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## **Crisis means boom time for business ethics courses**

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BUSINESS schools in SA, and the world over, are being asked for help in putting ethics in its rightful place.

"In the last couple of weeks there has been an explosion in corporate governance workshops, and that includes ethics," says Anton Roodt, visiting professor at the University of the Witwatersrand Business School.

This renewed focus on ethics is as cyclical as periods of boom and bust, says Daniel Malan, senior lecturer in ethics and governance at the University of Stellenbosch Business School, and special adviser on ethics and governance to financial services company KPMG. "It's an inevitable phase. For a time now we'll focus on ethics, but it will taper off like in the post-Enron era," he says.

The 2001 collapse of Texas-based energy company Enron because of accounting fraud brought changes to the way the accounting profession works, and especially a new look at accounting ethics. In much the same way, the credit crisis has reminded the business world of the importance of ethical business behaviour. But this crisis has a wider effect on society and will - or should - bring fundamental changes in the way the world does business, say experts.

"You can already see the current financial crisis will result in business ethics being taken to a higher level because it (the crisis) affects the whole society. There is the bigger stake taxpayers and governments are taking in businesses and that is leading to a reduction in bonuses, caps on executive remuneration and a closer emphasis and scrutiny on business from an ethical point of view," says Deon Rossouw, head of the University of Pretoria's philosophy department and director of its Centre for Business and Professional Ethics.

The "million-dollar question" is whether adults can be taught ethics, says Gavin Price, senior lecturer in strategy and ethics at the University of Pretoria's Gordon Institute of Business Science.

Personal moral development is lifelong, and is different for each individual. While most have their own moral code, there are a very few who are simply not ethical at all.

For them, all hope is lost.

For the rest, there are several things business schools can teach, from how to analyse ethical issues to how to set up ethics management structures for a business, says Rossouw. These boil down to three ethical "competencies".

These are cognitive competence, or the ability to understand ethics and ethical processes; behavioural competence, or the ability to act on your ethical beliefs even when doing so is tough; and managerial competence, or how to provide your business with the processes that will manage its particular values.

Business schools must impress on their students that running a business on good ethical principles improves the bottom line in the long term, and makes the business sustainable, says Roodt. "The only true advantage a company has is its reputation.. In my view ethics is a fundamental building block of any enterprise and corporate governance provides the management environment in which ethics has its useful place," he says.

He points to China's spectacular growth, which has come at the cost of confidence in the products it makes after a series incidents in which it has been caught out putting profit above ethical behaviour, leading to lead in the paint on children's toys and melamine added to babies' milk formula to improve the protein content. "Unethical behaviour has a short shelf life," says Roodt.

Companies need to think clearly about what they stand for, and saying your goal is to make money is not helpful, he says. "All companies want that. You need to offer the market some value, and that value is part of your governance and your ethics."

Business schools in SA began to take on the issue of ethics with the 1994 publication of Prof Mervyn King's first corporate governance report (known as King I) and interest has been growing since. There was a spurt of energy after the Council on Higher Education's 2005 review of Master of Business Administration (MBA) courses placed high priority on the teaching of ethics and corporate social responsibility, says Rossouw.

A new focus in SA on ethics is not a bad thing, but South Africans should not forget that the ethics of doing business in SA are very different to those in the US, says Rossouw.

The US went the legislative route with the Sarbanes-Oxley Act; SA chose the self-regulatory route. Both have their merits and demerits.

"It's interesting that the credit crunch occurred in the most regulated economy. Yes, we need regulation and early warning systems, but there is a fine line between regulation and responsibility. If you overregulate you kill responsibility because people tend to think, 'What is not forbidden is allowed'," he says.

"SA took a more personal ethical approach, with me taking responsibility for my actions," Rossouw says.

The third King report - a draft of which is expected to be made public next week - is likely to put forward a hybrid approach to corporate governance, showing that "regulation has its place, but it's not the be-all and end-all", says Rossouw.

There is a continuing debate over whether ethics should be "infused" into all the courses a business school offers, whether it is an MBA or a short course. Some argue that presenting a specific course on

business ethics emphasises its importance, and others saying that doing so creates a silo effect that does not contextualise the importance of being ethical in all things, says Price .

While Roodt is against presenting ethics as "just another subject we need to be clever in", he believes - and teaches - that ethical business behaviour makes good business sense.

"The current financial meltdown happened because people believed 'As long as it works, as long as it is not obviously illegal, it's okay', but in reality that meant people were making huge investments of enormous risk. What are the ethical concerns? Whose money was lost?" he says.

The 2008 crash wiped \$5-trillion off the value of private pension funds in rich countries by the end of last year, says the Paris-based think-tank, the Organisation for Economic Co-operation and Development.

"Ethics is deeply embedded in the true values of an organisation, not the nice ones we put up all over the place. But, sometimes, companies don't think (their values) through and crystallise them," says Roodt.

That is precisely where business schools can help.

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