

Educating Responsible Managers. The Role of University Ethos

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Abstract The current economic crisis is forcing us to reflect on where we have gone wrong in recent years. In the search for responsibilities some have looked to Business Schools and Administration Departments. It is surprising that this situation has come about despite the fact that Business Ethics and Social Corporate Responsibility have been taught in business schools for years. Without wanting to place all the blame on higher education institutions, but from a critical perspective and assuming responsibility, we believe it is necessary to reflect rigorously on how to train leaders for the future and how we can best educate responsible Managers. In this article our objective is to reflect on the two factors which influence the training of responsible Managers: management discourse theory and the ethos of the institutions training future Managers. The central point of our article will be to argue for the need to develop an institutional ethos in Administration Faculties and business schools which is consistent with the responsibility discourse we propose and with the aim of providing high quality technical and moral training. Our central argument is that institutional ethos has enormous educational power and that the moral climate of an institution has a major influence on students' ideas, values and behaviours. The second argument for this main point is that corporate ethos can be managed and modulated. It is a process of cultural change which requires time and the setting up of specific initiatives to achieve the organisation that we want.

Keywords Responsible education · Ethical management · Code of ethics · Ethical climate · University responsibility

Introduction

Any reflection on the current business world requires consideration of the economic crisis and its causes. It is our responsibility to discover how we arrived at this situation and where mistakes were made. We must do more than simply make negative forecasts and look for the

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most catastrophic economic indicators. Everyone involved—companies, public administrations, unions, and consumers—should make a critical examination of which decisions were wrongly made and which decisions were not taken at all. Universities and business schools have an important role to play in this process of examination. As Angel Cabrera, senior advisor of academic affairs at the UN Global Compact Office and president of the Thunderbird School of Global Management recently said, ‘It would be presumptuous to put all of the blame for the current economic catastrophe on business schools. But it would be even worse not to make a critical reflection and recognize how business schools have contributed to the disaster by perpetuating a mistaken vision that has damaged businesses’ (Cabrera 2009). It must, however, be said that concern over ethical training in business schools began before the recent crisis. A survey of Deans from AACSB accredited programs finds that 80 % believe that business schools should place more emphasis on ethics education (Evans and Weiss 2008:51). And some years before the *Report of the Ethics Education Task Force to AACSB International’s Board of Directors* stated that: “We must strengthen ethics components of our curricula in all disciplines to emphasize the importance of individual integrity and corporate responsibility to business success” (AACSB 2004, 14).

Because of the mistakes made and the power that knowledge generates, universities and business schools should seek in all their actions to enhance responsibility and justice. Since universities began, their two major tasks have been to create and disseminate knowledge and to train responsible professionals and citizens. This article focuses on the second task, the University’s role as an institution for training political, economic and administrative elites.

Our initial hypothesis is that the knowledge, techniques and values transmitted in the classroom are not the only things to influence the training of responsible managers; policies, culture, organizational processes and symbols also influence students’ education. And the organization and governance of the institution must be consistent with the theories explained in the classroom. This statement is important as far as quality, innovation and flexibility are concerned, but is even more so for matters of organizational responsibility, sustainability and transparency. In other words, it is inconsistent and may even be counterproductive to explain in class how to manage and promote innovation, responsibility and quality in an organization while students simultaneously experience an organizational reality that is devoid of such qualities.

This article aims to reflect on the two major pathways for training responsible managers: management theories explained in the classroom and the role of organizational *ethos*. In recent decades, there has been intense controversy over management theories explained in the classroom and their impact on management work (Ulrich and Fluri 1992; Steinmann and Schreyögg 1990; Ghoshal 2005; Galbraith 2004; Mintzberg 2004, 2009; Bennis and O’Toole 2005). There has also been interesting research into the impact of organizational climate and commitment in Higher Education Institutions (Bruhn 2008; Lawrence and Lawren 2009; Putranta and Kingshott 2011) and this article attempts to explore these two aspects in greater depth.

The article is divided into two parts: analysis of the epistemological dimension and the organizational dimension. In the epistemological dimension we present firstly some relevant criticisms of dominant management theories and then go on to present some alternative proposals of what Management is and its main functions. In the second part, the organizational dimension, we focus on the impact of the institutional dimension in the training of responsible managers. Here we start by offering a brief consideration of the origin and mission of universities and business schools, in order to identify the essential functions and defining characteristics of a responsible university. We then present our understanding of institutional ethos and the cultural and structural dimensions that influence it the most. Finally, in the last

section we present various mechanisms that organizations can use to strengthen their institutional ethos. In particular, we focus on ethical codes as an effective mechanism for improving university responsibility.

The Importance of Management Theories

The means and ends of management has been a subject of constant debate since Taylor published ‘Scientific Management’ in Taylor 1911. Many discussions about management (regarding what it is and what it should be) have quickly made an impact on management practices. Theory leads man forward and is then used to measure performance. Because ideals indicate the way forward in all areas of human activity, it is important to think carefully in order to act wisely.

‘Bad Management Theories are Destroying Good Management Practices’ (Ghoshal 2005) is the title of the last article the author wrote before his death. The article strongly condemns the way in which wrong ideas about management have led to bad managerial practices. He says that business schools must accept much of the responsibility. ‘I suggest that by propagating ideologically inspired amoral theories, business schools have actively freed their students from any sense of moral responsibility,’ (Ghoshal 2005:76). Similarly, Galbraith declares that: “Part of this fraud is a consequence of traditional economics and the way it is taught, (...)” (Galbraith 2004:13).

Some of the key ideas of the model taught in recent decades in our universities and business schools have been: a positivist approach to management, the model of *homo economicus* and a worldview centred on the organization.

- A scientific and positivistic approach has led to the application to management of the basic concepts and methodology of science. Scientific positivism has been widely criticised epistemologically (Popper 1934); and especially in economic terms (Sen 1987, 1999; Conill 2004; Ulrich 1993). In the specific area of management, Bennis and O’Toole state that: “When applied to business—essentially a human activity in which judgments are made with messy, incomplete, and incoherent data—statistical and methodological wizardry can blind rather than illuminate” (Bennis and O’Toole 2005: 3). In the same way Ghoshal considers that of the three possible explanatory paradigms (causal, functional, and intentional) only the intentional paradigm is appropriate in the field of management, because: ‘the basic building block in the social sciences, the elementary unit of explanation, is the individual guided by some intention,’ (Ghoshal 2005:78). Functional and causal explanations have a very limited application in the field of management. The causal-mechanical model of rationality that dominates the natural sciences and their technological application is only one type of applied reason. This type of reasoning has proven successful in ‘subject-object’ relationships, but is inadequate, unreliable, and illegitimate for ‘subject-subject’ relationships (Cortina 2007; Ulrich and Fluri 1992). And this relationship has a negative and concrete impact when dealing with people. As M. Nussbaum stated: “it is easier to treat people as objects to be manipulated if you have never learned any other way to see them” (Nussbaum 2010: 23).
- Another idea that merits serious critical examination is the image of *Homo economicus* as a rational economic actor. Theories of management taught in business faculties start from the premise that people are selfish, individualistic, calculating, and have defined and stable preferences. Reality is more complicated and motives for action are multiple and changeable. Nobel laureate, Amartya Sen, argued that affection, bonds of identity,

and personal values often compel us to act against our self-interest (Sen 1987, 2002, 2006; Ulrich 1993; Cortina 2007). As Ghoshal states neither empirical evidence nor common sense can sustain the pessimistic idea that people are purely self-interested beings; it is only a question of ideology (Ghoshal 2005).

- A *worldview centred on the organization*, which assumes that: ‘(...) by advancing organizational interest, they advance their own and society’s overall best interest’, (Giacalone and Thompson 2006: 205). From this worldview it is understood that: (1) materialism is good (morally) and business is central to society; (2) all dimensions of management should refer to, and be assessed in relation to company finance; (3) the criterion for justifying any action or decision is financial. Charles Handy stated: ‘The American disease is not just a matter of dubious personal ethics or of some rogue companies fudging the odd billion (...). This was the culture that enraptured America for a generation, a culture underpinned by a doctrine that proclaimed the market king, always gave priority to the shareholder, and believed that business was the key engine of progress and thus should take precedence in policy decisions’ (Handy 2002: 50).

A discussion about the epistemological status of management theory is beyond the scope of this article. The above has been a brief presentation of some of the more substantial criticisms directed towards the principal management theories taught in business schools. It is the teaching of these theories that makes it difficult—and sometimes impossible—to include ethics and social responsibility in manager training. ‘If we really wish to reinstitute ethical or moral concerns in the practice of management, we have to first reinstitute them in our mainstream theory’, (Ghoshal 2005:87). Genuine inclusion of ethical dimensions in management theories means that ethics and social responsibility take priority over profits. In the case of conflict, ethical demands should take precedence over profit in theory and practice.

Alternative Management Theories

Very strong and interesting alternative theories have been presented in recent decades. Regrettably, the dominance of established management theories has been so complete that little favorable response has been noted. However, recent unfortunate cases of corruption and abuses have forced a closer look in new directions. Perhaps, if writers such as Peter Ulrich (1993), Steinmann and Schreyögg (1990), Sen (1999), Ghoshal (2005), and Handy (2002), Mintzberg (2009) had been taken more seriously, then some cases of corruption and bad practice could have been avoided. Two particularly valuable but little known alternative proposals are presented below. Both ideas are feasible and offer a rigorous theoretical basis.

The Proposal for a Dialogue-Oriented Management (Peter Ulrich)

Swiss professor, Peter Ulrich, defines management philosophy as: ‘the global interpretation of the position and economic and social role of the company,’ (Ulrich and Fluri 1992: 53). This management philosophy is based on three guiding ideals: an image of man, an image of the economic and social order, and an image of the company.

Thus, the task of managers cannot be assessed by only measuring the level of satisfaction of the interests of the employer, but must take into account the role of business in society. The company is understood here as a ‘quasi-public institution’ (*quasi öffentliche institution*).

This means that a company is seen as a legitimate plurality and a unit of multifunctional value creation; and it performs socio-economic functions for the various groups involved.

This manner of understanding a company's purpose means abandoning a monological vision of management in order to develop a two-dimensional conception of management whose key feature is the search for consensus regarding the role of business in society.

Strategic-management attempts to resolve the lack of information and data necessary for answering the question: 'What can we do?' The answer is sought through the preparation of reports and an analysis of relevant facts and objective data using monological reasoning that relates to objects in a technical and rational manner. On the other hand, dialogue-orientated management seeks consensus and attempts to answer to the question: 'What do we want to do?' and then explores the possibility of reaching an agreement regarding our interests and desires.

In strategic-management, the management of a company is seen as a technical issue aimed at achieving strategic results by using a strategic-utilitarian approach that seeks greater control of people and objects. In consensus-oriented management, company policy is understood as a process of building understanding using the path of ethical and communicative rationality.

The development of this second dimension is not limited to a purely psychological treatment of human resources, as it might seem at first sight. This dimension relies on the logic of understanding between 'subject-subject'. In this context, the individual is considered as being complete with his or her own resources of rationality, but only becomes fully developed when a sense of personal identity can be extended to both dimensions of rationality. In order to ensure that this rationality is developed within a company, and involves all the active partners, it is necessary to build spaces of freedom, strengthen communication, and develop potential.

Managers as Citizens of the Organization (Steinmann/Löhr)

Steinmann and Scherer define management theory as: 'the body of knowledge developed about the roles of management and the aim is to describe, understand (or explain), and improve such management practices' (Steinmann and Scherer 1998: 1). Thus understood, management functions are intended as a means of achieving company objectives. Which brings us to two key questions: What are the objectives? What are the appropriate means?

The authors answer the first question by stating that the answer cannot continue to be the unconditional maximization of profits. The objective should be the maintenance of peace; and a company should establish a moral relationship reflecting the responsibility of private business and the public interest—accepting that the maintenance of peace is the most important public interest. The second question is answered by the need to have a management model that can reconcile ethical and functional demands. The authors claim that, far from being an irresolvable tension, the pursuit of economic objectives and compliance with ethical demands can be resolved by management structures compatible with both. 'What structure of management would enable an efficient implementation of corporate ethics under conditions of a division of labour; and in its effort to produce profits, would not damage the conditions for peace,' (Steinmann and Scherer 1998: 20).

Starting from a republican business ethic based on dialogue and, therefore, discursive by nature, the authors propose a management model focused on opening—and maintaining open—discussion processes between members of the organization. This represents the paradigm shift from a monologically-orientated rationality towards a dialogue-orientated rationality.

From this dialogue the authors propose a management model that conforms to the ethics of dialogue and the functional demands of the theory of business.

The authors present a classification of Nielsen (1983) as a representation of the types of historical management action; duly criticized as unilateralist by Steinmann and Löhr (1994, 58). Under this classification, three types of managers can be distinguished—depending on the moral orientation of the action: Eichmann (axiological neutrality), Richard III (insatiable thirst for power), and Fausto (the end justifies the means).

These three figures represent managers with morally deficient consciences. In comparison with these figures, Nielsen presents the ideal manager as a ‘citizen of the organization’. A manager who has acquired a capacity for moral judgement—which is applied after discussion regarding specific actions and validated through critical review and decision-making processes. These managers require a developed sense of ethical awareness and the courage to apply these ethics.

This model can be better described as a new focus; rather than the addition of new functions or characterisations. The aim is to integrate rational dialogue processes into the classic functions of management; as well as to fully develop the three key managerial roles: the *expert in functions* (Fachmann), who must ensure that organizational resources are adequate for the objectives; the *integrator* who maintains internal cohesion in an organization over time; and the *republican citizen* who behaves as a responsible citizen and aims to ensure social peace (Steinmann and Löhr 1994: 210).

These two theories, presented briefly here, could be a good starting point for training responsible managers. If business administration students are presented with theories that include the social and ethical dimension as an essential management dimension, they will be more likely to take responsible decisions in their professional careers and consider ethical principles in their work. However, as we said at the start, good theories are not sufficient, students must experience those principles in the institution where they are educated (Haase et al. 2012). As Rauch acknowledges, action must be taken on three levels to increase students’ ethical competence: motivation and personal authenticity, the example offered by the leaders and “ongoing reflection on the values and discourse on group values (for example: in the actions of the university, project teams or departments) (Rauch 2011: 48). Lawrence and Lawrence also recognize that: “(...) universities influence their students’ values and attitudes through provision of the learning environment and core curriculum” (Lawrence and Lawren 2009: 300). Where “learning environment” must be understood in the broad sense as the organizational and cultural conditions in which management training takes place. We focus on this consideration in the second part of this article.

The Responsibility of the University for Training Responsible Managers

‘The university is the second-oldest institution in the western world with an unbroken history, after the Roman Catholic Church,’ (Iyanga 2000:7). In the late sixth century and the beginning of the seventh century, the first cathedral-based schools appeared. Beginning with these schools, an unbroken evolution began that gave rise—in a way that was almost natural—to the world’s first university, the University of Bologna, in 1088. This was followed by Oxford University in 1167, the University of Paris in 1170, and the University of Salamanca in 1230.

To answer the question of a university’s responsibility, it is necessary to reflect seriously on the university’s mission: the social aim that gives it meaning (Barber 1991; Cortina 1993). The university’s mission has always been to seek and share knowledge, and educate

professionals. Spanish philosopher Ortega y Gasset understood the university's mission to be the education of cultured people, where 'culture' meant 'the vital idea system of each time,' (Ortega y Gasset 1930: 322). That is to say that the university must be at the service of others and offer solutions to social problems. To quote Coit Gilman, founder of John Hopkins University: 'Make for less misery among the poor, less ignorance in the schools, less bigotry in the temple, less suffering in the hospitals, less fraud in business, less folly in politics', (Harkavy 2006:10).

Carrying out this mission requires the development of particular functions that authors such as Ortega (1930), Jasper (1923), and Reed (2004) have put into four basic groups: education, basic research, cultural reproduction, and professional training. These four functions are undergoing important transformations, some of which threaten the university's mission.

In the 100 year or so history of business schools, there have been two major trends in the conception of manager education. Firstly, the more professional approach represented by the Harvard Business School using case studies as the core teaching methodology, and the scientific or traditionally academic approach represented by the Wharton Business School, Carnegie Mellon University, Stanford, and Chicago (Mintzberg 2004). Although these pedagogical differences are apparent in the curriculum, teaching staff recruitment and assessment and other organizational and cultural aspects, business schools have a shared mission: to train people to manage organizations efficiently and responsibly.

The features of a responsible university or a business school can be divided into two broad groups: features relating to the activity they perform and how this activity is developed; and features relating to their operation (organization and government) as institutions.

The three major activities undertaken by higher education institutions can be classified into three main criteria:

- *Bildung*. In the model of the liberal university, '*Bildung*' is understood as a complex process of maturation in which the critical appropriation of knowledge—and not the mere transmission of knowledge—is encouraged. This model, whose starting point is the search for truth and knowledge for its own sake, has been losing ground to the model of instruction in which the university must transmit information in order to educate professionals capable of finding high-paying jobs. Knowledge has become a valuable commodity that is bought and sold on the market (Reed 2004). But a responsible university or business school must overcome this instrumental vision (education as instruction) and encourage *Bildung* in their students.
- There is a marked tendency towards the commoditisation of *university research* that is endangering research goals and resources 'Today, however, the growing influence of the market in higher education means that the search for truth is rivalled by a search for revenues', (Newman et al. 2004:4). The search for truth and knowledge for their own sake, and not for money or power, should be a basic principle of a responsible educational institution.
- Social commitment. The lack of a decisive commitment to the most serious social problems—pollution, defense of human rights, and the generation of a constructively critical culture—has been criticized by civil society. The role of universities in the discussion of global problems is decreasing. I am, indeed, in agreement with Barber (1991), and believe that the university must play a key role in developing all the dimensions of society: economic, political, social, and cultural. However, the present trend seems to be moving in the opposite direction, and universities are no longer 'serving as home of open debate about critical but controversial societal issues' (Newman et al. 2004:218).

Thus a university must communicate its responsibility in performing the core activities that give it social legitimacy; but it is important that this sense of responsibility is also conveyed in its functioning as an organization. A university's management and governance must be consistent with its mission and activities, and foster a deep sense of academic citizenship where all members of the university (administrative staff, teachers and students) are aware of their rights and obligations (Thompson et al. 2005). The management values displayed in the administration of the university are essential for its social legitimacy, and are not simply a means to achieve the mission, but form an essential part of the university. The essential features of a responsible university are:

- Dialogue. In democratic systems, public institutions must legitimize themselves by communicating (Habermas 1981, 1983). In particular, the university must: 'establish itself in the free space of communication and dialogue—where mutual understanding between subjects is an absolute condition of all knowledge', (Hoyos 2009:29). Rational dialogue must be the means of achieving and generating knowledge, resolving potential conflicts, as well as changing ideas, values and behavior of the people; and the end being to increase the capabilities of people for participating in a rational dialogue. A responsible university or business school should work to create the largest possible space for dialogue. Discussion and publicity, in the sense intended by Kant (Kant 1784), must be the method for decision-making. 'The university must ensure that all members of the university have an equal opportunity to engage in public discourse on the basis of the quality of their arguments' (Reed 2004: 34).
- Accountability. 'Accountability is a concept that remains central to our understanding of justice, honesty, and responsibility within the contemporary business world' (Painter-Morland 2006:89). Accountability for what is done and how it is done is especially important in universities as their social impact is very broad and extends beyond the direct benefit for students. Transparency in the form of clear criteria and performance indicators is a prerequisite for encouraging a communication that creates trust (Brennan et al. 2004). As Karri, Caldwell, Antonacopoulou and Naegle, state: "(...) Transparency needs to be consistently reflected in practices, which make unequivocal that the motives that underlie faculty actions are those of authentic caring" (Karri et al. 2005: 171).
- Universities should be open to public scrutiny and must take the initiative to communicate with all stakeholders about what they do and why. As Painter-Morland explains: 'The way in which an organization reports its practices is an indication of how it sees its duties and responsibilities', (Painter-Morland 2006: 96).
- Participation. 'Communicative control by a community of scholars requires that decision-making processes be participatory, involving a process of deliberative democracy in which issues are raised and discussed at all levels of the structure before they pass through the formal channels of decision-making and take the form of policy', (Reed 2004: 36). Effective participation by members of the community of teachers and students has always been a distinctive feature (with autonomy) of universities since their foundation. Encouraging the effective participation of members of the university community in the governance of the institution requires more than merely electing representatives to government bodies.

Here is a schematic presentation of what should be the essential features of a responsible higher education institution. This responsibility must be evident in what universities do, how they operate, and how they govern themselves. Now let us go one step further by offering more detail and answering the question of how these dimensions are organized in an institutional setting, and what mechanisms are needed to increase the ethos of responsibility in institutions responsible for higher education.

Institutional Ethos

To achieve the objective of ensuring that higher education institutions foster responsibility, there must also be a reflection on the institutional ethos; the character which the institution has been building over the years and which is evident from its policies, norms, speeches, and even its image. Consistency between the goal of education, pedagogical methods, and the functioning of the institution is essential. Specific reflection is needed on how to create this ethos and what instruments are available for managing institutional ethos. Even though democratic values are used inside the classroom, if the institution and the people do not act according to ethical criteria, students and society will understand the moral atmosphere to be valid, and the institutional ethos will be perceived simply as a classroom exercise –interesting but unreal. As Bruhn stated: “If ethical behavior in academic institutions is to be more than espoused values, there needs to be a stronger alignment between espoused values and actual management practices” (Bruhn 2008: 29).

Institutional *ethos* or character can be defined as the culture (language, image, instruments, practices, etc.) that an organization transmits to society and to the members of the organization; and which influences expectations of the organization. *Ethos* could be described as the synthesis between what an organization does and how it does it. This *ethos* is the result of individual relations in a given context and a specific organizational structure. It is always much more than the sum of individual beliefs and behavior. ‘University culture is decisive in determining the behavior of members of the university community and the governance and decision-making processes of the institutions themselves’, (Mora 2001: 95).

This *ethos* is closely linked to an organization’s ethical climate and social prestige. Consistency between what is explained in class and organizational culture has an impact not only on the training of responsible managers but also a significant impact on the social legitimacy of the university or business school. According to Caldwell et al. (2005) if the university wants to keep its stakeholders’ trust: “(...) literally, business school leaders must walk their talk as exemplars of the principles their schools teach” (Caldwell et al. 2005: 2).

Many aspects influence an organizational *ethos* and their levels of impact are very different. Following the proposal by Steinmann and Löhr (1994) these factors can be classified in two types: (1) factors concerning the structure of the organization, (2) factors concerning its culture.

- *Structure of the organization.* As Jacob and Hellström (2003) have pointed out, most European university institutions can be classified into one of the following types of organization: cellular, patching, or boundaryless. Opting for one of these types has strong implications for teaching, investigation, and social impact. An organization with a strong hierarchy and a clear definition of tasks and responsibilities makes a sense of affiliation difficult to achieve; the organization transmits an individualistic view of the world and ‘islands of knowledge’. If, for example, the organization has a very marked hierarchical scale and obedience to very rigid norms, it is foreseeable that its impact on individuals will be to reduce their personal initiative and critical reflection.
- *Culture of the organization.* The habits and practices of an organization, its norms (written and unwritten) influence the behavior of the participating individuals and those who come into contact with it. If there is an open culture, where dialogue is encouraged and criticism accepted, the individuals acting in the institution will do so very differently to the way they would in a culture of blinded loyalty, and strong group cohesion, etc. Perhaps the clearest example of this is Nussbaum’s comparison (1997) of Brigham Young University and Notre Dame University. Special consideration must be given to

the roles of the members of the educational community. If the lecturer's role is seen as that of an expert sharing his or her knowledge, then this encourages a passive attitude among students. This passivity contrasts with the result obtained when teachers assume a role of support and guidance for students and share the mental model that 'knowledge is built, not received' (Bain 2004: 37).

These, broadly speaking, are the dimensions of organizational ethos on which we must intervene if we want to build an institution that enhances the great and necessary goal of responsible management. As we stated before, this important goal cannot be achieved by research and pedagogical activities alone, it is important for the university and business schools as institutions (government and management) to work in coherence with ethical standards. As Cornelius, Wallace and Tassabehji conclude, there is a strong positive correlation between Corporate Social Responsibility, Corporate Identity and Ethics Teaching in business Schools; and what is perhaps more surprising is that the top business schools in the Financial Times ranking predominately offer proactive business ethics education (Cornelius et al. 2007).

Tertiary institutions, both universities and business schools, have different instruments to deal with institutional ethos: some of the most common instruments are training programs for teachers and administrative staff; participatory processes; ethical committees; ethical code or standards of conduct; and finally, perhaps one of the most used instruments in recent years, the publication of social responsibility reports. Some European universities that have been working in this direction in the last decade include: Turku (Finland), Universitat de Barcelona, and Public Universities in Andalusia (Spain), Leuphana University in Lüneburg (Germany) and University of Edinburgh (U.K.).

This article focuses on yet another tool: ethical self-regulation instruments and, specifically, the process of creating ethical codes.

A code of ethics is a good way to communicate values in a clear manner and model behavior by organizational leaders (Caldwell 2009); so, it can make a significant contribution towards improving the ethical climate and consequently help people make the right decisions (Vidaver-cohen 1998; Vaicys et al. 1996; Cullen and Victor 1993). But, it should be clear that a code of ethics cannot prevent bad faith and egoism.

Ethical Codes for Institutions Educating Managers

For Wittmann (1995) a code is an institutionalised, self-imposed obligation used to express both inwardly and outwardly a commitment to some fundamental ethical intentions when decisions are taken. Schwartz understands the ethical code as: 'a formal, written and distinguishable document, which consists in some moral standards used to guide the behavior of the organization and/or its workers,' (Schwartz 2001: 248). A later definition which incorporates the element of publicity is presented by García-Marzá: 'these documents represent efforts to publicise the guidelines with which a company wishes to be identified and to direct the behavior of the members of the organization', (García-Marzá 2004: 246). Josep Maria Lozano considers an ethical code to be the written expression of: 'the desire to formulate an organization's shared responsibilities in a reflective way and express publicly the criteria, values, and aims which identify it', (Lozano 1997: 186). The various definitions of ethical codes emphasise the importance of the development process for effectiveness and legitimacy. As some authors such as M. Kaptein and J. Wempe recognise: 'A code is nothing, producing the code is everything', (Kaptein and Wempe 1998: 853).

Some research (Davis et al. 1992; McCabe et al. 2006) demonstrates that the adoption of an honor code has a positive impact on the behavior of students and faculties in business schools. Moreover, and as Putranta and Kingshott (2011) acknowledge: “It is widely accepted that the best way for an organization to show its employees that it adheres to moral principles is through the introduction of a code of ethics” (Putranta and Kingshott 2011: 55).

A code of ethics for an educational institution should meet five basic criteria to be legitimate and effective:

- It must be produced with the *participation of all those affected*. Students, teachers, administrative staff, and civil society must be involved. The participation of these actors must be weighted in accordance with their influence and responsibility in the institution. The code should not be an aggregation of opinions and should state a consensus on essential values for the full realization of the school’s mission.
- The production *process must employ critical hermeneutics*. This is because the process initially analyses organizational reality and personal perception, and then evaluates that reality using ethical categories in the discursive tradition with post-conventional values such as autonomy, respect, dialogue, etc., (Apel 1973; Habermas 1981; Cortina 1993). Finally, the ethical categories must be integrated into the organization’s day-to-day work.
- The code must be *focused on values*, rather than norms. To adapt to dynamic environments, while respecting the actors’ autonomy, a consensus should be reached on the values that inspire and motivate action, rather than simply imposing rules. Values take into consideration the will of the agent and are more adaptable to different environments than a simple list of rules or prohibitions.
- The code must be an *integral part of the organizational culture and structure*. True integration can only occur if the management of the organization is serious about the code of ethics. A code of ethics must be more than just a written document, or a motivating speech. These values and ethical principles must be integrated into the organization’s daily decision making, and must be the benchmark for organizational policies. This need is even more important in education, because if there is no consistency between rhetoric and action then skepticism and cynicism will be generated and this will cause a loss of trust.
- The code must be *open to revision and evaluation*. In an environment as fluid as the current knowledge society, an ethical code should be open to review and reform. Given that a code should be effective in resolving and avoiding ethical conflicts, it must be open to new problems that may arise in order to retain effectiveness.

It is worth remembering that interest in ethical management codes has acquired a long tradition since the 1971 Davos Manifesto (Lozano 2001; 2002) and that interest has grown as a result of recent scandals in the behavior of senior executives from companies such as Lehman Brothers and AIG. Recently, Ángel Cabrera called for a new ethical code for capitalism by stating that: ‘It is time that company managers adopted their own *Hippocratic business oath*. This means defining the rights and responsibilities of managers to society’, (Cabrera 2009). If a code of ethics for managers is necessary, then it is highly desirable for the institutions responsible for training these managers to develop their own codes. This has been understood by the United Nations Global Compact when promoting *Principles for Responsible Management Education* (PRME 2009).

A final argument for an ethical code in institutions that train managers is the need to overcome moral relativism that usually leads to immoral conduct or passivity in the face of

injustice. Hence: “ (...) developing a touchstone for evaluating ethical behavior in business schools may be a powerful opportunity for business schools as they examine how they can model the behavior they teach and create high trust and high performance environments” (Caldwell et al. 2005: 20).

Of course, developing a participative process and drafting an ethical code is not sufficient to shape a responsible institutional ethos. The code of ethics must be supplemented by other initiatives such as ethical audits, dialogue with stakeholders and the production of responsibility reports among others. The code of ethics must also be well communicated and evaluated in order to have an effective impact on organizational ethos. As Bruhn states, citing Clouthier: “although formal guidelines exist for misconduct investigations in universities, there are no checks and balances, or even public scrutiny, to ensure that the institution behaves appropriately” (Bruhn 2008: 20).

Conclusions

The first conclusion we want to highlight in this article is that mechanisms and processes must be developed to improve the ethos in institutions that train managers. Teaching Business Ethics and Social Corporate Responsibility is essential but not sufficient.

It is reasonable to expect and it has been shown students’ dishonesty strongly correlates with future business behavior and so the task of training responsible students is an effective way of making a valuable contribution to the construction of a fairer society and deserves our best efforts. In the words of Diane L. Swanson: “The need for universities to reclaim ethics education takes on more urgency when one considers that business school graduates, especially MBAs, are sent out into society to occupy key positions of great significance and influence within corporations. Their decisions affect the quality of life for millions or even billions of people around the globe” (Swanson 2004: 54).

In this article I wanted to reflect on the contribution universities and business schools can make in the training of responsible managers. I have pointed in two directions: one refers to the theory taught in the classroom and what should be, in my view, the necessary change of focus. The other direction has been to explore the influence of an institutional ethos in training responsible professionals. In this second aspect, this article focuses on the contribution that ethical codes could make for creating a learning environment where responsibility could be learned through experience.

As Lawrence and Lawrence state in the conclusions to their study on congruency in organizations and commitment: “Considerable effort is necessary to ensure that the organizational structures, systems, process and culture, and the core values that underpin them, whether implicit or explicit, are integrated and congruent” (Lawrence and Lawren 2009: 311). Although there has been interesting research on the impact university and business school culture and values (Putranta and Kingshott 2011; Bruhn 2008; Lawrence and Lawren 2009) further investigation is needed. In particular, we consider that further research is required to: a) identify general and distinguishing characteristics in university and business school ethos; and b) examine the extent to which these different learning environments influence the training of responsible managers.

Responsible professionals cannot be trained in irresponsible institutions. And an irresponsible institution is one that teaches ‘bad theory’ (epistemologically and ethically) and is governed without principles of transparency, participation, and accountability.

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