UNIT TWO – SOLVING ETHICAL DILEMMAS AND PERSONAL INTROSPECTION

SECTION 2A – BUSINESS AND ETHICS: HOW DO THEY WORK TOGETHER?

READING 2.1 – WHAT’S DIFFERENT ABOUT BUSINESS ETHICS?

A. The Application of Moral Standards to Business Dilemmas

B. Moral Standards are Canons of Behavior that are Neither Legislated nor Changed by Legislation
   1. Conflicts between law and moral issues: child labor
   2. Moral accountability for business conduct

C. Some Firms Adopt Just the Law as Their Standard for Ethics

D. Ethics Asks that We Go Beyond the Minimum Requirements of the Law

E. Businesses Have Organizational Factors in Addition to Individual Decisions

Answers and Key Discussion Items

1. Use PowerPoint Slides 42 - 44 for examples of categories for classification and the types of issues that are occurring in the workplace. Notice how those who offered these examples to me (anonymously) understood that they were involved in an ethical issue but did it anyway. And, the result is, they continue to think back on it. Students will explore the psychology behind these decisions – pressures and psychology.

2. These examples illustrate the desire to avoid pain (bad relatives!) or avoid cost – these examples are on the slides along with others. We are always trying to avoid something when we cross these lines, even though we see the possible harms and then continue to feel guilty about it.
3. Students should discuss that business ethics issues are often made to seem more complex in an effort to rationalize through the complexity or through an overarching rationalization that “Business is different.” Issues are the same and motivation to avoid pain is there, but the underlying categories of honesty, false impression, etc., are still there.

**READING 2.2 – THE ETHICS OF RESPONSIBILITY**

Peter Drucker

Use *PowerPoint Slide 22* again – Drucker elaborates on his ethics position here.

**Answers and Key Discussion Items**

1. Ethics are ethics, whether in business or as an individual. The problem is that people don’t change simply because they become vice president. They simply continue doing all the things they do personally. If they lie and cheat in their personal lives, they will lie and steal in their business lives. Stiff punishments serve in personal and business lives to deter unwanted behaviors.

2. Dr. Drucker’s test for ethics is “above all do no harm” (*primum non nocere*). He also believes that where much is given (as with business executives) we have a right to expect more – higher standards of behavior (as with the Eton graduate).

**READING 2.3 – IS BUSINESS BLUFFING ETHICAL?**

Albert Z. Carr

This piece generally finds students with strong feelings, both ways, about Mr. Carr’s theories and approach to ethics. Encourage them, once again, to begin thinking about their values and whether they would be comfortable with Mr. Carr’s approach. Use *PowerPoint Slide 45* to discuss some questions based on the Carr article.

**Answers and Key Discussion Items**

1. Have the students discuss the implications of lying during business negotiations in order to answer this question and offer their views on Carr’s premise that we are all bluffing in business and so lying is acceptable. For example, what if you relied on a seller’s representation that his price was the lowest and he guaranteed that price as lowest. To save yourself some time in checking around, you rely on the seller’s representation. Soon you discover another seller with the same product at a lower price. What are the implications for your relationship with that seller? What is the level of trust you have with the seller? Would you continue to do business with that seller?

Also have the students discuss the implications of not knowing what is just a bluff and therefore part of the big business game and what goes too far. How do we know where to draw the line on what is part of the game and what is fraud?
Have the students note that even Friedman believes fraud must not be part of business in order for the free market to function effectively. Does Carr introduce fraud into the marketplace as an acceptable part of business?

2. Review with the students the difficulties in having individuals decide what is acceptable vs. unacceptable bluffing. What is bluffing and what is misrepresentation? If bluffing is acceptable, what will happen to legal standards misrepresentation and fraud?

3. Carr characterizes the statement as “self-serving calculation in disguise”. He explains that the goal is to make more money and the statement just gives a surface explanation for what is really a strong drive for success.

**Compare & Contrast**

Carr, with his analysis of espionage relies on the measure of “Everybody does it.” Use **PowerPoint Slide 46** and discuss with the students the NFL issue involving the Patriots and their conduct. “I think all the teams do that. That’s been going on forever.” Even though all the teams “were doing it,” “it” was still misconduct and the public reacted strongly to the conduct.

Novak feels that businesses have choices despite the pressures. Carr feels that people must succumb to pressures in business or they will never survive. Novak also rises above the either/or conundrum that Carr uses (either we bluff or we will not be successful) and calls businesses to a higher order that is not mutually exclusive with success. Carr feels you have to leave personal principles and feelings out of business. Carr proposes a sort of amoral technician mentality for business.

Dr. Drucker demands a higher standard as well – we should not hurt anyone. Carr feels that sometimes we have to hurt people if we are to stay in business. Carr advocates a sort of detached approach to business whereas Drucker asks that we have the same ethics in business as we do in our personal lives. Novak and Drucker demand more caring and feeling as a way to ensure that business survives and thrives. Carr deals with his perception of the reality of doing business – do or die.

**SECTION 2B – WHAT GETS IN THE WAY OF ETHICAL DECISIONS IN BUSINESS?**

**READING 2.4 – HOW LEADERS LOSE THEIR WAY: WHAT PRICE HUBRIS?** Use **PowerPoint Slides 47 and 48**.

**Answers and Key Discussion Items**

1. The credo keeps you grounded. Andersen’s credo was that he would never certify statements that were not accurate and yet the firm lost its way by being willing to sign off on Enron because they were willing to do so in order to keep the consulting train going. Also, the credo is a self-imposed set of rules that keeps leaders from ignoring the rules. They are willing to comply with their own rules even if they perceive others’ rules to be not very important or valuable to their leadership.
2. Things that would help – get feedback from front-line employees and allow it to be anonymous so that employees can speak candidly. A focus on things outside of work can distract from the materialism that consumes leaders who do not keep values with them. They should also work on developing leaders within the organization in order to keep the purpose of leadership clear. Leaders should also think back to the last time they admitted they made a mistake in order to get around invincibility. They could do the exercise with speeding from Unit One – are there areas in their business lives in which they have shifted the norm but are really pushing the envelope in terms of legality.

3. Mr. McCoy lost his way when the goal and achievement became the sole means of measuring his success and whether his experience was worthwhile. When he stepped back he realized that he had memorable experiences that had more staying power when he did not climb than when he did. Mr. McCoy also discounted the very basic value of respect for human life in the name of a numbers goal.

**Compare & Contrast**

There are some obvious differences. Mr. Wilberforce’s grounding came from his involvement in things other than just Parliament. That power was not the end-all to his existence. He had a purpose for his position and political power – he had a moral goal that he wanted to accomplish and he pursued that, not political power. Indeed, his career shows that he was willing to give up the trappings if he could accomplish his goal. Those around him knew him as principled and were willing to work with him because they also understood the purpose of his leadership.

**READING 2.5 – MORAL RELATIVISM AND THE EITHER/OR CONUNDRUM**

Use *PowerPoint Slide 49.*

Discuss with the students the dangers of framing an issue by “Either I do this or ” with the “or” spelling out some awful fate.

**Answers and Key Discussion Items**

1. Students often fall into, "Either I get the homework from someone else or my grade is ruined.” “Either I get this job interview or my life is over.” “Either I get this GPA or I can’t get into law school.” We define the issue in such a way that we get the answer we want because we have predicted the outcome, regardless of whether it will actually come to pass.

2. One of the lessons from Ikea’s experience is that there are some countries in which you do business that the corruption is so rampant that you have to face the reality that doing business there will be a constant battle with the government as well as with employees who can be led astray by the atmosphere of corruption.

**READING 2.6 – P = f(x) THE PROBABILITY OF AN ETHICAL OUTCOME IS A FUNCTION OF THE AMOUNT OF MONEY INVOLVED: PRESSURE**

Use *PowerPoint Slide 50.*
Discuss the research that shows a company’s vulnerability to ethical missteps if the company has been on an earnings roll.

High aspirations, high expectations, and prominence are indicators of illegality. Discuss the U-Haul truck and the eaves example.

**Answers and Key Discussion Items**

1. You could draw on the example of J.P. Hayes from Unit One – Use *PowerPoint Slide 15*. John Adams, second U.S. president noted, “When conscience claps, let the world hiss.” Other examples include pointing out damage on a rental car. Telling a clerk that you have been given too much change. Pointing out to the hotel desk clerk that you were not billed for your extra charges on your bill. Disclosing on a mortgage application when you are about to experience a salary reduction at work.

2. Tourre felt the pressure of his salary/compensation. He was paid $2,000,000 per year so he was unwilling to rock the boat. He had been designated to handle an important client and a large offering – he needed to be a client pleaser. If Tourre did not perform up to expectations, then the firm might not advance him to partner. He was trying to attain a partnership.

3. Your credo helps you determine in advance what you would or would not do in a particular situation. Because you have thought about it in advance, you are not as vulnerable when the pressure hits. You are better able to resist the pressure because you have already thought through all the potential risks and that it is “so not worth it.”

**CASE 2.7 – MARTHA STEWART: NOT SUCH A GOOD THING**

Use *PowerPoint Slides 51 - 54*.

**Answers and Key Discussion Items**

1. The short-term focus; the reality of all their interactions coming to light. Is it legal? (no); Is it balanced? (no, it was unfair to those who bought the shares); Would they want to live by their rules? (obviously not – they just wanted out). They were also dangerously close to the legal vs. illegal line in terms of their interaction on the stock and the actions of Waksal. Who is affected by my actions? The shareholders of MSO suffered as a result of Stewart’s personal actions.

2. No, selling the shares did not produce Martha’s conviction. Obstructing justice and her changing story resulted in the conviction. If Martha had just come clean when authorities came calling, she probably would have faced a $10,000 civil fine and been done with the case. The cover up conduct was what resulted in her criminal conviction.

3. Her company suffered dramatically from this poor personal choice. Worse, she should have kept the ImClone stock – it has recovered as her company struggles. Use *PowerPoint Slides 53 and 54* to show impact on her company.
4. Best advice is to disclose the trading to the SEC. It will result in a fine and disgorgement, but not a criminal conviction.

Use **PowerPoint Slide 54** to show that she saved only about $40,000, but she lost $30 million each time her share price dropped $1. She lost her seat on the board of the NYSE. She lost her CEO position in her company because her credibility was affected.

Additional costs: loss of time; lawyers’ fees; loss of business opportunities.

**Compare & Contrast**

The fallout for these two young men is quite nearly Shakespearean tragedy. Both Bacanovic and Fanueil were thrilled to have clients such as Stewart and Waksal and because of their desire for success and youth were “pleasers.” They would do anything to keep these “big fish.” But, the big fish did not return the favor when Bacanovic asked for some help because he had helped Martha with both the stock and her story and now he was in trouble. Her daughter refused to provide any assistance. There were some very simple lines and principles here: they were lying to help Ms. Stewart avoid accountability and responsibility. They could not keep their stories straight and too many facts contradicted them. The irony is that Martha is fine, despite her losses and has moved along to other business ventures. Bacanovic and Fanueil carry the taint of misconduct. They do not have her star power and so are suffering both the emotional and psychological baggage as well as the clear downgrade in their employment status. Never trust the people you cheat with; they will throw you under the bus. Once criminal allegations arrive, friendship goes by the wayside for self-preservation. The students should be taking these life lessons away as something they have filed away for when pressure from clients hits.

**CASE 2.8 – ON LEAVING TO SPEND MORE TIME WITH FAMILY**

**Answers and Key Discussion Items**

1. In the cases listed, the reasons given for departure gave a false impression because the conduct of the departing officers after the departure belied the reason. The family reason does eliminate questions about what was really happening at the company and may preserve the value of the stock. However, have the students think through the consequences for the company, if only from the perspective that the company is not really facing up to the issues it faces. Also, there is an impact on the culture when the company makes statements employees know not to be true about the reasons for the executive’s departure.

2. The legal issue here is whether the statement is intentionally false. If the executive agrees to the statement, it would be difficult to establish fraud because there was, at the time, at least some truth to the statement. However, in the classic ethical sense, shareholders and markets are misled about the true reasons as well as the true condition of the management structure and success at the company. However, SEC rules do not specify instructions on content of press releases. The key portion of the law is disclosure of an executive’s departure. The statements perhaps violated the spirit of the securities law disclosure requirements.

3. The reasons save face for the executive and the company. The share price does not drop if there is a “soft” reason as opposed to weak management or perhaps some evolving financial concerns and issues.
4. This question is a trap. Yes, the family-time statements do preserve dignity, but there’s that emotion getting in the way of what really is a clear test: Is this information true? Is it misleading? Why are you using a different reason? Why are you using a partial explanation? There is deception or false impression being used to preserve dignity – the classic either/or conundrum is at work here.

5. The Orzag departure created a great deal of tongue-wagging and clicking from the media. The ethical issues are the same and personal lives of those who occupy high political office or high business positions – these are folks who are watched for their examples. The reality may not be popular, but it is a reality nonetheless. Personal lives are inextricably intertwined.

**Compare & Contrast**

Ms. Fiorina had a very simple standard: Just tell the truth. Her credo has standards less like Carr’s and more like Drucker’s and Novak’s. Her take on the situation saves worries about all the complexities of securities law, but also eliminates the “save face” benefits. Ms. Fiorina also might have felt differently because her parting was one that was accompanied by some rancor in the company and on the board. Ms. Fiorina perhaps wanted the world to know that she was being ousted and not going by her own choice. There was disagreement and dissent about her departure. The lack of amicable terms meant that she really was able to get in one more “dig” against the HP board as she left.

**SECTION 2C – RESOLVING ETHICAL DILEMMAS IN BUSINESS**

**READING 2.9 – THE AREAS OF ETHICAL CHALLENGES IN BUSINESS**

Use *PowerPoint Slides 55 - 57* – “Areas of Ethical Challenges” to cover the areas of ethical challenges to be covered in the book which is organized by units according to these groupings of ethical challenges.

Explain to the students that there are ethical issues in all aspects of business operations.

Have them look at the table of contents to see that there are cases throughout the book on all of these areas.

A good assignment is to have the students review *The Wall Street Journal* or *USA Today* to check for dilemmas in the various areas listed here.

**Answers and Key Discussion Items**

1. Customer privacy (Business and Its Competition).

2. Customer privacy (Business and Its Competition).


4. Unauthorized payments to foreign officials (Business Operations).
5. Personal honesty (Individual Values and the Business Organization).

6. Shareholders’ interests and executive salaries (Business and Its Stakeholders).

READING 2.10 – A STRUCTURED APPROACH FOR SOLVING ETHICAL DILEMMAS AND TRYING OUT YOUR ETHICAL SKILLS ON SOME BUSINESS CASES

Use PowerPoint Slide 58 – “Steps in Ethical Analysis.”

1. Do your numbers – figure out costs of doing something and not doing something – including longer term impacts. Be sure to consider the impact on those not specifically mentioned in the case. For example, product safety issues don’t involve just engineers’ careers and company profits, shareholders, customers, customers’ families and even communities supported by the business are affected by a business decision on what to do about a product and its safety issue.

2. Recall the categories and apply the categories to be sure you have spotted the issues.

3. Apply all the questions to see what you might have missed in analyzing.

4. Check for those warm language labels and rationalizations that may find you overlooking an issue as you find comfort in avoiding real analysis.

5. Be sure to consider other cases you have or will study and whether those historical precedents might be of help in analyzing your present situation and dilemma.

6. Bring in other areas of business to be sure you are looking at the ethical issue fully. For example, consider any strategic advantages in your decision. Be sure to apply economic principles to proposed actions. Think through the organizational behavior implications of your decision. In other words, integrate what you know about business as you analyze from an ethical perspective.

CASE 2.11 – WHAT WAS UP WITH WALL STREET? THE GOLDMAN STANDARD AND SHADES OF GRAY

Legal Issues

Sophisticated investor: Goldman used the area of sophisticated investor – the definition to escape full disclosure to its client. Their offerings were made to “sophisticated investors” and Goldman did not disclose the full extent of its position in the investment or market. The Dodd-Frank Wall Street Reform Act has clarified the definition of “sophisticated investor” so that firms are less able to withhold information from investors.

Analysts and two opinions: Goldman did not follow the rules on consistency between the analysts’ internal discussions and communications and external recommendations as the SEC
rules require because it referred to a certain group as strategists. If they were not analysts in name then the rules did not apply to them.

Auction rate securities: Interestingly, on the auction rate securities issue, it took state law to result in a settlement of these issues. The SEC struggled with applying laws and regs to this practice of bidding up the price and then not buying. The nondisclosure to clients was that Goldman was bidding on the securities, but Goldman’s and others’ position was that there are always investment houses bidding in such auctions.

IPO allocation and structure of the market: The IPO structure was also eventually settled, but for relatively small fines with new rules on IPO allocations and agreements between clients on second-wave arrangements to buy more.

IPO profitability changes prior to IPO: The change in the profitability standard to one quarter was an interesting legal issue because the information on these dot-coms was always disclosed – the financials were there for investors to see. However, Goldman did not disclose its gradual drift from three years of profit to one year to one quarter. Investors assumed the vetting that had existed in the past.

Partnership to corporation structure: The change at Goldman from partnership structure, where the principals put everything they owned on the line, to corporation, by which they were shielded from liability, was one that allowed for greater risk with little downside for the principals. The new legal structure with limited liability resulted in the riskier strategies that the firm took.

Answers and Key Discussion Items

Use *PowerPoint Slides 59 - 90.*

1. See the legal issues listed above under "Legal Issues" and discuss how Goldman fell into the gray. Also discuss how folks were misled.

2. Most of the issues involved nondisclosure of facts that an investor would have deemed important in making their investment decisions. The category, for the most part, was false impression because the investors were not aware of Goldman’s positions in the market or that it had found a way around candor about its internal discussions on risk and the quality of instruments as well as the direction of the market. There is also a good point to discuss “moral hazard” and how allowing AIG to be bailed out provided cover for Goldman on its activities. The “too big to fail” issue arises in this discussion because investors lost money, but Goldman was protected. The front-page-of-the-newspaper test is a good one here because the headlines were not flattering to Goldman. The questions of the senators reflect the struggle with people trying to understand how what Goldman did could comply with the law but still seem so deceptive. The law is but one part of ethical analysis. Over the long term, Goldman failed to think through the consequences of additional regulations, the fines, and the loss of clients because of the perception that Goldman could not be trusted and may not always be acting in its clients’ best interests.

3. Those affected by Goldman strategies and gray areas: investors, the market, the U.S. economy and the global economy, AIG, AIG investors, employees of AIG and other companies and investment banks that had to be dissolved or acquired or reduced in size, employees of dot-coms, beneficiaries of donations by companies and investment bankers (nonprofits) (also affected because they had their endowment funds invested), real estate market because of the impact in value, all those affected by a downturn in the real estate
market including real estate agents and brokers, contractors, furniture and window covering companies, decorators, landscapers, etc. Students can create flow charts to show the ripple effect of these behaviors.

4. The factors that influenced their decisions were the management mantras of “Filthy rich by 40,” and the incentive structures that produced so many millionaires so early in their lives. Goldman was also a “toes to the line” culture – finding the next big loophole to use. The culture was also, “If it’s legal, then it’s ethical.”

5. The Goldman behaviors are a classic illustration of Carr’s theories. Was it just bluffing for Goldman to not disclose its positions or was it a card up the sleeve? Not everyone knew the rules of the Wall Street game – the large investment bankers clearly did from their involvement in IPOs to auction securities to their structuring of the CDOs. However, these investments made their way to the retail level where the knowledge base was just not there. Goldman and others believed them to be sophisticated investors by definition and it was not necessary to disclose. However, that definition is now changed and more disclosure will be required because they clearly did not understand the double positions.

6. The translation of these two sentences is that the culture that existed at Goldman before will remain, with all the drive to success and that Goldman does not feel that its client base will be affected. In other words, Goldman emerges with a fine but little contrition and a plan to go forward with the status quo. The lessons learned do not seem to be there.

**Compare & Contrast**

Senator Collins has pointed out that there was no legal fiduciary duty but she was asking whether Goldman needed to act in its clients’ best interests as a matter of good business practice. As the discussion indicates, Goldman struggled with that answer and could only conclude that it was “an interesting idea.” Goldman has a sort of survival-of-the-fittest mentality about the markets. However, it is not factoring in the new regulations, the changes in the market so that it can no longer occupy those legally gray areas and will be required to compete on a different basis other than loopholes. This is a good example for discussing self-interest vs. selfishness – the Ayn Rand model.

**CASE 2.12 – WHAT HAPPENS IN BOULDER STAYS IN BOULDER: CELL PHONE ALIBIS**

**Answers and Key Discussion Items**

1. This question on immorality is loaded – the European girlfriend feels that because the underlying activity is immoral then those who support that activity are accomplices. The alibi clubs cover up something we are doing that we don’t want others to know about. There is a simple element of the Nash test here. If we can’t disclose what we’re doing, we have a problem. If you want to cover up your conduct, the clubs will work, but the bigger ethical issue is what you are doing that requires the cover-up.

2. This is a credo moment for discussion. If you knew you could make a great deal of money with a business like this, would you have a business such as this?
There is money to be made here. This case is an introduction to their introspection for drawing their lines— the lines they would never cross to be successful or to make money. The decision models that help are the newspaper test and the “how would you feel if you were on the other side” test. And, there are also the systemic effects of a society that supports infidelity.

**Compare & Contrast**

The European girlfriend is a moral absolutist who believes that it is wrong to lie and also believes that cell phones should not be used to facilitate unfaithfulness. She sees the alibi system as a support group for infidelity. Be sure to ask the students how they would feel if these services were used by someone they trusted and how they would feel (part of the decision analysis models they have studied). Many students argue for privacy but would themselves be outraged by a loved one cheating on them and that others would be complicit in that activity. Credo moment: I would never sell a product that was used for deception of others. I would never sell a product that would be used for misleading others.

**CASE 2.13 – TRAVEL EXPENSES: A CHANCE FOR EXTRA INCOME**

**Answers and Key Discussion Items**

1. The phrases the employees use when confronted with excessive and unauthorized travel expenses are the classic rationalizations for taking things that don’t belong to you. The travel expenses that are not actually travel are a form of stealing.

2. Employees risk claiming extra expenses with the hope of making a little extra money, because they feel they won’t be caught, and they feel entitled to it when raises have not been forthcoming.

3. Employees who are honest are harmed in that they are not trusted; the company is harmed in that it has additional expenses and investors and customers are affected by those higher costs and possibly declining sales. The extra expenses also create lower taxes based upon fraudulent expenditures. Up and down the chain with respect to the company, there are many affected when travel claims are inflated and created.

NOTE: Bring out the similarities between this case and the more complex Goldman case— when we engage in false impressions or offering misleading information there are always those down the chain— at the retail level— who are affected by our conduct and decisions. At Goldman investors who were not all that sophisticated, but relied on the trustworthiness of the investment banks and the markets were affected. Here, companies rely on honesty of employees, but if it is not there they pay in the form of higher expenses, which translates into higher product prices, which affects those at the retail level. The idea is to help students understand that no ethical breach is ever isolated in effects or consequences and the classic, "It doesn’t hurt anyone" rationalization can be debunked through either the complex Goldman case or this simple case of travel expense reimbursement.
4. The rationalization is “For all I do around here....“ Employee X feels that others are compensated more than he is and that extra travel expenses are a means for him to get what’s coming to him. Employee X has also done it for so long, beginning with little things, that he does not even acknowledge that the conduct is taking something that does not belong to him. He has justified it for so long that the amounts keep growing and he is comfortable both because of the rationalizations and also because he can no longer see the bright line of “This is mine,” and “This is my employer’s.”

CASE 2.14 – DO CHEATERS PROSPER?

Answers and Key Discussion Items

1. No, the suggestions involve many ethical breaches from taking things that don’t belong to you, to saying things you know are not true, to taking unfair advantage.

2. The publication of a book with methods for cheating demonstrates enormous “chutzpah.” That the author did so under an anonymous name is indicative of the embarrassment the author would feel if these tips and suggestions were attributed to him. Also, he might not be able to rent a car again!

3. The suggestions cost the businesses involved money, but there is also a trickle-down effect in that those costs must be absorbed somewhere. Perhaps employees are not given a raise, perhaps insurance rates run higher for the fake claims, or perhaps product costs increase. There are always “retail-level” impacts when individuals cheat businesses.

CASE 2.15 – THE RIGGED ELECTION

Answers and Key Discussion Items

1. Mr. Gunty was trying to get an edge on the job market. Contact with speakers through the president's position might give him an opportunity not available to others.

2. Chances are many students did not care about the club officer positions. But many are hurt by Gunty's actions. The process is undermined and the credibility of the organization and institution are hurt. If those tactics are allowed to continue, they eliminate equal opportunities for all students to hold office.

3. Anonymity offers some security. Often it is used when there is insufficient evidence available and an investigation is warranted.

4. Many students make the point that this is "just school" and that the standards are different. Standards of personal honesty are always the same. Pressure got in the way here. Pressure to get a job, to have the contacts, and to attain a leadership position at the school.
Further, have the students examine the consequences to Mr. Gunty. He is known to his classmates and readers of the Wall Street Journal as someone who cheated on something as insignificant as "just school." Could you count on Mr. Gunty in an honesty sense in any setting? Mr. Gunty's long-term damage to his reputation is significant.

Further, Mr. Gunty may have encountered life's worst punishment: having to write an extra paper!!

5. Have the students “Google” Mr. Gunty’s name for purposes of answering this question, but also the instructive purpose of having them see that what’s on the internet stays on the internet and is now subject to the ease of a search engine. Mr. Gunty’s deeds as a student live on in infamy on the internet. With technology there are clearly more public and long-term effects of misconduct on individuals and their reputations.

**CASE 2.16 – WEST VIRGINIA UNIVERSITY AND THE GOVERNOR’S DAUGHTER**

**Answers and Key Discussion Items**

1. The university president succumbed to the pressure of wanting the governor on his side for budget purposes and not offending a large donor. The desire to please others got in the way of one of the basic values of higher education – that it is the great equalizer. That is, everyone is equal when it comes to grades and performances. If they do the work, regardless of background, they earn the credit hours and, eventually, their degree. However, exceptions are not available to that work. The university president lost sight of education’s basic credo.

2. \( P = f(x) \) – the president was feeling the pressure and wanted a particular result and so he got the result without thinking through how others would view the decision, what the headlines would look like, how it would affect his credibility, how the other students who earned their degrees would react to the decision, how the taxpayers would feel about the decision and so forth. Here are some key findings from the audit report on the situation:

   - Bresch “did not earn an MBA degree at West Virginia University.”
   - WVU’s actions that led to Bresch being awarded the MBA degree retroactively were “seriously flawed and reflected poor judgment.”
   - WVU’s review of the Bresch situation last October was undertaken in “an overly and unnecessarily hasty basis, resulting in an erroneous and ill-considered result.”
   - The subsequent decision by top WVU administrators – Provost Gerald Lang and Business School Dean Stephen Sears – to modify Bresch’s transcripts was the result of “poorly managed decision-making.”
   - The MBA degree for Bresch was not authorized in 1998. Bresch said she was under the impression that she had completed the work and WVU, last October, awarded the degree retroactively.
   - While some records from the MBA program and the school of Business and Economics were lost, that did not affect the finding of the panel that Bresch did not earn a degree.
   - Top administrators at WVU and the school of Business and Economics decided at an October 15, 2007, meeting to award Bresch the degree, and that some of the meeting participants supported that decision not to “rock the boat.”
The panel believes that “no student should have a reasonable basis to conclude that he or she could or would be excused from so many outstanding course and credit obligations simply on the basis of experiential learning.”

This was not a record keeping failure. The records were accurate. “Ms. Bresch had not earned an MBA degree.”

After the October 15, 2007, meeting where WVU administrators decided to award Bresch the degree retroactively, administrators at the school of Business and Economics prepared grade modification forms so Bresch could get grades for the classes. Those grades were “simply pulled from thin air.”

In awarding Bresch the degree retroactively, “Provost Lang and Dean Sears credited Ms. Bresch’s reported account of the fall 1998 Bresch-Speaker meeting over the contrary account of that meeting given by Professor Speaker himself.”

The “rush to judgment in Ms. Bresch’s case was driven primarily and inappropriately by concerns about public relations and by Ms. Bresch’s high profile. She was, in fact, treated in an unusual and unique manner.”

3. Who is affected? The other students; the university; the taxpayers; faculty – loss of credibility and undermines their authority to enforce standards and rules about academic integrity; companies that hire the graduates because of uncertainty about the quality of their degrees; lenders because ability to pay back is determined by ability to get jobs; other colleges and universities because of assumptions made about fund-raising and the value of a degree.