

EDUCATING ETHICAL FUTURE LEADERS FOR INTERNATIONAL BUSINESS

Presentator

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The responsibility or irresponsibility of firms, both large MNEs and internationally active SMEs, essentially results from the individual level decisions made by the people within the company. Albeit the impacts of any given decision are realized through and complicated by a long chain of causes and effects, nigh all decisions have ethical ripple effects. One needs but to glance at the current state of the world to see the global level aggregated impacts of these ethical blindness and moral muteness (Bird, Waters 1989) driven reverberations of business activities: climate change, economic disparity and inequality, pollution, socio-political turbulence to name but a few (Casti 2012, Kobrin 2015, Kolk 2016).

My educational topic is ethical decision making that aims at developing such actors to the future international business realm that can in their actions be more a part of a solution than a part of the problem. In it I'm adopting the behavioral ethics perspective (Prentice 2014) that looks at decision-making through the insights of cognitive advances: human beings are not fully rational self-interest seeking utility maximizers, but prone to having myriad biases, employing heuristics and being carried away by emotions (Drumwright, Prentice et al. 2015, Kahneman 2011, Tversky, Kahneman 1973).

In essence, taking the behavioral ethics view to international business education means fusing the ethical education with the wider aims of the IB curricula. It has been suggested that teaching ethics separately yields no major impact on the behavioral level (Schwitzgebel 2009), as while the ambition is admirable, separating ethics from "everyday" decision-making allows mental compartmentalization making it easier to ignore thinking ethical implications. The approach is similar to behavioral strategy, a relatively nascent research stream that looks at the microfoundations of strategizing, meaning the actual psychological, cognitive and social forces that guide the realization of strategy processes in practice (Felin, Foss et al. 2015, Powell, Lovallo et al. 2011, Vaara, Whittington 2012).

As the behavioral approach to teaching business ethics is a new phenomenon, there is relatively little material to go by. However, Prentice (2014) defined three aspects of ethical decision-making that can be used as a foundation when designing IB courses with an ethical tinge: firstly, people make most of their decisions instinctively, engaging in conscious rationalization in relatively few occasions; secondly, people are subject to positive self-image bias, which means that they believe themselves to be more ethical than they are; and three, the social and situational embeddedness of individual action creates additional difficulties in actually realizing the ethical intents.

Drumwright et al (2015) take these three cornerstones and propose a process model of ethical decision-making.

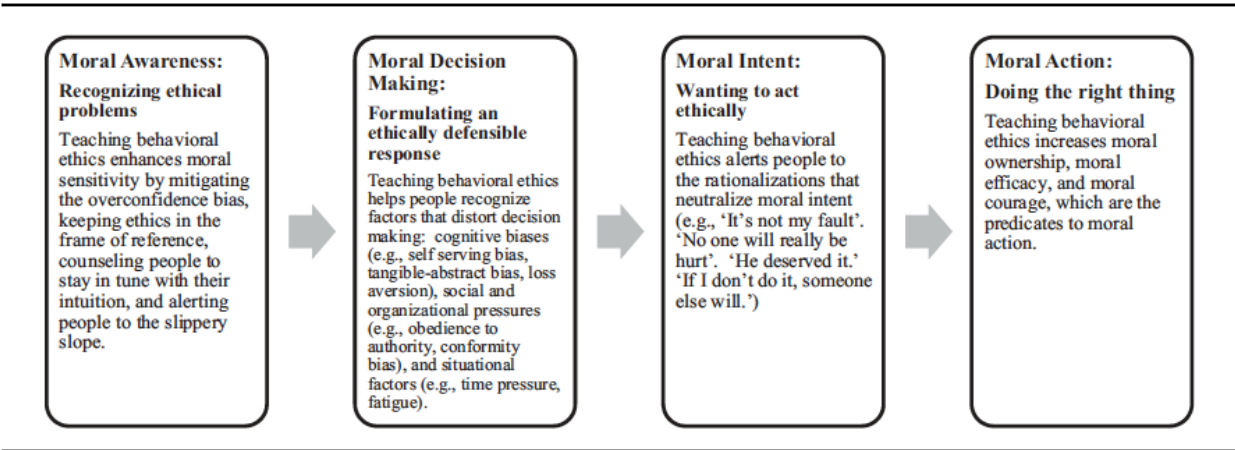


Figure 1: Key steps to teaching ethical decision-making (Drumwright et al 2015, p 442)

The four stages of ethical action are 1) moral awareness (recognizing ethical issues), 2) moral decision-making (formulating an ethically defensible response), 3) moral intent (wanting to act ethically), and 4) moral action (doing the right thing). My practical approach to ethics education builds on these premises, and is described next.

In practice

As the key insight of behavioral ethics rides on the necessity of ingraining the ethical thinking into the wider international business teaching topics, this current paper zooms into an approach used in the master’s level course of international business strategy. The course is an ambitious joint undertaking between four universities from different countries. While the topic of international business strategy has been taught in these universities for long, the current approach involving international virtual teamwork was launched three years ago.

The course takes place during the autumn. In the beginning each university delivers a series of lectures on the theories and approaches in the IB strategy - however as the course is an advanced course, the participants are expected to already know the basic concepts, and to be able to follow the lectures aimed at developing their ability to use and apply the theories in real life cases.

Then the participants are divided into virtual teams so that in every team there are members from all universities. As the nationalities of the attending students have each year been 20-30, this results in truly international virtual teams. These teams are then given 4-6 consult-

ing cases to solve, with two weeks to finish one before they receive the next. This year (2016) there are altogether 23 teams, consisting of 4-6 students in each.

The first cases are traditional business school cases (e.g. the Jollibee case by HBS), but the last ones are notably more difficult as they reflect the issues emerging from the real life research and consulting collaboration projects the teachers have going on with diverse companies. Instead of delivering their case solutions in the traditional written form, the teams are expected to produce videos with a specific duration (7min for some cases, 10min for others). In addition, after every case, each student produces an individual reflective essay about her/his personal learning and the evolution of the team. The most difficult cases are accompanied by special lectures in the coordinating university, and the team members from that university are responsible for sharing the insights with their team members in other universities - most often they have ended up videoing the session.

While the ethical dimension is implicit already in the early stage lectures (we emphasize international business as connections between causes and effects) especially the final cases bring the ethical implications out in the open. As an example, the final case of this year is introduced and discussed next.

The case example

TEAM ASSIGNMENT

CLIENT: Venture Capital Management Firm

Our client is a venture capital (VC) management firm, interested in investing on early stage ventures that take into account the important technological, economic, environmental and socio-political trends. They prefer to invest in enthusiastic entrepreneurial teams that work on revolutionary business concepts in the phase of developing minimum viable products. The VC has a policy to invest in high impact innovations that adhere to high ethical standards and benefit society.

THE PROBLEM SETTING: Changing Global Business Paradigms

The world as we know it is about to change. That sentence has rung true for the whole duration of the existence of our civilization; however there have been moments in the mankind's history where the sentence has carried more weight. Take the world before and after agriculture, before and after the spinning jenny, before and after electricity or before and after computers as examples, to see that there are changes and Changes.

There are strong signals that one of those dramatic Changes is currently unfolding in front of us.

The drivers of change are threefold: technological, economical and socio-political. First of all the concept of “fourth industrial revolution” refers to the several types of technological advances that converge into changes larger than their sum. In economic realm the concept of Kondratieff, or long waves refers to a cyclic phenomenon of economic growth, maturity and decline driven by a set of technologies adopted and diffused in societies at any given moment (Wilenius, Casti 2015). In politics, it’s no longer only the nation-states that wield political power, but also the big MNEs and non-governmental organizations like Greenpeace or Amnesty, resulting in unpredictability and political turbulence (Kobrin 2015).

The advanced digitalization has given birth to phenomena and technologies previously imagined only in science fiction. The blurring of physical and virtual space, automation and robotization, artificial intelligence, connectivity and Internet-of-Things, nano- and biotechnologies are just a few examples of the fourth industrial revolution underway (Hermann, Pentek et al. 2016). The combined impact of these technological advances is *ex ante* expected to disrupt the industrial realm to the extent that did for example the introduction of electricity and the inventions that utilized it to substitute the old ways of doing things.

The overarching question is, if the world is indeed changing to the extent of these predictions, what kind of businesses will thrive in the new normal? And also, depending on the outlook, one can see the futures as utopian or dystopian: both provide different settings for doing business - and result at least in parts from some kind of business actions. What kinds of businesses could we now engage in to ensure the positive futures unfolding?

YOUR TASK: Create a Business Opportunity for the New World

1. Choose a field going through *radical technological advances*, and identify technology/technologies that could yield novel business opportunities.
2. Based on your chosen technology, develop a *business concept* for the new world.
3. Map out the *business ecosystem(s)* that your business a) is in and b) potentially *disrupts*. Identify the disruptions/implications/impacts of your chosen business on the existing businesses.
4. Think about wider *implications*: identify the impacts of your chosen business on the *environment (natural and social)*.

Structure your video presentation in three parts as follows (NOTE: Overall duration 10 minutes!)

1. Create an “elevator pitch” to the VC.

- Aim: to wake interest and create the desire to know more about your idea
- Duration: 1 minute

2. Explain your business concept (using e.g. Business Model Canvas)

- Aim: show the business logic and the use of your chosen technology
- minimum viable product is enough
- costs, revenues, customers, suppliers, shareholders...
- Duration: 6-7 minutes

3. Analyze the implications of your business on the natural, social and economic environment

- Aim: show your ability to understand and consider the bigger picture
- business ecosystems and their disruption
- environmental impacts, social influences, potential ethical dilemmas
- Duration: 2-3 minutes

Evaluation criteria:

		0	1	2	3	4	5
		LESS	Not Good!	Satisfactory	Good	Very Good	Excellent
(1)	Elevator pitch						
(a)	To what extent does the elevator pitch create attraction and interest in your proposal?						
(2)	Business concept						
(a)	Environmental trends have been well chosen and introduced.						
(b)	The business concept is logical and well in tune with the perceived trends.						
(c)	The chosen technology is understood adequately to support the business opportunity feasibly						
(d)	The business concept considers well different value perceptions of key stakeholders.						
(e)	A minimum viable product, service or solution is outlined.						
(f)	The potential revenue and cost logic presented is plausible, the timeframes considered reflect your understanding of the nature of the changes in question.						
(3)	Implications						
(a)	Social and environmental dimensions of the implications of the proposed business are understood and defined						
(b)	The business ecosystem(s) in which the new business opportunity is embedded is recognised						
(c)	Potential disruptions to existing business ecosystem(s) are identified						
(d)	Key ethical decision-points along the social and environmental dimensions are identified and addressed						

Figure 2: Assessment criteria of the IBS case

Discussion of the case example

This case was designed to model the complexities of the contemporary business world in order to serve manifold educational aims: as this is the final case of the course, the students need to show their ability to understand international business strategy as the interplay of diverse ends and means - the connections that IB consists of. They have to be able to identify business opportunities, create convincing business models - and show the ability to understand consequences more widely than in economic terms.

The students were provided with additional aid in regards to this task. First of all they received an extensive list of radical technological advances from diverse fields, and starting points for unearthing more. Secondly, they could attend a special lecture where these converging technological and socio-political trends were discussed in depth, ending in step-by-step mock business case where they were walked through the different parts of the assignment in order to provide them with a clear picture of what they were asked to do.

The process model of ethical decision-making provides an entry point into the educational aims of developing the ethical thinking of the international business strategy students in this course example. The first step, moral awareness, was addressed through the introduction of wider environmental (both natural and social) issues and trends both in the lecture and in the reading materials provided. The lecture was interactive, with special attention given to discussing the non-financial implications of diverse business actions. In addition, the formulation of the case, with its assessment criteria given to students already with the case, was designed to drive the students into paying more attention to the complex and long effects of their business decisions.

The second step, moral decision-making, was explicitly addressed in the assessment criteria as they were asked both to identify and address the key ethical decision points encountered in the formulating of their case presentation. However, influencing the next step of moral intent was more tacit: as the environment (business, natural, social) in which the international strategizing takes place is complex, so are the understandings of good and bad, ethical and unethical. It's a different thing to identify the consequences of the actions, and to choose between those consequences. Ultimately, the intent is left to the collective conscience of the teams.

The fourth step follows from the preceding three, however as the practice case lacks the context and social pressures present in real life, all that we could do in the case was to ask them to model the potential action as thoroughly as possible. In hindsight, this step could have been addressed more deeply had we included in the case also the question of what do they see

that could potentially hinder them acting ethically if this was real life. As it is, the emphasis of this case lies in the first and second steps, awareness and decisions, with the third already more dependent on the individual understandings and values, and the fourth represented only shallowly.

Statement of impact and benefits

The long-term impact of the aim to educate ethical future international business people remains to be seen, however the need for balancing the negative side-effects of economic education is dire (Chung 2016). Research suggests that mere notion of money leads the decision-makers to engage in less ethical actions (Kouchaki, Smith-Crowe et al. 2013), the MBA education breeds ethically myopic managers, (Hühn 2014) and dishonest behaviour becomes easier with each repetition (Garrett, Lazzaro et al. 2016). This need is recognised as part of the international accreditation of our university: one of the AoL (assurance of learning) goals of the university is Responsibility and Foresight. However, while there is a positive disposition towards and recognition of the importance of embedding ethical education into business education in general, the actual means of doing so are still somewhat scarce.

Adopting the behavioral ethics approach promises to provide some tools with which business school educators can begin to address this dilemma. As the field of behavioral ethics is yet to mature, and the nascent approach of behavioral ethics education is far from crystallized, any practical attempts at developing ethically impactful business education count. So while our case based approach embedded in wider international business strategy course could be developed further, it is a start that provides visible, and as such assessable, learning outcomes that help identifying the ethical awareness of business students.

First of all, the cross-cultural teamwork setting of our course enables the students to discuss the ethical issues with people from very diverse backgrounds. Secondly, the evaluation criteria nudge the students towards considering more than pecuniary implications of their business decisions. Thirdly, the interactive lectures encourage the ethical awareness and critical reflection. Fourthly, the individual learning reflection essays provide a peek into the thinking processes of the students. And fifthly, the resulting case videos help diffuse the ideas and thinking of any one team to other teams, as everyone has the possibility to see how the other teams solved the case.

In essence, from the teachers perspective this process allows both formative and summative evaluation of learning, as it provides access to the development processes (reflective essays), and the end outcome (videos). On a large scale this helps in developing the course fur-

ther, in order to improve the ethical education of the next generation of international business people. On a smaller scale this results in at least some individuals from each cohort who clearly take these issues seriously, maybe in their own part ending up making a difference for the better.

Materials

The video material is not available at the time of this submission, however will be so by the time of AIB Dubai 2017. Anyone interested may approach the presentator via email to ask for access to the case videos described in this paper.

Some useful links about teaching behavioral ethics:

www.ethicsunwrapped.utexas.edu

www.babson.edu/Academics/teaching-research

Presentation requirements

As the presentation will include snippets from the case videos uploaded to Youtube (closed channel), the facilities should have 1) online connection with the access to Youtube, 2) loud-speakers or other means of hearing also the audio, and 3) projector for showing the Power-Point slides of the presentation.

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