prices for their newly issued stocks and low interest rates on their bonds, investors want low prices and high rates. In between, the bank gets fees from both" (Vickers & France , 2002, p. 38).

Board of Directors

Corporate shareholders elect the board of directors to represent their interest. The board is responsible for overseeing the overall management of the organization and for participating and approving major strategic issues. The intent is for board members to lend their expertise to help solve problems and otherwise add value to the organization. An important element of the board is its independence.

Independence was lost (in appearance, if not in fact) because the board became a club of chums. All too often the board was composed of the organization's current and former CEOs and their close friends and associates. Such individuals rarely challenged the actions of the firm's executive officers. Their allegiance was purchased with various types of incentives that included donations to favorite charities or lucrative consulting contracts; as a result their loyalty was aligned with corporate management rather than the shareholders for whom they were elected to represent (Bishop, 2002; Imhoff, n.d.). Nowhere is this chumminess more evident than the executive compensation committee.

Executive Compensation

Executive compensation generally comes under the purview of a committee of the board of directors known as the compensation committee. Executive compensation is often composed of a salary, bonus and stock options. Today, the largest component of executive's compensation since the 1990s comes from stock options. Stock option plans are not problematic unless they are extreme. Hanson (2002) states:

> Excessive stock options and excessive corporate compensation give corporate executives too many incentives to manipulate the financial accounts and the stock price of the company. When huge cash or options bonuses are dependent upon achievement of one or a few narrowly defined profit or growth goals, the temptation to manipulate the numbers to get the rewards will be too great (¶ 20).

It does not seem as if the board is acting in the interest of the shareholders when they grant compensation to its executives that go well beyond what is required to attract and retain executives and have rewarded even poorly performing CEOs (*Trends in Executive Pay*, 2003).

The board appears to hand out money as if it were gum drops. According to data from the National Institute of Pension Administrators, the average salary of a full-time worker in 1970 was $32,522. By 1999, their salary had increased to $35,864. During that same time period, compensation for the top 100 CEOs averaged $1.25 million but by 1999 it had increased by more than 2800% to 37.5 million (Alterio & Gleeson, 2002). A Business Week survey showed that in 1980 CEOs earned 42 times more than blue-collar workers. By 2000, the spread increased to 531 (*Are Executives Paid too Much?,* 2002).

The wealth at the top also benefited certain retirees. A case in point is the lavish benefits doled out by General Electric (GE) to its former CEO Jack Welch. His perks included a $15 million apartment in Manhattan, around-the-clock access to a GE-owned Boeing 737, consulting fees of $86,000 if he works a total of five days in any year. For additional days he gets another $17,000 a day, a limited edition 2003 Mercedes-Benz SLR, as well as limousine service. All this to a man whose net worth is approaching $1 billion and whose annual pension is $9 million (Brokamp, 2002; Trigaux, 2002).

There is often a disconnection between organizational performance and executive compensation. Louis Lavelle (2001) of Business Week noted that in 2000, stakeholders were hammered due to sluggish performance yet "many compensation committees scrambled to cushion their chief executives from feeling any real pain, granting massive blocks of new stock options in some cases and in others forgiving corporate loans" (¶ 3). Those who were in a position to make a difference in the organization were shielded in this "good buddy" system.

As bad as having a compensation system that does not consider performance, it is even worse to have managers who put their own self-interest ahead of the organization. "Many executives and directors realized that their personal wealth was so closely tied to the price of the company stock that maintaining the share price became the highest corporate value" (Byrnes, 2002, p. 48). The fallout from this kind of thinking occurs when executives focus on short-term tactics that temporarily increase stock prices but ultimately hurt the organization in the long run. But such tactics allow unscrupulous managers to cash in on generous stock options. Worse still is to have executives "cook the books" to take advantage of a lucrative stock option plan which at the same time conceals an organization's lackluster performance.

The Government's Response

The SEC is responsible for protecting investors and maintaining the integrity of the security markets (*The Investor's Advocate*, 2003). The reason business executives felt secure in escaping the clutches of the SEC is because it has traditionally been underfunded, understaffed, and its employees underpaid. Black (2003b) states, "The SEC now reviews only a trivial percentage of security filings and its staff turnover has become so severe that it is a hollow organization. The old joke is that the function of financial regulators is to 'bayonet the wounded.' The SEC is unable to do even that; it scatters the ashes of the dead" (¶ 4).

After the headlines were inundated with financial scandals, the government was forced into action. The free enterprise-laissez faire-self-regulatory-hands-off approach showed serious flaws. Black (2003b) notes, "Conservative economists have long preached that the markets are so efficient that control fraud would never be a serious problem" (¶ 5). Their stance was "rules against fraud were neither necessary nor even important because markets effectively excluded the fraudulent" (Black, 2003b, ¶5). However, the numbers show that trillions of dollars of shareholder wealth and market capitalization were wiped out when the stock "bubble" (inflated by fraud) collapsed (Black, 2003b; Levitt, 2002).

Sarbanes-Oxley Act of 2002 (Findlaw, 2002) went into effect in 2003. It affects corporate governance, financial disclosure and the practice of public accounting. It defines the rules and responsibilities for the board of directors, external auditors and includes provisions for internal control and disclosure. In addition, it increases the maximum fines ($5 million) and prison terms (from 5 to 10 years) for violators.

The SEC no longer has to subsist on a starvation diet. The House passed a budget that will increase funding by 77%. This amounts to $776 million in fiscal 2003 up from $438 in 2002. The White House, however, is backing a more modest budget of $568 (Drawbaugh, 2002).

Academe's Response

Because of the epidemic of scandals, business schools all across the nation have had a renewed interest in revising ethics courses to make them more meaningful and relevant. Ethics, the principles of moral duty refers to a standard of right and wrong that prescribe what people ought to do (What is Ethics, 2003). It covers a wide-range of topics in business which includes honesty and fairness, environmental concerns, bribery, kickbacks, product liability, and safety.

Ethics is generally presented from a philosophical perspective that focuses on an imperative principle (rule-driven), a utilitarian principle (driven by the consequences) or a combination of the two.

Ethics education presents a number of challenges for academia that include:

- Can ethics be taught? and
- Whose ethics and values are to be taught?

Can Ethics Be Taught?

Academics have debated since the time of Socrates whether or not ethics could be taught. In 1993 a study by three professors at Harvard Business School sought to determine if ethics can be taught. Business faculty interviewed, questioned how education could shape the morality of graduate students who have already developed a sense of right and wrong (Samuelson, 2002). This same sentiment was voiced by David Messick, an ethics professor at Northwestern University's Kellogg Business School. Messick (as cited in Samuelson, 2002) stated, "The average age [of an M.B.A. student] is 28 to 30, their character is largely formed by the time they get here. If they don't have a sound moral compass, nothing I teach in a 10-week course is going to embed one there" (¶ 3).

A 1995 survey of the 229 member schools of the National Association of Schools of Public Affairs and Administration (NASPAA) also dealt with teaching ethics and values. The result showed that 33% of the participants believed "students become more ethically sensitive, although not necessarily more ethical in their behavior" (Menzel, 1997, ¶ 22). The study also revealed that 33% of the respondents believed that students do not become more ethical but use knowledge gained in an ethics course to resolve ethical dilemmas.

A longitudinal study by the Aspen Institute showed that business education had an effect on shaping attitudes of graduate business students (see Table 1). The study involved almost 2,000 students who graduated in 2001 from 13 of the top business schools (Samuelson, 2002; Schneider, 2002).

The study also showed "attitudes are shaped during the course of an M.B.A.—but not in the direction of a higher ethical plane" (Samuelson, 2002, ¶ 4). It appears that the students are not learning what the curriculum was designed to do. Commenting on the study result, Robert Swieringa (as cited in Schneider, 2002), dean of the Johnson Graduate School of Management at Cornell University, says, "We try to promote a view that takes into account the environment and the long-term interests that shareholders and society share" (¶ 5). Instead of learning what is taught, maybe the students are learning what is caught in the hidden curriculum.

***Table 1.* Changes in Perception of MBA Students Regarding an Organization's Top Priorities**

Priorities	**Last year (2001)**	**First year (1999)**
Customer Satisfaction	71%	75%
Maximizing Stakeholder Value	75%	68%
Producing Quality Goods and Services	33%	43%

Whitty and Young (as cited in Rouncefield, n.d.) recognize the power of the hidden curriculum when they state:

> What pupils learn in school is not primarily the 'overt' curriculum of subjects like French and Biology, but values and beliefs such as conformity, knowing one's place, waiting one's turn, competitiveness, individual worth and deference to authority. The hidden curriculum teaches pupils 'the way life is' and that education is something that is done to them rather than something which they do. The prevailing values of society are ''picked-up' by pupils (¶ 2).

Even though textbook authors, influenced by Post-Modernism, have made a concerted effort to present value-neutral information, this is next to impossible. One's belief system naturally influences one's thinking. If a professor *really* believes that shareholder value is of utmost importance but teaches to the contrary, that message is somehow communicated to students. The moment a teacher begins to speak, or an author writes, content and values are inextricably joined.

Are business professors unknowingly sending signals in the class that tend to undermine ethical conduct? For example, a form of deception is portrayed in an advertising class when the teacher or the author promotes selling small items in large containers or using certain colors in packaging because they encourage impulse buying (Etzioni, 2002). What ethical lessons are really being taught? Similar situations, no doubt, also occur in finance, accounting, economics, as well as the other courses included in the formal curriculum. It is the belief of this author that ethics can be taught but it must be truly valued and modeled by the teacher.

What Values, Whose Values, are to Be Taught?

Even more vexing than "can ethics be taught" is the challenge of *how* it is to be taught. What standards are to be used to determine what's right and wrong? Whose values are to be used? Etzioni (2002) observes, "Many business school professors choose to steer clear of teaching morality, pointing out, with some justification, that while it is relatively clear what economics dictate and even what the law dictates, what is 'ethical' is far from obvious" (¶ 11).

Aside from the issue of values, not everyone will agree on what is ethical. As a result, the teaching of ethics in secular business schools has little or nothing to do with what is right or wrong. Carlo (2002) states, "If teaching morality—as in 'it's wrong to lie'—is out, what do you teach in an ethics class? How do schools prepare students to confront the 'morally and legally thorny issues' that arise in the business world?" (¶ 11). It is important that social issues, environmental issues, a diverse workforce, sexual harassment be dealt with from an ethical viewpoint. But these items will not answer the kinds of problems that need to be addressed to prevent a recurrence of what happened at Enron, WorldCom, Halliburton and other companies.

The NASPAA schools study mentioned earlier also dealt with respecting the goals of ethical education. The study showed that "The most important goals are ethical awareness, attitudes, knowledge, and behavior, although respondents who say they are the primary person who teaches ethics in their program place ethical knowledge lower on the list" (Menzel, 1997, ¶ 20). The participants also indicate "building analytical skills in ethical decision-making is among the top four goals of ethics education" (Menzel, 1997, ¶ 20). It is interesting to note that cultivating moral character and minimizing organizational corruption received low scores.

Unless managers can see the effects of ethics on the bottom line, there is little chance that it will be fully embraced. Most understand that crime doesn't pay but it is not clear that honesty does. Cosier (2002) says, "First, executives feel it is unlikely that they will be caught. Second, if they are caught, the penalties are low. Third, it is easier to continue past unethical business practices than change" (¶ 18).

In many cases ethical lapses do not involve dilemmas where the lines between right and wrong are blurred but managers are overwhelmed with greed. Carlo (2002) states:

> Global Crossing, WorldCom and other cases weren't primarily legal, policy or even ethical failures. They were first and foremost, *moral* failures. In each case, someone either ignored or had turned off the interior alarm that goes off when we're about to do something or cross a line that we shouldn't. This alarm, which goes by the name of conscience, doesn't need the advice of counsel or ethics' boards to know that accounting procedures designed to mislead investors and regulators by overstating profits and hiding losses are wrong (¶ 18).

Do Christian Colleges and Universities Hold the Answer?

We live in a world where the lines between right and wrong seem blurred to some. Secular business schools are faced with an almost impossible task of teaching ethics without morality. While secular schools stumble here, schools affiliated or sponsored by religious institutions *should* have an advantage, but unfortunately, this is not always the case.

When There Is Little Difference

More often than not, however, there is little difference in the education one receives in public or private colleges and universities. Holmes (1987) notes, "We live in a secular society that compartmentalizes religion and treats it as peripheral or even irrelevant to large areas of life and thought" (p. 9). Marsden (1997) adds, "Even at church-related schools, however, the pervasive reach of the dominant academic culture is evident among the many professors who insist that it is inappropriate to relate their Christianity to their scholarship" (p. 7). If there is virtually no difference in the way a course of study is conducted in a secular or a Christian school, what then, is our *raison d'être?*

In this modern era, technology and science have revolutionized our world. A faith-based religion, however, does not conform to the metrics of the scientific method and is therefore, considered outside of the realm of scholarly activities. In a sad testimony, Cook (1983) notes that scientists are not only the experts but the modern priests of today. He states:

> As the influence of science has grown and developed in nature, biology, history, psychology and society, the influence of religion has diminished. The God who once seemed to know the solution to all the problems we faced, has been made redundant by new generations of innovative scientists and technologists. When we look for answers to the great dilemmas of our age, it is to science we turn rather than religion (p. 8).

In their quest for legitimization and accreditation, business-schools have emphasized "scholarly productivity." Accounting research in particular has little influence on practice because the target audience of most business-related research is primarily other academics (McKenna, 1989; Porter & McKibbin, 1988). Far more research needs to focus on genuine areas of need and concern such as ethics.

Ethical/moral lapses have wreaked havoc in the business world. Empiricism has left little room for God. The closest a secular school gets to teaching morality (and this may also be true for some church-sponsored institutions) is what Professor Freeman, of the University of Virginia Darden Graduate School of Business Administration, calls the *Agnostic position* (*Has Business Ethics*, 2003). An ethical situation is presented and then the teacher presents an abundance of arguments (pro and con), counter-arguments, and counter-counter arguments. The student is expected to think through what is right and wrong for themselves (*Has Business Ethics*, 2003). In commenting on this type of ethical training, Carlo (2002) states, "Many ethics classes bear a depressing resemblance to ancient Israel as described in the book of Judges where 'every man did what was right in his own eyes' " (¶ 16). He goes on to say, "But whereas the author of Judges clearly thought that this state of affairs was a bad thing, contemporary ethics curriculum, such as Dartmouth's, just expect you to engage the 'issue (s) and form your own opinions' " (¶ 16). Surely, Christian schools can do better than this!

College and university administrators including deans and chairs, therefore, must make a decided and planned effort to establish and maintain a Christian ethos. If it is not embraced at the top, there is little chance that its presence will be felt campus-wide.

When There Is a Difference

The study of ethics in Christian institutions should not have to contemplate whose values they teach. Since ethics has its underpinning in the Scriptures, its principles, summarized in the Ten Commandments, represent the essence and the epitome of moral living. But moral training does not have to be confined to ethics or Bible classes. It may be included throughout the curriculum in what is known today as the integration of values and learning (IVL). Bower (2002) believes a major goal of Christian professors is to mentor and encourage students in their spiritual journey. "Spiritual training is one of the unique functions we offer as Christian faculty. Students tend to compartmentalize their thinking into a spiritual realm and a business realm and often have great difficulty integrating the two" (Bower, 2002, p. 138).

Integration of Values and Learning

Values deal with standards and principles of what is considered right and good. From a Christian perspective, values are those ideals that are in harmony with the expressed will of God (Larson & Larson, 1992). Values will always be communicated whether one plans for it or not. While facts and figures are value-free, the language which communicates that information is value-laden. The IVL is not just about any values but about bringing Christ into the classroom.

IVL is not just a prayer or a Bible reading tacked on like a *Post-It Note* at the beginning of class. But it is also not a thin layer of course content sandwiched between two thick slices of Bible teachings and dogma. Knight (1992) observes that Christian education should produce students who think "Christianly." That is, their world-view is shaped by the life and teachings of Christ.

The key to effective IVL is the teacher. In any progressive learning situation, teachers are obliged to know the subject material, be constant learners, and possess a repertoire of teaching models to reach the rich diversity of students in the classroom. While it is essential for teachers to possess the technical and intellectual skills needed to teach, that is not enough. If they are to minister to the heart as well as the head, they must have a value system grounded in the word of God and communicate this to their students. IVL, therefore, is not a substitute for academic excellence but complements it. It is a return to wholeness that gives legs and feet to the mission statements found in the bulletins of most church-affiliated schools.

Whether at the primary or the postgraduate level, the work of education and redemption are the same. "Christian education is a cooperative process, a venture involving both the human and the divine. Human teachers communicate and exemplify truth; the Holy Spirit seeks to provide guidance, power, illumination, and insight to the teachers" (Zuck, 1988, p. 37).

We understand from the promise found in Luke 11:13 that our Heavenly Parent is more willing to give the Holy Spirit than are earthly parents to give good gifts to their children. With power from the Holy Spirit, teachers are transformed into effective witnesses. The word for power promised to us in Acts 1:8, *dunamis*, is the same word from which the word dynamite is derived. This translates into explosive power in the classroom.

IVL is most effective when it is planned and systematically included in the course content. There is, however, room for impromptu illustrations or comments using an appropriate scriptural or spiritual reference as the occasion presents itself. IVL, is not so much about following a prescribed set of policies and procedures as it is a way of thinking.

While the Bible is the basis of our educational pursuit and our final rule of faith and practice, not all truth about everything is fully revealed in its pages. Otherwise, there would be no need for natural or social sciences, humanities or theology—just biblical exegesis (Holmes, 1987). But when the Scriptures are given first place in the curriculum, our students have the opportunity of experiencing education in its truest sense.

Concluding Remarks

Like the frog in tepid water in the opening scenario, we have become comfortable with the creeping compromise of greed and its close companion, "corruption." This cancer has infected almost every aspect of the business world from Wall Street to the external auditors. In the wake of an epidemic of financial scandals, regulators, investors, corporate executives, and academe are scrabbling for answers.

The revised rules of corporate governance will have an impact even though honesty and integrity cannot be legislated. The Sarbanes-Oxley Act (Findlaw, 2002) may stir unscrupulous managers away from unethical activities for fear of the consequences. Or worst yet, encourage them to look for loopholes. Academe has brought ethics teaching to center stage.

Clearly, Christian schools have an advantage when it comes to teaching ethics. A moral structure is already in place to distinguish right from wrong—no hemming, hawing, equivocating, or apologizing. The Christian advantage, however, includes far more than just the teaching of ethics. It is at its best when it integrates appropriate biblical values, concepts, and examples in the content of all courses taught. The key component in this model is the teacher.

Teachers empowered by the Holy Spirit can do a marvelous work, whether employed in Christian or public colleges and universities. But when such teachers are working on a campus where a spiritual ethos prevails, they are free to unlock the powers of the intellect which includes the spiritual as well as the mental. Then it will be possible to make a real difference in extinguishing the embers of the boiling caldron and to turn the world right-side up.

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