Assessment of Business Students’ Ability to Incorporate Ethical Dimensions in Business Programs: A Case Study

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ABSTRACT
The focus on corporate governance, corporate social responsibility has forced business education to take note of these components in setting its objectives and charting strategy. AACSB requires now that all of its accredited programs have a requirement reflecting these dimensions.

The strategy chosen for meeting these standards in most business programs has been to include specific courses in areas such as ethics and sustainability, or mandate curriculum wide focus on the issues with designated courses including coverage of these issues. In undergraduate courses, a business ethics course that may be taught as part of the general education curriculum, or taught as business core is fairly standard, and one or more courses in the major are also designated as points of coverage.

The program configurations outlined above are not sufficient to meet AACSB accreditation standards however. AACSB requires now that direct outcome measurements be made and provided as evidence that programs are indeed inculcating the values of corporate social responsibility and sustainability in their graduates. This paper focuses on assessment of students’ consideration of ethical aspects in making business decisions.

Keywords: Business Students, Ethics, Case Study

1.0 Direct Assessment of Ethical Decision-making

A search of the literature on assessment of ethics shows that there is some tension on what constitutes evidence that the ethics related learning goals of the program has been met or otherwise. Some assessors seem to focus solely on the outcome, and the litmus test is how closely the behavioral response to a particular situation corresponds to an “ethically” ideal alternative that is the benchmark. Others prefer to look more closely at the process of arriving at the behavioral response, whether the “ethical” implications of the context have been sufficiently examined, to decide to what extent the learning goal related to ethics has been met or otherwise. The meta-question raised here is the debate between the positivist’s and the relativist’s notion of “what is!”

It was felt that a possible metric could well be one that is a hybrid of the two approaches may better capture the degree of achievement of ethics related learning goals. Hence, an approach has been formulated and tested in order to assess ethical dimensions of problem solving tactics of business students as they get ready to graduate. The approach includes development of a rubric for assessment of key ethical dimensions and examines how the students deploy the ethical considerations in the process of solving simulated business problems. Three aspects of ethical consideration were chosen to be investigated in this paper.

The first dimension being sought to be assessed is the ability of the student to recognize that an ethical dimension exists in a given business decision scenario, and identify its nature. The second dimension is a conscious evaluation of the diversity of points of view that reflect the conflict of interests and results in potential ethical problems. The third dimension is the ability of the student to formulate a response to the situation that demonstrates a strategy to deal with the ethical problem at hand.

2.0 The Assessment Project Design

The study was designed to first create a context for the assessment exercise. The students taking part in the exercise were juniors and seniors, and mostly business majors. All of them had taken a course in ethics and additional philosophy/theology courses as part of their general education requirements in their sophomore year. This ensured that all of them had been at some point in the past 12 months, been exposed to the principles and theories of ethics and ethical decision-making. However, to make sure that all were sensitized to the issues, a reading assignment was provided to the students a week before the assessment. It required students to go over the basics of the different ethics models (a reinforcement of
the material covered in the earlier ethics class) and write a brief commentary on the models. Once the assignment was turned in, a guest speaker was invited to join the students and engage them in a general discussion of the models. The students, having just completed the reading assignment, were generally able to recall the concepts and were able to discuss the material at varying levels of criticality. At the end of the guest lecture, a written case with three questions was handed out as the assessment exercise, to be turned in the following week.

This case had been prepared by the author to serve as the simulated decision environment for this study. An initial sample of 23 students was used to pre-test the case as well as the rubric and make necessary adjustments. The results were the basis for the final version of the study using 79 respondents with 71 useable responses to the evaluation rubric. The final results and recommendations for improving the process of development of students’ ability to incorporate ethical aspects into their decision making are reported in the paper.

3.0 The case

Philip Tupelo: Featured Speaker at the Marketing Club

Philip Tupelo was glad he accepted the invitation to speak to members of the AMA Marketing Club in Brennan Hall at The Kania School of Management of The University of Scranton. His speech went well, and after the initial apprehension and sweaty palms, he felt at ease answering intelligent questions from the large audience of marketing and business majors. Loosening his tie, he looked forward to the dinner that was to follow. At Cooper’s, a local seafood restaurant, Phil was escorted to his table with Maria the marketing club president, and Dr. Smith his former marketing professor. After being seated, Phil was pleasantly surprised to see Father George, a former philosophy professor and mentor. Father had left Scranton for a seminary in New Mexico during Phil’s junior year. Father was having dinner by himself, but was more than happy to join the group. Orders were taken, and with the pot of lobster bisque on the table the conversation became animated. Phil was eager to update Dr. Smith and Fr. George on his new position and ended with a story about his work.

Phil’s Story

Phil Tupelo graduated in 2006 from the Kania School of Management of the University of Scranton. He was hired by a national retail appliance chain, and is being groomed for a management position. As part of his training program he has to spend a month working as a floor sales person at the flagship company store in New York City. The chain sells a wide range of appliances from small household gadgets, to micro-wave ovens, refrigerators, washers/dryers and electronics. The focus of the merchandising strategy for the past year has been on computers and high end flat screen / Hi-Definition televisions. There is intense competition for market-share in these two categories, which results in very low margins for the store.

The marketing division has determined that the brands carried by the store overall had very low failure rates, and 95% of warranty utilization involved quick and easy 10 minute fixes. They also determined that the technically trained shop-floor sales force are capable of fixing 70% of potential warranty related repairs on the appliances sold at the store, without adding to the labor cost. For the remaining 30%, cheap providers are available on contract basis. Replacement parts required, if any, are either obtained for free from the OEM (original equipment manufacturer) or at very cheap prices from reliable wholesale vendors.

The decision was made by the VP-Marketing to aggressively market warranty extensions to all buyers of computers and expensive high end TVs. These contracts yielded an 80%+ gross margin and became the major source of profitability for the chain. Salespeople were aggressively trained to push these warranties at the point of completing a sale. The salespeople were required to go through a scripted presentation that mentioned complexity of electronic equipment, high cost of repair, the gap between manufacturers’ warranty cover and expected service life of the appliance at least three times, before offering the warranty extension. If a supervisor determined that this step was not followed, it would result in a recorded exception that would be written up as a demerit. Preliminary research showed that buyers who received the canned presentation at the point of sale were 65% more likely to buy the extended
warranty than those who were not exposed to it. Management was enthusiastic and forcefully implemented this practice with significant positive impact on the bottom-line.

Phil was able to see the effectiveness of this strategy first hand during his month-long stint on the shop floor. He was impressed by the success of this marketing strategy which appeared to bring together the concepts of pricing and promotion from a marketing class he had taken in his junior year. Being an eager learner and wanting to understand the retail customers better, he soon found himself playing a little game at every opportunity: He would try to guess ahead of time whether a customer was going to buy the extended warranty or not. Guess what! His marketing professor was right after all. He could understand his customers well enough to predict their decision. He was batting 0.80 within a week, and at times could accurately predict the customer’s decision more than ten times in a row! He was proud of his ability to link his classroom knowledge to his professional environment.

The Dinner Table Reactions

“Wow! That is so cool,” Maria said over and over. She secretly hoped that the day would not be too far off, when she would be able to recount her own story of professional success in a similar setting. Phil just beamed.

“So Phil, did you notice any pattern in the profile of the customers who bought the extended warranty?” Dr. Smith asked as he crumbled more crackers into soup. “Actually, I did,” replied Phil. “It was the blue collar type single mom, or the aged grandparents who were almost guaranteed to buy the warranty. Also, older males, in overalls and wearing plaid, were good bets to say yes.” Reaching for the bread he added, “Younger customers and professionals almost always declined.” “Why do you think that is the case?” Dr. Smith asked. “I guess they are educated and knowledgeable enough to figure out that the risk of needing costly repairs beyond the manufacturer provided warranty was too low to justify buying the extended warranty,” answered Phil. “Heck! I would never buy the extended warranty myself, ever,” he added.

“Did any of this ever bother you?” Fr. George said as he looked directly into Phil’s eyes. The ruddy, jolly face, twinkling green eyes and the furrowed brows were the same as always. Phil wondered why he suddenly felt a little uncomfortable.

1. In about five sentences define the ethical issue in this scenario.

2. How do the comments/reactions of these people shape Phil’s thinking?

Maria:

Dr. Smith:

Father George:

3. What will Phil do next week when he returns to work? Why do you think so?

The Results

What will Phil Do?
Continue selling extended warranties as before. N=21 (30%)
Continue selling extended warranties but less aggressively. N=26 (38%)
Decide not to sell the extended warranties N=5 (7%)
Non-Committal N=20 (28%)

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