

EBS REVIEW

ISSN - 1406 - 0264

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Dear Readers,

I consider a democratic and ethical Estonia to be the ideal. Unfortunately, we have recently been forced to talk more of an ethical crisis. An ethical crisis directs society towards corruption and other miscreant behaviour.

Corruption is especially dangerous for people building their own state. It separates power from people and makes them disillusioned with politics. This is what we should prevent. Our common goal can only be an ethical Estonia.



Mart Laar
Prime Minister of the Estonian Republic



EBS REVIEW

**EESTI KÕRGENE KOMMERTSKOOL
ESTONIAN BUSINESS SCHOOL**

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ISSN - 1406 - 0264

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BUSINESS ETHICS ACTIVITIES AND PROJECTS AT ESTONIAN BUSINESS SCHOOL



Tiia Karing, PhD
 Director of Research and Development
 Department
 EBS Review Editor-in-Chief

The current issue of *EBS Review* is mostly dedicated to business ethics. We began discussing the topic of business ethics in our last issue. We believe that it is wise for Estonian entrepreneurs who wish to be stable and competitive in a global sense, to form their business based on the principle of honesty and trust.

Business ethics is an important topic in academic research as well as business discussions. The ability to act correctly and for the right reasons goes hand in hand with successful business activities. Businesses, which act ethically, have a great advantage over those who don't. **In business, trust is everything.** Unfortunately, due to the current situation in Estonia as well as in other post-Socialist countries, it is possible for people who have acted no matter how unethically all their lives and have even thereby committed crimes, to remain unpunished since there are many loopholes in the law. We are in a situation where cheating is considered the norm, trust between partners is lacking, laws do not hold water and there is a shortage of quality workers. This can all be explained by the fact that we are dealing with inheritances from the Soviet era, yet in some places doing business has not grown beyond the level of trafficking. There is a lack of ability and desire to participate in teamwork.

Yet on Estonia's road to Europe we should be aware of our actions and adopt the European business culture.

Today, business ethics are taught in all higher institutes of education in the world, which offer good business programs. I had the pleasure of visiting many universities and business schools in the U.S. in the fall of 1998 and to become acquainted with their business ethics centres. This trip was made possible by the Fulbright Research Scholarship. I was left with the best impression at Bentley College's Center for Business Ethics. When speaking with the centre's director Prof. W. Michael Hoffman, the idea struck me that Estonia should begin organising a similar centre. The CBE also supports the idea of founding a centre at EBS.

Estonian Business School has designed a long-term schooling program for Estonian university students, business people, and for society in general in this varied field of business ethics.

The need for these projects arises from the continuing rapid development of the social, political and economic environment in Estonia, and the need for its educational institutions to react to these changes.

The first step taken was a series of business ethics seminars organised for the faculty of EBS by professors Mari Meel (Tallinn Technical University) and Anu Virovere (EBS). Seminars took place in Oct.-Dec. 1998. Mari Meel introduced the general basis of business ethics as well as her business ethics book in the course of two lectures. The subject of the seminars led by Anu Virovere was "Kohlberg's moral theory".

The goal of the seminars was to provide participants with experience in the field of business ethics and opportunities to include business ethics in their course lectures.

Led by Prof. L. Tüرنpuu, a long-term research project was begun in 1996 entitled "A Study of the Values Forming the Management Consciousness of Business Students". EBS students and partners from many schools abroad (the US, Finland, Russia, Latvia, Norway and

elsewhere) are actively participating in this project.

Within the framework of discussing the functioning of organisations, problems regarding business ethics are also discussed. However during business ethics seminars practical case studies are solved. This spring the first bachelors and masters theses on the subject of business ethics are scheduled to be completed.

With the goal of improving the Estonian business climate, schooling business people and informing the public at large, EBS is organising:

1. Business Ethics Seminar

"Creating a Sense of Business Ethics in Estonia"

May 25-26, 1999 in Tallinn, at EBS (for more information see the EBS Review inner back cover).

Our goal:

- To enhance the understanding of business ethics
- To acknowledge the importance of an ethical business environment on our way to the EU

Issues to be discussed:

- Problems of ethics in various areas of business
- Conflicts within Estonian companies and in the society as a whole
- Problems of ethics in a rapidly changing society
- The ethical competence of managers in solving conflicts
- Organisational culture as a repository of business ethics
- Business ethics and its trends in the U.S. and Europe

Seminar will consist of a series of presentations by Estonian and foreign experts who have insightful facts relating to recent instances of mismanagement and ethical improprieties within the Estonian business community. Bentley faculty will present papers which review the development and functioning of the CBE and the role and impact of business ethics in the American business community.

2. *Schooling for business and economics faculty*

The Gadfly project will be launched in May-June of this year at EBS, led by professors from Bentley College in the U.S. This is an innovative workshop-based programme that promotes the teaching of ethics in all types of curricula.

3. *Joining of the EBEN - the European Business Ethics Network*

4. *Founding a Business Ethics Centre at EBS*

Founding a Centre of Business Ethics will take place in the fall semester of 1999. The centre will be involved not only in research work and schooling of faculty and students, but is going to consider its task to be the training of businesses in general. It acts as a source of informa-

tion and advice on the subject of business ethics and is scheduled to have close ties with the business community. EBS has received support for founding of the centre from the staff of the Center for Business Ethics at Bentley College. The centre at Bentley was one of the firsts of its kind in the U.S. and has now become the centre for the methodological schooling of the directors and staff of business ethics centres.

5. EBS is planning to organise schooling and courses for Estonian business community to be given in its Business Ethics Centre starting in the year 2000.

* * *

We hope that subsequent articles included in this issue will help readers gain

a better understanding of the relatively new field of business ethics and also help it to achieve a wider response in Estonian society as a whole.

I would like to thank all those who have written for this issue of the EBS Review, including representatives of Estonian businesses and students and faculty of EBS.

A special thanks to colleagues at Bentley College, Prof. W.M. Hoffman, Prof. F. Reeves and Prof. J. Kamm, also to the editor of the EBEN Newsletter, Dr. Laura Spencer, for her article on the work of the European Business Ethics Network.



SOURCES OF BUSINESS ETHICS



Mari Meel PhD
Assistant Professor of Business Ethics
Tallinn Technical University

This article shall give a short summary of the reasons behind the development of business ethics, their characteristics and uniqueness, as well as importance within the framework of teaching business.

Ethical Discussions Between Business and Community

Ethics has always been taught to students of business and economics as part of courses in philosophy. Why could this not continue in the same vein? What were the reasons behind business eth-

ics' breaking away in the 1970s, becoming its own area of study and research? Was there a real need for this change or was it simply a trend? A case of the latter developed in the United States which initially (in the mid-1980s), was most likely considered to be a passing trend in Europe with its civil law system (see Airaksinen, 1993). Today, all of the world's respectable institutes of higher learning have been "conquered" by it. In addition, American-, European-, and world-wide Business Ethics Co-operative Networks exist, helping to foster research in given areas and organise conferences (the next world-wide business ethics conference is scheduled to take place in Sao Paulo in the year 2000). Since this area has expanded largely due to private initiative, it is hard to believe that we are dealing with something that is not seen as having any practical use.

Business ethics developed from an object of discussion (in 1960-70) into an area of research and instruction especially in the United States (for details of this development, see Ferrell, 1994, pp. 7-10). There are many reasons for this. A good basis for the business ethics discussion was laid by the state's common

legal system where people are generally used to relying on ethical reasons and an inner sense of fairness when interpreting and condemning events, rather than by judging an offence by regulatory norms, as is usually the case in countries with civil law systems. In judging the activities of businessmen, Americans had certain precedents such as Henry Ford or John Rockefeller, who considered philanthropy to be a natural part of their activities. People were used to seeing an "ideal", good American corporation as not only a business, but as a patriot, whose success determines the strength of the state and welfare of its citizens (see Reich, 1995, pp. 21-95).

On the other hand, the threat of an ecological crisis was acknowledged for the first time between 1950-60 (see Carson, 1968). Alongside this, a societal protest against pollution-causing production erupted, as well as the first strong wave of environmental protection. A strong and organised consumer-protection movement also developed – it can be said that this was led by then president J.F. Kennedy, who in 1962 put into words (for the first time in the world), the basic rights of consumers ("Consumers' Bill of Rights" (see Ferrell, 1994, p. 8)).

In addition, business (especially large-scale production), became increasingly sensitive in terms of the mass media: a consumer does not choose a product based solely on a personal, independent assessment of quality, but rather (and usually more often) by the impression that they have about the product which has developed via the media. The advancement of information technology created simultaneous opportunities for the development of global business as well as global mass media – what was experienced by one consumer in one corner of the world did not remain a secret for the world at large.

In summary, a discussion developed between various interest groups (consumers, advocates of environment protection, businesspeople, philosophers, theologians, etc.) about what truly ethical business should be like and how to measure an entrepreneur's social duty. For instance, does society have the moral right to demand that an entrepreneur set philanthropic goals, or is the entrepreneur's ultimate societal duty to maximise the business' profit – as was said by Milton Friedman (Friedman, 1970).

Large corporations have traditionally sponsored conferences that were, and continue to be organised for this perpetually ongoing discussion. The entrepreneurs themselves are interested in the possibility of a relatively sober and balanced understanding concerning the ethical limits of the behaviour of entrepreneurs (businesses). This is the reason why 22 corporations have supported the annual conferences organised by Bentley College's business ethics centre, (including Motorola, General Electric, Polaroid, Exxon, and others). The 1998 conference of the European Business Ethics Co-operative Network was largely supported by SAS. This same practical need, that is to practice the ability (as a student), to find a more or less acceptable solution for ethical conflicts and dilemmas that continually arise in business, led to the separation of practical business ethics courses from courses of philosophy. This was done in order to give business ethics more clout in the way of implementation.

A Balanced Analysis of Ethical Conflict

At this point the reader may begin wondering how the expressions "more or less acceptable solution..." and "ethical limits..." should be interpreted. Why are absolute and correct solutions not sought after, (nor students taught to search for them)?

A unanimously understood, absolute ethical solution could only be found in a society with absolute unanimity in

Does society have the moral right to demand that an entrepreneur set philanthropic goals, or is the entrepreneur's ultimate societal duty to maximise the business' profit ?

terms of moral principles (this was basically the case in old mono-religious societies – see for instance Moses' commandment tables from the Old Testament). Contemporary advanced economic systems are characterised by a mostly democratic and liberal system of government; freedom of speech and of thought are honoured – every person has a right to their own individual world view. Even if a majority of a country's people are followers of a certain religion, the state must not force this upon its citizens – school and church are separate. Yet today's global information society offers a great number of various religious and cultural world views, from which everyone is able to choose one appropriate for themselves or create their own personal religion by weaving together many different ones.

In addition to this colourful array of moral views, each day a person must play

three rolls which conflict with one another: as someone who works, they apply to receive as high a salary as is possible, since this is the norm in the Euro-American cultural sphere. A higher salary does not only allow for a higher standard of living, but also stands as higher recognition for the individual as well as their work. Higher pay however, raises the price of the service or product. Similarly, a product's (technology's) "cleanliness", which we demand from the producer on account of being members of the same ecological environment, raises its price. Then in our third role, as consumer, we choose the product which is less expensive while maintaining a certain level of quality.

Thereby society often lays limits on entrepreneurs, which ethically they are unable to surpass. For instance the electronics and sewing industries of Scandinavian countries were forced to relocate their mass production plants to countries with cheap labour (leaving citizens of the "motherland" unsatisfied, since capital is flowing out). On the other hand, they are forced to lower the mass production wage as much as possible (which is criticised by the subsidiary's workers in the poor country). However by using some other kind of strategy, the Scandinavian electronics industry could not stand up to competition from the far-East (Meel, (I), 1997). A sad example of American ethical business practise is a cellulose factory on the Great Lakes who decided to implement a more expensive, yet cleaner technology in their factory. Since society did not accept the efforts or enforce limits on pollution by other cellulose producers, the factory failed (White, 1993, pp.831-832).

This is the reason for using business ethics analysis to not to necessarily find the best, most honest or fair solution, but rather the best possible solution in the given circumstances. Whereby the solution's quality and correctness should be weighed and measured with the help of as many ethical theories as possible. Certain business ethics people in fact use a similar approach: for example L.R.T. Hosmer presents the 5 most widespread categories of ethics in his textbook (Hosmer, 1987); M. Moody-Jennings even presented 7 (Moody-Jennings, 1994). Such a multitude of



theories, and thereby also criteria for judging, breaks up the analysis and also threatens to cloud the solution. Therefore a more popular approach is one in which the conflict is analysed not by using many different theories, but through the use of two opposing ethical principles. These would then be called a teleological (or consequentialistic) approach, in which the action's ethical level is judged according to the result it caused, or the goal in the name of which it was done. A good, correct, acceptable action is one that was used to achieve a goal of high value, or which produced a better result (utilitarianism, the most weighty teleological theory, sees "goodness" as a maximum gain or minimal loss for the greater part of society). On the other hand, teleological assessment remains one-sided – for instance, a "better" solution for the majority could justify an injustice being performed against a minority. This is the reason why deontological ethics are used to balance teleological assessments, according to which the activities themselves have their own inner moral value. Certain ones are good by nature (honest, non-violent, trustworthy), while other in contrast, are bad. Deontological analysis relies mostly on the universalism of Immanuel Kant, but division is also used for the theory of rights and obligations. From the standpoint of the first, an individual has certain absolute rights, which should not be violated (the right to life, liberty, privacy, property, information, and so on.). On the other hand, each right presumes a corresponding duty in terms of co-citizens. If a certain action is positive and accompanied by gain for the majority of society and if the action does not violate anyone's rights, and obligations are fulfilled, then the action is ethical. (more information on balanced ethical analysis can be found for example in Ferrell, (1994, pp. 53-60; White, 1993, pp. 4-11; or in Estonian, Meel, (II), 1997, pp. 8-14).

Ethically Advanced Businesspeople Are the Basis For an Open Society

In summary, it can be said that just as utilitarian and deontological principles are woven together in business ethics

analysis, so it is that in the practical implementation of business ethics, one cannot distinguish personal gain or absolute selfless actions without hidden purpose. The ability of business managers and employees to deliberate ethically and act ethically is good for society, yet also good for the business itself. The most essential goal of studying and teaching business ethics is to raise the level of ethics awareness, broaden the understanding of ethics and practise analysis from various ethical standpoints. This lessens and alleviates

The most essential goal of studying and teaching business ethics is to raise the level of ethics awareness, broaden the understanding of ethics and practise analysis from various ethical standpoints. This lessens and alleviates conflicts in society and in business activities and also gives the entrepreneur (and their business) the opportunity for continued, stable success.

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How can the given summary be associated with the situation in Estonia? It can be said that contemporary Estonia is characterised by an extreme, occasionally even absurdly inflexible implementation of the civil law system. No matter how unethical the action may be (or a so-called obvious crime from the logical standpoint), if there happens to be a gap at that point in the law, the criminal shall remain unpunished and the damage uncompensated. Then again, a entrepreneur cannot build up their success based on gaps in the law – in such a case only temporary gains could be made, accompanied by the risk of ruining one's reputation. For an Estonian entrepreneur who wishes to be able to compete in the

global sense and with stability (for we cannot separate ourselves from the rest of the world), it is wise to set up a business based on principles of honesty and trust. Most likely the same is then expected from the surrounding environment – therefore free enterprise requires a state with a more honest, fair, transparent implementation of law. This is how it was in old civil states and this is how it most likely must develop in Estonia as well: entrepreneurs (who are already by definition the most ambitious group in society), are capable of re-designing civil servants, but not the other way around, since the temptation towards corruption is coded into civil servants by nature. States attempt to fight against this in many ways, for instance by paying high wages on the one hand, in order to maintain the high value of civil servants' positions and simultaneously by punishing a civil servant who has "been caught", with a lifetime ban from working in government. Yet there is no country that is completely corruption-free, since for civil servants bribery is an additional source of income, not added expense and a sufficiently large offer can outweigh even a large risk. For the entrepreneur however, corruption, as a rule, means additional expenses and free enterprise is by its very nature interested in minimising costs.

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ORIGINS OF THE MOVEMENT - BUSINESS ETHICS



W. Michael Hoffman, Prof.
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Introduction

The occasion of the Center's 23rd anniversary has caused me to reflect on what we have accomplished over a period that spans three decades. Have we been true to our mission of generating constructive ideas on business ethics, and producing strategies for ethical business conduct? Have we successfully provided bridging between theoretical research and practical business activity? I believe that the accomplishments of the center, documented in this retrospective, give convincing evidence that we have.

When the center was founded in 1976, I don't think any of us imagined that we would succeed in making a national, let alone international, impact. But I think we have. We didn't imagine back then that the center would become a leader in what has turned out to be one of the most significant and promising social movements of this century. But the center has been such a leader.

Indeed, the center has much to be proud of over the past 20 years, and we look forward to continuing to be a leader in this exciting movement of business ethics. But this center celebration would ring hollow if we did not first sincerely thank Bentley College for its support, and second, acknowledge the many forms of assistance that literally thousands of people and organisations have

given us through their actions, their financial support, their confidence and, most of all, their commitment to the mission of ethics in business that we all share.

Background

"Business must fight as if it were at war. And, like a good war, it should be fought gallantly, daringly and, above all, not morally." It was 1958 when Levitt, a respected Harvard business professor, penned those words for the Harvard Business Review. Twelve years later, in 1970, Nobel-prize winning economist Milton Friedman expressed a similar opinion in the New York Times Magazine: "There is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits."

Such sentiments seemed to set the stage for the headlines of the 1970s. The business pages of newspapers nation-wide were filled with tales of companies and organisations guilty of ethical transgressions, including allegations of corporate bribery at the Lockheed Corporation and revelations of illegal political campaign contributions by numerous major U.S. corporations. Not even the nation's chief executive, Richard Nixon, who in 1974 vacated the highest office in the land following the Watergate scandal, was immune.

As widespread cynicism about business set in, public opinion on the issue of business ethics began to shift tremendously, and reached a turning point in 1978. That's when three young women were burned to death when their Ford Pinto was struck from behind and its gas tank exploded. A court of law cleared the auto maker of criminal charges, but the court of public opinion rendered a different ruling. It was the first time an American Corporation, the Ford Motor Company, had been indicted for criminal homicide. That's when everybody began to wake up.

The Roots of Business Ethics

For me the business-ethics alarm had sounded two years earlier. That's when we founded the Center for Business Ethics, a groundbreaking venture that put Bentley at the forefront of both a significant interdisciplinary field of study and a powerful social movement that compels corporate America to reconcile more than its bottom line.

It was within the academic world that business ethics conferences started being held, where articles started being written, where textbooks began to come out. A concern for ethics was emerging in other industries, too. Begun in the 1960s, the field of medical ethics was an area of booming interest by the middle 1970s. Medical ethics provided a model of an interdisciplinary applied area of study, explaining that the business community could similarly establish guidelines to deal with ethical and moral matters.

Another factor in the emergence of business ethics was the nature of philosophical inquiry itself. For most of the 20th century, philosophy has been abstract and detached. A faction of philosophers began looking for ways to make the discipline more relevant to the practical world. When I arrived at Bentley as chairman of the Philosophy Department in 1974, it had become just philosophers talking to other philosophers. People were more and more interested in applied ethics, in having an impact on the world.

My immediate concern was a much smaller community: Bentley College. At the time, business ethics was a strange thing to be doing, but I saw an opportunity to make philosophy more relevant to the general mission of the college. In 1976, I sent off a proposal to the National Endowment for the Humanities (NEH), requesting that it underwrite three interdisciplinary courses in this curious new field. The NEH rejected the \$30,000 proposal. They told me they had



never received a proposal for business ethics, so the next day I flew down to Washington to explain it to them.

The NEH reversed its funding decision, and in the spring of 1977, nearly 100 students enrolled in one of three courses in business ethics. From there, I spearheaded the expansion of the college's ethics program to include a national Center for Business Ethics, believed to be one of the first such organization in the country.

Spreading the Message

The formal establishment of the center coincided with an explosion of interest in business ethics. A business ethics bibliography published out of the Center for the Study of Applied Ethics listed more than 600 books and 2,000 articles published between 1976 and 1980. And a study by Bentley's Center for Business Ethics revealed a 500 percent increase in the teaching of business ethics during the same period. Even corporations were showing more interest: A 1979 Ethics Resource Center survey showed that nearly 75 percent of Fortune 500 companies had established written ethics codes, with more than half having been written or revised since 1975.

Bentley's center gained national prominence following the first of 10 biennial conferences to examine business ethics. Held in March 1977, the inaugural conference attracted luminaries from business, government and academia to the Bentley campus to discuss "Business Values and Social Justice: Compatibility or Contradiction?" The intriguing topic and star-studded list of principal speakers brought the conference nation-wide coverage in print and broadcast media.

Alasdair MacIntyre, one of the foremost philosophical minds in the country, delivered one of the plenary presentations, while Elliot Richardson, an U.S. ambassador and former attorney general, delivered closing remarks. Also taking the podium during the two-day conference were: Speaker of the House Tip O'Neill, world renowned sociologist Daniel Bell of Harvard; and top executives from cor-

porations including General Mills, Gulf Oil, and F.W. Woolworth Company. Leonard Wood, executive vice president for The Gallup Organisation presented the findings of a poll on public attitudes about business ethics, specifically conducted for the conference.

Recalling the first conference, I remember that we wound up breaking news in just about every single daily newspaper in the country. We knew we had something. Maybe it was luck or coincidence, but many of the subsequent conference

We're trying to teach our students to communicate, we're also trying to get them to think in a manner that will preserve their integrity and allow them to build their character throughout four years of college and into their careers.

themes seemed to anticipate a business ethics trend or issue.

For example, following the 1985 conference, "Ethical Dilemmas for the Multinational Enterprise," international business ethics became a hot issue. The proceedings of the conference was the first significant publication to examine the topic. Similarly, the third conference, "The Work Ethic in Business," preceded a widespread interest in privacy issues and quality-of-work issues between employers and employees.

Held on campus every other year, Bentley's conferences played a leading role as business ethics continued to be discussed in boardrooms and living rooms across the country. Other notable participants have included consumer activist Ralph Nader, Senator Howard Metzenbaum and Digital Equipment

Corporation CEO Kenneth Olsen. These first-rate speakers helped to increase the center's already national profile.

The center remained at the forefront of the ethics movement throughout the 1980s. At least 50 research centres and institutes were founded or refocused for business ethics studies, a national society for business ethics was organized, and major journals devoted to business ethics were established. Book publishers began to turn out numerous texts in business ethics, and the American Assembly of Collegiate Schools of Business required that accredited business curricula include an ethics component.

Business Ethics Curriculum, Students and Professionals

The center has what I would like to call both an outreach and inreach mission at Bentley College. Our outreach mission includes things that take us outside of Bentley in terms of working with corporations and other kinds of constituencies. Within Bentley, our primary mission is to build ethics into the curriculum.

In 1990, the center began the Gadfly Project, an innovative, workshop-based program that promotes the teaching of ethics across the curriculum. Teaching ethics is just as important — if not more important — than teaching writing throughout the curriculum. We want to make sure students understand why we're teaching business ethics — that our goal is to instill an attitude of ethical and moral awareness as they move into the professional world. Just as we're trying to teach our students to communicate, we're also trying to get them to think in a manner that will preserve their integrity and allow them to build their character throughout four years of college and into their careers.

Our opinion is echoed by Gregory H. Adajian, president of Bentley College from 1970 to 1991 and one of the center's biggest supporters in its formative years: "Business specialists and professionals who are unmindful of their responsibilities to the public perpetuate a disservice to society."

The two-week Gadfly workshops, which have been supported by the General Electric Company, NYNEX and advisory board member Robert Mueller, enable business and arts and sciences professors to share ideas on how to build ethics into their courses, and give them the tools to make ethics a real part of their teaching. More than 50 faculty members (representing each business discipline) have participated in the workshops and gone on to serve as "gadflies" within their own departments, encouraging colleagues to begin teaching ethics cases and ethics materials within their courses.

The gadfly approach has been more successful than requiring each student to take specially designed course in business ethics. We felt it was more important to have ethics really infiltrate all of the different academic disciplines. This is the way students can be most influenced.

Undergraduate students also have the option of completing a four-course concentration in business ethics. Students choose among five philosophy courses that specifically focus on ethical issues: Corporate Social Responsibility, Philosophy of Work, International Business Ethics, Special Problems in Business and Professional Ethics and a course in theoretical ethics with a focus on ethically sensitive social issues.

Scholarship support is available for students pursuing the business ethics concentration.

Recently, business ethics has been uniquely integrated into the graduate school curriculum, over and above the Gadfly Project. Last fall, the center helped launch a four week course MBA concentration in business ethics. The program, which is the first of its kind in the nation, prepares students to operate more effectively as ethical managers and to understand what is required to develop and strengthen organisational cultures that value ethics.

There hasn't been a real educational leadership effort in higher education to develop programs for people who would like to pursue a career in business ethics. We feel the MBA concentration is going to be extremely important to peo-

ple who want to work in corporate ethics offices.

Required courses include: Ethical Issues in Corporate Life, Law and Ethics in Business, Managing Ethics in Organisations or Research in Business Ethics (students choose one or the other). The final required course is chosen from among eight electives.

The center also provides ethics education for business professionals. One of its most popular offerings, in connection with the Ethics Officer Association, is an executive education course for business people working in the area of ethics and compliance. In addition, the center initiated an advanced graduate business certificate program in business ethics, providing an opportunity for professionals to complete the four graduate-level courses.

Today

Now in its 23rd year, the center has played a pivotal role as business ethics has evolved from voices and visions in the halls of academe. The center will continue to fulfil its dual mission of bringing business ethics to students, scholars and to working professionals.

The Sears Business Ethics Lectureship Series, introduced last year and supported by a grant from Sears, Roebuck, is likely to become an annual activity of the center. Lecturers will include CEOs, high-ranking government officials, public-interest group leaders, and renowned scholars. The Bell Atlantic Visiting Professorship in Business Ethics and Information Technology is being introduced this year, sponsored by Bell Atlantic Corporation. This program will bring a visiting expert to campus for a week to discuss ethical issues related to information technology with students, faculty and business leaders. The center also now publishes the journal Business and Society Review in conjunction with Blackwell Publishers.

Another center initiative is what can be described as a "virtualisation" of the center's library, which contains a spe-

cialised business ethics collection of books, videos, journals, teaching and training materials, case studies, research papers, numerous newsletters from other centres, and an assortment of documents outlining ethics initiatives from corporations. The ultimate goal is to allow people anywhere in the country to electronically visit the center's Web page and be able not only to find out what's in the library but also to download materials in text and video form.

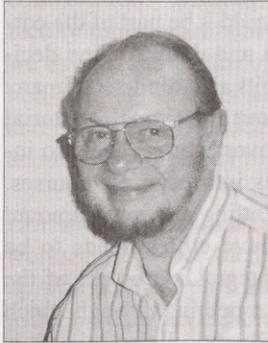
Carrying out these ambitious plans will require the continued support of corporations, foundations and individuals. In the past few years we've been seeking outside support more actively, and we've been successful in our efforts, raising more than \$500,000. We'd certainly like to continue the mission of the center in new ways and continue to serve the marketplace, just as we've done over the past 23 years.

One of the ways I hope to continue to push the ethics movement forward is by revamping the center's conference format. Preliminary plans call for two-day, industry-specific workshops, during which small groups of attendees will examine ethical matters related to their common business practice. We would invite the people we think would best develop an action plan for that industry in terms of its ethical environment. A white paper would then be disseminated to business leaders, with the workshop participants' recommendations and action plan, and the center would assist in leading the plan forward within the industry.

Such programming innovations will allow the center to fulfil its larger mission. Our overall goal is to promote activities that will help to build a better ethical environment within which to do business.



THE GADFLY BUSINESS ETHICS PROJECT AT BENTLEY COLLEGE



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Abstract: What follows is a brief description of the origin, development and some results of the "Gadfly Business Ethics Project" at Bentley College.

Viewing himself as selected by the God to be a gadfly to sting the great and noble but sluggish horse, the city of Athens, Socrates says:

I never cease to rouse every one of you, to persuade and reproach you all day long and everywhere I find myself in your company. Apology, 30e

To paraphrase Webster, a Socratic "gadfly" is a person who, through the analysis and defence of ideas, intentionally stimulates others by his or her persistence. A business ethics gadfly then, in the context of our Gadfly Project, is a catalyst who motivates the development of an ethics dimension in business and other courses.

Origin and Development

The Gadfly Project started in AY 1987-88 when the chairs of the Departments of Accountancy, Law, and Computer Information Systems independently responded favourably to Michael Hoffman's inquiry about the possibility of giving them assistance in integrating ethics into some of their courses. Professor Hoffman is the founding director of Bentley's Centre for Business Ethics

and was then also chairman of the philosophy department. He asked me if I would consider being the ethics gadfly for these departments. I accepted the challenge and was supported by the college administration with a course reduction per semester for four semesters, a grant for one semester and a summer research stipend.

In this early stage I worked closely with the three different departmental chairs. I sat in on some of the classes of interested faculty, read their textbooks, and talked with interested faculty members on a one to one basis. I assisted them in developing modules and cases for their courses, and sometimes team-taught a case. I also gave two lectures for four semesters to a combined assembly of 500 students from sections of the law department's required course, LA 200, The Legal Environment of Business. Each lecture explained several ethical theories such as Utilitarianism, Kant's Categorical Imperative, and Rawls' Contractarianism and then applied them to a business ethics case. The Ford Pinto case and the pressure on IBM to withdraw from South Africa are two examples of the early cases used. Students responded with questions and comments.

I also attended business and law department meetings and either raised or responded to faculty questions relevant to the gadfly program. Sometimes when I was asked for my opinion or when it seemed appropriate, I would share my beliefs. Other times I assumed another Socratic role, a mid-wife assisting instructors through dialogue to come up with their own answers. Following are some examples of questions that arose along with a brief account of how I dealt with them:

What are your pedagogical goals for business ethics in your course?

Do you want to increase ethical awareness, integrate some ethical concepts

into students' thinking or develop analytic and problem-solving ethical skills? Here I only helped them distinguish different objectives and did not presume to suggest goals for them.

How are you going to test the ethics dimension?

Testing is important if students are to take ethics seriously. What do you test? Does the test relate to your goals? How do you test without being subjective and arbitrary? If there is no test question on ethics, students could infer that the subject is not important. It is not necessary, and is probably counter-productive, to encourage students to commit to any particular ethical theory. At this point in their educational ethical development, it is sufficient to evaluate their understanding of different ethical theories and their skill in applying them to cases.

What kind of ethical language and arguments should you use in class?

Is it preferable to use common sense, everyday moral language, or some of the more precise language and arguments of philosophical ethics? The use of the theoretical language of philosophical ethics deserves serious consideration. Personally, I believe it is important for students to be able to feel as comfortable with the traditional academic language of ethics as they are with the technical language of business. This provides an interdisciplinary normative language that enables students to question their own assumptions, to think more analytically as well as systematically, and to articulate their commitments and priorities with greater precision.

The question of ethical relativism usually arises among business faculty and students.

Is there a rational basis for ethics or is it a matter of personal feeling and preference? Many students assume they are ethical relativists. I sense that many business professors are also either acknowledged or "closet relativists." Peo-

ple uncritically accept ethical relativism for a number of reasons including a lack of exposure to the literature of ethics, confusion between relativism and the tolerance required in a pluralistic democracy (in fact, relativism is no guarantee of tolerance) and the failure to distinguish descriptive from normative ethics. I believe there is room for ethical disagreements among people of good will. Ethics does not provide the certainty of deductive proof. For that matter, neither do scientific and business theories. There are, however, rationally defensible reasons to support many ethical principles such as respect for the dignity and intrinsic worth of every human being, honesty, promise-keeping, support of just laws and the avoidance of unnecessary harm. All our social institutions, including business and politics, require moral principles to survive and flourish. What we need is dialogue among rational people of good will to articulate and refine ethical principles that are needed for the good life and society in the twenty-first century. With reason, dialogue and consensus building we can walk a tightrope between the Scylla of fanatical ethical absolutism and Charybdis of chaotic ethical relativism.

Are lectures about ethics or discussions of cases or both, the best way to incorporate ethics into business courses?

How do you teach a case with an ethical problem? What makes a good ethics case? What should be included in writing one? What kind of questions do you ask to develop the case? Should the instructor give an opinion about a case or let the class struggle with diversity and ambiguity? Answers to these kinds of questions depend on the instructor's philosophy and style of teaching. There are no pat answers.

After taking a year's sabbatical to study the case method and attend some courses in business ethics at Harvard Business School, I became convinced of the value of case method teaching. It stimulates greater understanding and increases problem-solving skills. I am not averse, however, sometimes to lecturing on theoretical material.

When cases are used, there is no one method for teaching them. On a con-

tinuum, one can be very directive by the kinds of questions asked or simply track the observations of students in a non-directive manner. One can take a position on a case or leave the students dangling with ambiguity. In the latter case, it is hoped that students will continue to think about a case until they reach a defensible solution without depending on the instructor. Often the way a case is taught depends on the case; the particular class of students or how far along one is in the semester. For those accustomed to lecturing and who want assist-

Ethical considerations are not only important and permissible in the classroom, but that students are expected to analyse business issues and problems wearing ethical glasses. Ethics should be an integral part of strategic business decision making and policy formation.

ance in teaching cases, I offer the following six-step model as one way of structuring case questions:

- (A) What are the significant facts of the case?
- (B) Who are the primary and secondary stakeholders?
- (C) What precisely is (are) the moral problem(s)?
- (D) What are the options and their pros and cons?
- (E) What is your action-plan (solution) both to solve the problem and to formulate a new policy and implement it to prevent its recurrence?
- (F) Defend your action-plan by filtering it through teleological and deontological ethical arguments.

How much time are you willing to devote to ethics in your course?

Is ethics a frill you are "adding on" to your course or is it essential to your discipline? Is ethics only useful when there is a crisis or should it be part of the corporate mission and daily routine decisions? The habits and mind-set of many instructors about how much material they "must" cover is an obstacle to integrating ethics into business courses. Rather than allotting a specific amount of time, I believe ethics needs to be taught as an integral ingredient of the entire course, something through which everything is filtered. I also think it is also preferable for instructors to bring up ethical problems early in the course. This suggests that ethical considerations are not only important and permissible in the classroom, but that students are expected to analyse business issues and problems wearing ethical glasses. This is not only true in teaching business ethics students, but also in corporations themselves. Ethics should be an integral part of strategic business decision making and policy formation. Dialogue on these six questions has been extensive and served to develop a growing interest in integrating ethics into business departments. It has been a mutual learning experience.

Expansion of Gadfly Project

Hoffman and I wanted to expand the Gadfly Project. We applied for and received a General Electric Foundation Grant to teach a two-week gadfly workshop for two summers to undergraduate business professors. The grant was given to help overcome some major problems with incorporating ethics into business courses. The first workshop in May of 1991 consisted of eight faculty from the three departments already mentioned. The workshop in 1992 consisted of eight faculty from different business departments including marketing, economics, finance and management. In 1993 the Graduate School of Business at Bentley College funded the workshop for eight graduate co-ordinators and professors. We have continued the



workshops each summer with funding from the Centre for Business Ethics. We now have forty faculty who are gadfly graduates. Each one has received a modest stipend as an expression of appreciation for their time, interest and contribution. Although the business faculty remains a major focus, in 1997 we opened the workshop to include all non-business faculties as well. The Arts and Sciences have added an enriching and exciting diversity to the workshop.

Hoffman and I facilitated the first four workshops. Since then I have teamed up with business professors whose contributions are invaluable. Our format includes explaining teleological and deontological ethical theories, as well as virtue-centred ethics, and applying them to cases. Some material is used that was designed for consulting and running ethics workshops in corporations. We usually have a corporate executive tell us about a corporation's experience with its compliance and ethics program. All faculty members are also asked to select or write a case or article relevant to their disciplines and to present it to the workshop. They are encouraged to use the ethical theories and to experiment with the case model offered in the workshop or to show us how they deal with ideas or articles in their courses. Experienced case-method instructors demonstrated their own approaches to analysing cases. The lively interaction of faculty from different disciplines in all phases of the workshops is exciting and immensely rewarding. Faculty seldom have the opportunity to talk about important ethical matters with colleagues from different disciplines.

The general and specific goals of these workshops were first formulated through pre-workshop interaction with the participants. We keep reviewing the goals as we learn new interests and needs. The general goal of the workshops is to offer an innovative approach for integrating ethics across the curriculum. The workshops are designed to overcome two major problems that continue to hinder the effective integration of ethics into all departments; namely, an already crowded curriculum and a faculty who have not been fully exposed to ethical theory. They also were in-

tended to stimulate the faculty's interest and appreciation of ethical issues in their own discipline.

More specific goals for the gadfly workshops are:

- (1) To increase the comfort level and effectiveness of business and non-business faculty in dealing with ethical issues by exposing them to ethical theories (frameworks/tools) and their application.
- (2) To increase the comfort level and effectiveness of faculty in dealing with ethical issues by helping them adapt case method teaching to cases when appropriate.
- (3) To encourage paper presentations and articles crossing disciplinary boundaries which help meet the growing demand of many colleges and universities to dovetail an ethical dimension into more courses.
- (4) To assist faculty in helping students
 - A. To increase their awareness of ethical issues,
 - B. To become acquainted with ethical theories and reasoning,
 - C. To bring ethical principles and reasoning to bear on discipline-specific cases,
 - D. To develop policies and strategies of implementation for dealing with moral problems and prevent their repetition. Solutions should be able to withstand rigorous analysis from both a moral and business/professional point of view.

What has come out of the Gadfly Project?

What are some tangible results? They were quite encouraging from the very beginning. Following are a few examples.

The Departments of Accountancy, Law and Computer Information Systems have added ethical modules in their required core courses for all freshmen or

sophomores. This means that every undergraduate is introduced to ethics in these three departments. Clifford Brown, chairman of the Department of Accountancy and gadfly workshop participant, has also added an ethics module in one graduate course and strengthened it in another. The Former chairman of the Law Department and gadfly participant, Gerald Ferrera, published a paper in *The Journal of Legal Studies Education*, entitled "Ethics in the Legal Environment: An Augmentation of Legal Realism," which was recognised as an outstanding article by The American Academy of Legal Studies in Business, receiving the Ralph Hoeber Award. Many other articles have been written by those associated with the Gadfly Project. Two members of the Department of Computer Information Systems, one of whom, John P. Grillo, is a gadfly participant, published a textbook, *Ethical Decision Making and Information Technology: An Introduction with Cases* (Mitchell McGraw-Hill). The authors acknowledge the contribution of the gadfly workshop in their text. In the personal copy they gave me they wrote: "Frank: Who could have predicted the outcome of your classroom visits. That's where it all started . . ." With the assistance of Bentley's Centre for Business Ethics it should be noted also that, while not a direct result of the Gadfly Project, there are now four graduate courses in business ethics which qualify as a concentration in the MBA program. Students may also take only these four courses and get a certificate in business ethics.

Many other unexpected events have come out of the Gadfly Project. For example, in response to requests from business departments, the Department of Philosophy produced a glossary of terms and theories in ethics. We explain this glossary in all sections of our required course, Ph 101. Students can also access it on their computers for review or for professors to assign as preparation for their courses. By using this glossary, combined with the theoretical foundation laid in ethics in other departmental core courses, business teachers do not have to lay a theoretical foundation for discussing ethical issues in any of their courses. They really do not have

time to do this. Students can come to classes with a background for an informed discussion that uses the language of ethics, which has an academic history of over two thousand years. Bentley's support for the Gadfly Project also extended to forming a college-wide committee (Teaching Ethics across the Curriculum Committee, TEACC) to encourage the teaching of ethics in all courses. The value of The Gadfly Project has also been recognised by the American Assembly of Collegiate Schools of Business. In a letter to Dr. Patricia M. Flynn, Dean of the Graduate

School of Business at Bentley College, the AACSB identified it "as an example of innovative activity that represents some of the best practice in management education occurring in the U.S." The Gadfly Project went international when I was invited to conduct a two-week workshop for business faculty at the Ateneo University of Manila in the Philippines in the summer of 1992. It was a challenging and exciting experience.

It is hoped that when business and other professors, as role models, raise ethical issues in their professional courses, it

will make an indelible impression on their students. Socrates spent his adult life as a gadfly empowering the youth of Athens to become educated and moral persons striving for a just society. Unfortunately, his mission cost him his life. Moral education is not without risk. But what will it cost our world in a technological age of information and emerging global markets, if our educational institutions do not have this same mission?



BUILDING A FOCUS FOR BUSINESS ETHICS IN EUROPE: THE EUROPEAN BUSINESS ETHICS NETWORK¹



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European Business Ethics
Network Executive Member
Small Business Research Centre

Introduction

Business ethics, as a *named* discipline for consideration in business schools and business, can only be said to have been on the European agenda since the mid 1980s. Prior to this, and throughout the history of Europe, ways of doing business have nevertheless received much consideration. Hence we could argue that 'business ethics', by another name, has been part of European history in everything from Aristotle's proclamations about the evils of making money to Weber's Protestant work ethic. If we take 'business ethics' to incorporate how we arrange macro systems, meso organisational operations and micro individual practices, then its emergence onto Business School curricula

is more acknowledgement of what already existed, combined with responses to unacceptable business behaviour in the capitalist system, than 'discovery' of a new field.

Notwithstanding this, the establishment of the European Business Ethics Network (EBEN) in 1987 was a significant landmark in the recognition of Business Ethics as a legitimate field of interest, with a network of people specifically and actively engaged in it.

A Brief History of EBEN

EBEN was first conceived as a result of an initiative taken by the holder of the first Chair in Business Ethics in Europe, Professor Henk van Luijk². Van Luijk was given his Chair in Business Ethics in 1983 at Nijenrode University, the Netherlands School of Business. His background in Theology, combined with inspiration from visits to the United States, led him to send a questionnaire to European Business Schools, in conjunction with the European Foundation for Management and Development, and establish where others were actively interested in Business Ethics. As a result of this initial contact, the first European Business Ethics Conference took place in Brussels in November 1987. It was at the end of the conference that the European

Business Ethics Network, EBEN, was born.

In 1990 EBEN had 200 members, mainly from Europe, but some from further afield. Headed by van Luijk, the network focused on networking by an annual conference aimed at bringing business and academia together, an annual research conference and a thrice yearly newsletter. Over the subsequent five years the network continued to grow, although this was as much by national initiatives associated with EBEN as through strictly trans-European level interest. National networks, with links to EBEN through a subscription, included those in Spain, Germany, the Netherlands, the UK and Italy.

By the end of 1995, the national networks had more members in total than the EBEN group itself. Despite the economic, political and indeed social ties of the countries of Europe, it transpired that those working in the field of business and ethics did not on the whole perceive a European wide group to be the most appropriate method of addressing business ethics within the different cultures.

From 1996, the footing of EBEN changed, such that national networks operated as partners affiliated to, rather than daughter associations of, EBEN. In his reflection on the approaching first decade of

EBEN, van Luijk supported the increased energy devoted to local level initiatives, and summarised the perspective thus: "The objectives are clear. EBEN members united in National Networks should take maximum profit from the opportunities that local activities offer them while, at the same time, keeping an open eye on what they can share with EBEN members and networks abroad, and what they can learn from there." (van Luijk, 1996, p.3). This acknowledgement in the mid 1990s of the importance of the plurality of Europe with respect to values and practices in business prevailing over a unitary, normative approach is a significant moment in European business ethics³.

The EBEN 1996 conference reflected the acceptance of national differences in business ethics, focusing particularly on the theme of *Working Across Cultures*. In an article about the conference, the organisers state that "Since differing norms and values are at the heart of differing cultures, the ethical, or values based, approach is an inevitable concept for corporations acting in cultural diversity." (Löhr and Steinmann, 1996, p.126). This perspective distinguishes the field of European business ethics, and the work of EBEN and its associated networks, critically from American counterparts, where a universalistic approach has been the norm (Vogel, 1992, p.30).

For the period 1994-1997, EBEN had its own institute for research, the European Institute for Business Ethics (EIBE). EIBE was established in 1994 at Nijenrode University in the Netherlands as a joint venture with its host university. The work of the Institute was divided between research projects and the development of attractive consultancy products. At the end of 1997 EIBE and EBEN parted contractual company due in part to changing perspectives of the host organisation. Nevertheless, healthy links remain between EIBE and EBEN, with the current EBEN Secretary, Dr Harry Hummels, the Director of EIBE.

The Future

The EBEN package remains similar to previous years based on the bedrock of

an annual conference intended to be an agora, a meeting place, for business people, academics and the public sector. The research conferences are making a welcome comeback from a brief sojourn with the next taking place at the Norwegian School of Management on June 19-20 1999 hosted by the EBEN Chair Associate Professor Dr Heidi von Weltzien Høivik (for details contact: heidi.hoivik@bi.no).

An important aim of EBEN is the support of related business ethics research

Since differing norms and values are at the heart of differing cultures, the ethical, or values based, approach is an inevitable concept for corporations acting in cultural diversity.

centres across Europe. An initiative currently being established is the *Zentrum für Wirtschaftsethik GmbH - Wissenschaftliches Institut des DNWE e.V.* (The Centre for Business Ethics Ltd - Scientific Institute of the German Business Ethics Network). The Research Director is Professor Josef Wieland.

The European Business Ethics Newsletter is now in my own hands, and I am working hard to make it a worthy representation of the many and varied constituent parts of EBEN. Contributions from all over Europe are welcome. I can be contacted for further information on L.Spence@kingston.ac.uk. We are currently relocating our Web Page and EBEN email discussion group to the Norwegian School of Management, where our Chair is based.

In recent years EBEN's sphere of influ-

ence has stretched to embrace Central and Eastern European countries. This was celebrated with the 10th anniversary EBEN conference being held in the Czech Republic in 1997. Today there is a Czech EBEN network, and there will soon be a Polish one. Already, EBEN has Central and Eastern European members from Bulgaria, Czech Republic, Estonia, Hungary, Lithuania, Poland, Russia, Slovak Republic, Slovenia. We expect our involvement with Central and Eastern Europe to grow, not least due to having Prof. Dr Hab. Jacek Sójka of Uniwersytet im. Adama Mickiewicza, Poznan in Poland on the EBEN Executive as Treasurer.

As of February 1999 EBEN has over 710 members from 33 different countries. We are growing and developing and the current Executive, of Heidi von Weltzien Høivik (Chair), Harry Hummels, Jacek Sójka and myself, Laura J. Spence, is keen to take EBEN forward in Europe and the World. We are still discussing our plans for the future of EBEN. Below are a few of our key ideas about what we, as the EBEN Executive, want the network to further develop into:

- **A respected European voice on business ethics**

We would like the European Business Ethics Network to be renowned in Europe and world-wide as an expert group of interconnected individuals and groups working on business ethics. We would like to be a respected voice on European business ethics, which acknowledges and enhances the plurality of activities and perspectives in our midst.

- **A network for information and co-ordination**

We see the group as a working net, or umbrella, which connects and loosely co-ordinates the nodes of activity in the field, and is rooted within Europe. These nodes are the active local chapters of EBEN, research centres and other networks with which we are associated. One of the most important tasks of EBEN is to disseminate information about business ethics activities and perspectives in Europe as a support structure to the network.

• An agora for building bridges

The EBEN membership is predominantly academics. Within this community we would like to foster the building of bridges in what is an applied subject. EBEN can be an academic agora, a meeting place for academics, business practitioners, and the public sector. We would like the work of EBEN to continue to be to build bridges between academia and business particularly.

• Supporting academic research and knowledge gathering

One of the potential strengths of EBEN, and tools in the building of bridges, is the capacity for research which contributes to furthering the theoretical understanding of business ethics as well as reinforcing business ethics thinking and acting in business. Research can help to provide signposts for business, and strengthen the academic credibility of our subject. Through EBEN, we would like to bring together the best knowledge available in Europe and help to

carry European business ethics into the next millennium.

EBEN membership is a means to reaching and contributing to the business ethics debate. In addition to access to academics and business people worldwide, EBEN membership includes reduced subscription rates to the *Journal of Business Ethics*, *Business Ethics: A European Review* and EBEN events. The newsletter is published three times per year and is an opportunity to communicate directly with all our members. We would be delighted to hear more from interested groups and individuals in Estonia and elsewhere. If you would like more information on membership please contact our extremely helpful secretary, Barbara Hoekstra at Nijenrode University, Straatweg 25, 3621 BG Breukelen, the Netherlands, Tel: +31 346291290, Fax: +31 346 265453, email: hoekstra@nijenrode.nl.

¹ The story of the history of business ethics in Europe presented here is a personal account and does not necessarily represent an official EBEN history.

² The history presented here is drawn from discussions with Henk van Luijk, his own written account in 1990, and the European Business Ethics Newsletters.

³ It should be noted that the cultural differences in business ethics were certainly acknowledged by the original EBEN perspective; the events of 1996 demonstrated a shift in emphasis.

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ETHICAL ISSUES AND INNOVATION



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Introduction

When business partners agree to undertake something new they are likely to encounter more than merely business risks. This is true whether it is an entirely new company or a new product or service in an existing company. It is bad enough that customers may not like the new banking service, investors may

refuse to provide enough capital to install the best computers, wily competitors may suddenly offer the same new product cheaper or of higher quality, or skilled employees may quit after a week. What many entrepreneurial partners overlook, however, is that they may find themselves testing the very foundations of their relationship with each other as they innovate. If these foundations and the relationship are damaged, the prospects for the innovation's success can fade away. Knowing ahead of time what these relationship risks are may enable entrepreneurs to consciously avoid taking them, thereby easing the already daunting innovation challenge.

Relationship risks arise when business partners are unethical, or when they disagree about what is the right decision to make when an ethical problem presents itself. In the Winter 1998 edition of *EBS Review*, EBS graduates were asked, "What does business ethics mean

to you? How do you choose business partners for yourself?" The common theme in their answers was that business ethics meant keeping promises and abiding by agreements and laws, and that business partners were chosen on the basis of trustworthiness. There is much wisdom in these responses. Trust is one of the three foundations of voluntary human relationships, the other two being respect and liking (Roethlisberger, 1997, pp.163-165). Behavior by partners that destroys trust between them is usually considered to be unethical (Jubb, in Hoffman, Kamm, Frederick and Petry, 1996). Unfortunately, the innovation process provides many opportunities for untrustworthy behavior.

Innovation destroys the status quo (Schumpeter, 1942). The interests of people affected by the new thing (including the partners) therefore may be harmed in some often unforeseen way.



When business people innovate as a team, the innovation process can become one of competing interests and conflicting values, especially when resources are scarce and uncertainty is high. Ethics principles of equity, honesty, and respect for individuals' rights become especially relevant.

What follows is a stage model of the most likely ethical dilemmas to arise as entrepreneurial partners' innovation decisions unfold. Assuming that there is a universal innovation process that reflects new venture creation, as well as new service, product and process development or adoption, the stages in the model are:

-idea generation: what new business to form, what new service, product to sell?

-feasibility testing: is this a good idea? Is it physically possible to make it a reality?

-selling: convincing people needed to make the idea a reality that it is worth pursuing

-decision-making: getting commitment to pursue the idea, signing agreements

-financial resource mobilization: finding capital, getting a budget approved

-human resource mobilization: hiring or assigning employees to make the idea a reality

-late-stage testing: do customers or users accept this innovation?

-finalization: opening the doors; formally introducing and marketing the innovation

Innovation may not pass through all of these phases, or in exactly this order and they may not pass through them in a strictly linear fashion. There may be setbacks and repetitions until the innovation is launched or implemented (see Kamm, 1987).

The ethical issues facing entrepreneurs as their innovation passes through its phases may be formulated into the following questions that entrepreneurial partners should ask themselves and each other.

Innovation Stage Model

Idea generation phase ethics issues:

1. Does this innovation make a positive contribution to society?
2. Are the intended consumers/users

suitable, that is, legally and physically able to buy or use this innovation?

3. Are property rights respected? Is our idea a direct copy of an existing one and if so, are we giving credit, paying a royalty to the idea's originator, etc.?

4. Are the partners generating the idea treated fairly? If one person comes up with the idea do the others give credit? Do all partners know and accept each others' objectives and interests in undertaking this new venture?

5. Are the partners honest in disclosing their goals and interests, values and

When business people innovate as a team, the innovation process can become one of competing interests and conflicting values, especially when resources are scarce and uncertainty is high. Ethics principles of equity, honesty, and respect for individuals' rights become especially relevant.

ethical standards?

Feasibility testing stage ethics issues:

1. Is this innovation legal?
2. Are there potential negative side-effects and harmful consequences of this innovation? For whom? Can these effects be mitigated? Compensated?
3. What resources are available legitimately (without trickery, fraud, breaking the law, stealing or invading information privacy)?
4. Are the partners and prospective partners honest about their own skills, experience, and access to resources?
5. Are the partners in reporting to each other and prospective investors what they know about the innovation's feasibility?

Selling stage ethics issues:

1. How honest is the team in describing benefits, risks, needs and degree of un-

certainty about the innovation?

2. Are the team's promises realistic about payment terms, expected order volumes, and information use?

3. Are fair inducements offered to prospective partners? Are the partners honest about the venture's goals, risks, benefits, and requirements insofar as they are known? Is the degree of uncertainty explicit?

4. Is the team honest about its credentials, skills and experience?

Decision-making phase ethics issues:

1. Are safeguards for stakeholders affected by the innovation and the physical environment incorporated in the design of the innovation?

2. Are the partners fair and honest in resolving their conflicts over whether or not this innovation should continue to be developed?

Financial resource mobilization phase ethics issues:

1. Is financial expense information honestly recorded and exchanged?

2. Are standard accounting practices and tax laws obeyed?

3. Are promises kept about commissions, bonuses, salary, payment of bills to suppliers (if feasible)?

4. Are partners honest about the venture's financial condition in seeking credit, additional capital, or modifications in agreement terms?

Human resource mobilization phase ethics issues:

1. Are the partners honest about their time availability and commitment to this project?

2. Do the partners make good-faith, realistic promises about their ability to undertake the necessary tasks?

3. Are anti-discrimination and fair employment practices observed?

4. Is resistance to change manager without coercion, isolation, or trickery?

Late-stage testing ethics issues:

1. Are the tests harmful? If so, are there warnings and precautions?

2. Is the innovation presented honestly to users/consumers?

3. Are market data honestly recorded, interpreted and reported to partners and resource providers?

4. Are corrections made or compensa-

tion awarded for unexpected harm caused by the tests?

5. Are the partners honest and fair in resolving issues of decision-making authority, roles, and boundaries?
6. Are the partners fair in negotiating the terms of their separation from the venture if they leave?
7. Are employees treated fairly and equitably when jobs are terminated if the venture must be discontinued?

Finalization stage ethics issues:

1. Are promotions and advertising honest? Are the requirements for successful use by consumers made clear? Are limitations and risks explicit?
2. Are promises realistic about the venture's ability to support users/customers after their purchase?
3. Does the team fulfill its guarantees or warranties?
4. Are partners treated equitably in sharing the workload as sales increase?
5. Are promises kept and partners treated equitably in sharing the rewards or losses of the innovation?

Not all of these questions will apply to every innovation project that an entrepreneurial team undertakes. Nonetheless, the partners should agree on the answers to relevant questions. Conflicts in values are likely to lead one or more partners to be dishonest in order to con-

tinue the partnership for financial gain. Such dishonesty, however, over time can seriously erode the foundations of the relationship.

Conclusion

Therefore, raising a few of these questions in a hypothetical manner is one good way for entrepreneurs to judge the suitability of prospective partners before agreeing to bring them onto the team that will take an innovation forward. This phase model of ethics issues in entrepreneurial teams' innovation has a number of other practical applications as well. It provides practicing entrepreneurs who want to understand and learn from their experiences with a conceptual framework to assist in their self-analysis. The model permits scholars who conduct the field research needed to develop knowledge about entrepreneurial ethics to have a better sense of entrepreneurial behavior to observe. It also offers questions to ask as they interview members of new venture teams. Finally, the model enables educators who prepare prospective entrepreneurs for the real world to alert students to the most ethically sensitive phases of forming a team and bringing a new idea to the market (Kamm, 1993).

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HOW ETHICAL ARE OUR DECISIONS?



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Both a person's as well as a Company's actions are determined by the quality of decisions made. Each day we must make a number of different decisions, some of

these will influence our lives for a long time, others have no significant consequences and are quickly forgotten.

In making decisions we weigh and appraise our choices based on many different factors. The scale of factors affecting decisions is shown in Figure 1.

At the one end of the scale are activities, which are regulated by law. People do not have the opportunity to decide for themselves how these activities may be done. For example, applying for a driver's licence: they either fulfil the law and receive their driver's license or don't follow the law and don't get their licence. At the other end of the scale are

activities which give a person free choice. For example: choosing a religion or spouse. The law does not regulate activities, which lie between these two ends, but there are certain standards, which should be followed. This is the area, where decisions are made based on ethics.

Ethics form a person's moral code, norms and values system

Ethical convictions are unveiled during the decision process, since the solutions to many problems are expressed as ethical dilemmas. An ethical dilemma is a

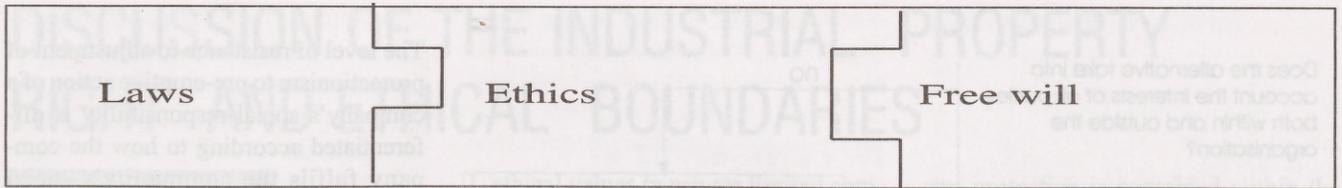


Figure 1. Decision scale according to influencing factors

situation where a person must choose between different solutions, of which some may be unethical or illegal. An ethical decision is in conformance with accepted moral norms, the laws, and developed societal opinion and future outlook. The future outlook may be weighed by answering the question “How will this decision affect the future of our children?” for example.

Many strategic decisions are tied to ethics in the same way

Every activity, which a company undertakes, undeniably affects the company’s employees, consumers, clients, shareholders or the members of the community. While the decision is useful to the shareholders, it may at the same time be harmful to the employees or community. For example, the company may close a factory, which is a town’s only employer, due to a reduction in demand. Since this type of a decision is in the interest of the owners, but leaves thousands without a job and kills off a whole town, then the question arises- is this decision ethical? Managers must weigh arguments both for and against.

The objective of business ethics is not so much to teach what is good and what is bad. The objective is to give people, with a company perspective, the means with which to make the right decisions. The purpose of business ethics is to make people aware that business decisions have an ethical component and that before making strategic decisions, the ethical influence of the chosen action.

A Company should create an inner climate, which stresses the importance of ethics. Top managers should use their position of leadership and influence to

make ethical values be a part of the company’s written mission statement. And the most important, is that ethical values be apparent in the everyday behaviour of employees.

The objective of business ethics is not so much to teach what is good and what is bad. The objective is to give people, with a company perspective, the means with which to make the right decisions.

The Ethical Decision making process is composed of four stages.

1. It must be weighed as to what parties will be affected by the decision and how,

- are anybody’s interests damaged.
2. The decision must be weighed from the ethical standpoint, based on societal norms and the ethical principles in the company’s mission statement.
3. The first criteria should be that the solution must be in accordance with moral norms. The attitude of top management is very important, since middle managers tend to make decisions based on financial interests. Middle managers think that top managers will approve of this approach.
4. The commitment to behave ethically.

The manager is not free in making decisions; they are influenced by many factors from personal belief to the situation in the state. The factors affecting the ethical behaviour of managers are shown in Figure 2.

A manager’s ethics are expressed as follows:

1. How the organisation treats its employees.
2. The employee’s attitude towards the organisation.
3. How the organisation treats its shareholders, consumers and clients.

I hope that the organisation where you work, that clients are also informed about

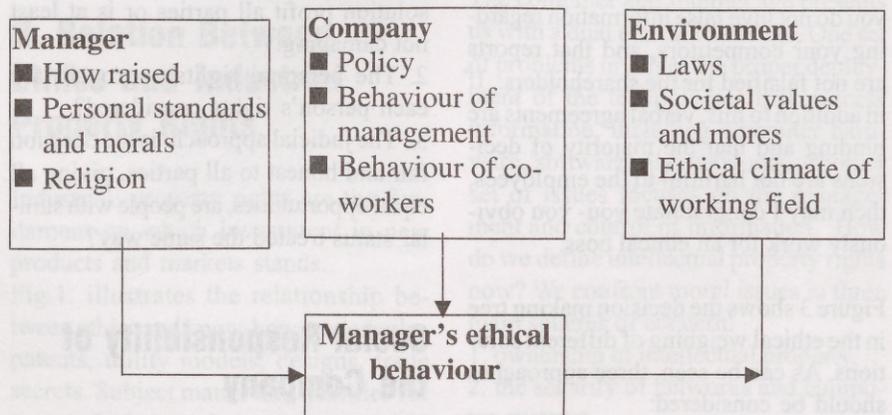


Figure 2. Factors affecting managers ethical behaviour

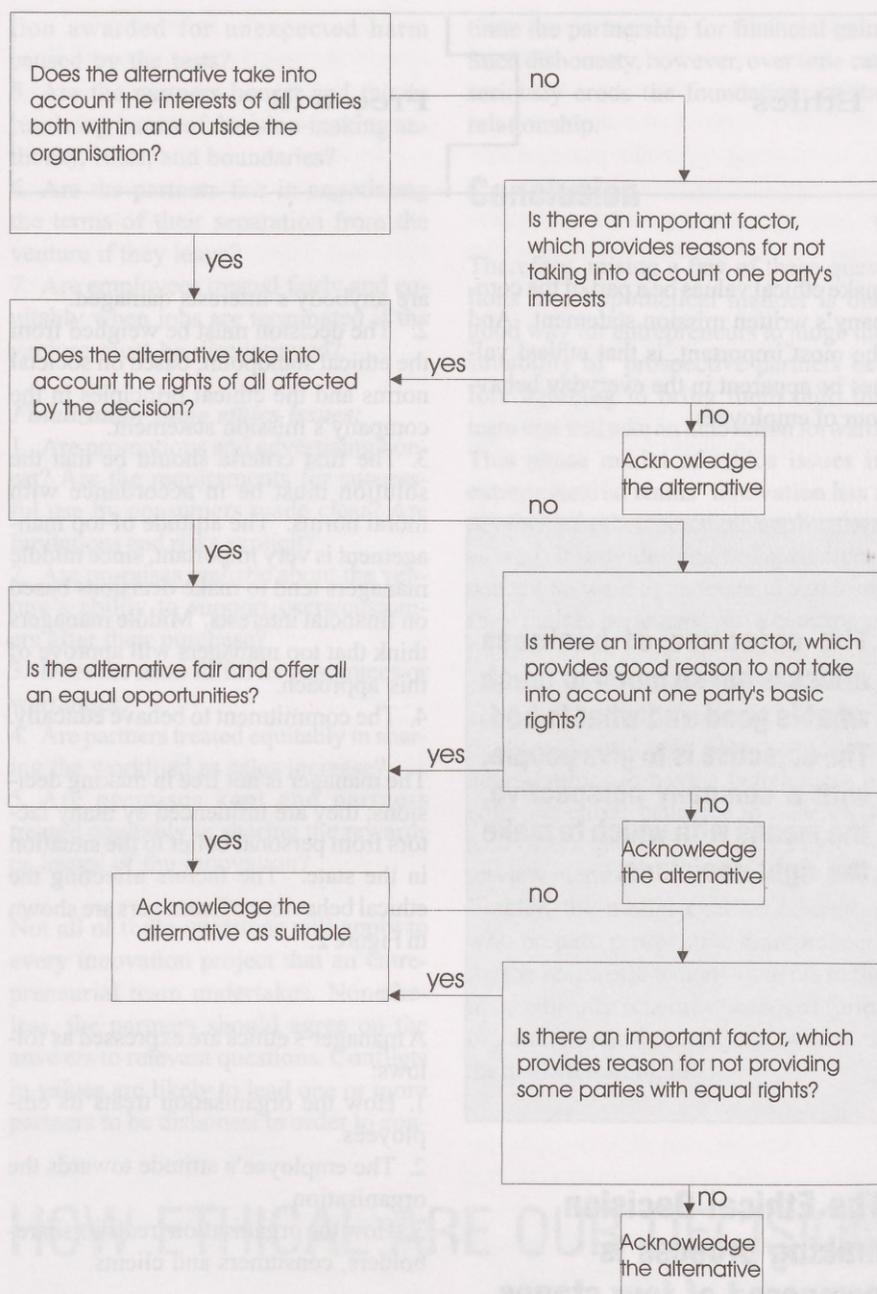


Figure 3. The Decision Making Tree Weighing of Different Solutions

the deficiencies in your products, that you do not give false information regarding your competitors, and that reports are not falsified for the shareholders. If in addition to this, verbal agreements are binding and that the majority of decisions are not harmful to the employees, then may I congratulate you- you obviously work for an ethical boss.

Figure 3 shows the decision making tree in the ethical weighing of different solutions. As can be seen, three approaches should be considered:

1. The profitability approach: does the

solution profit all parties or is at least not damaging.

2. The personal rights approach: are each person's rights considered?

3. The judicial approach: is the decision fair and honest to all parties, giving all equal opportunities, are people with similar status treated the same way?

Social Responsibility of the Company

The level of resistance to adjustment of protectionism to pre-emptive action of a company's social responsibility is differentiated according to how the company fulfils the community's social needs. A Company's preliminary reaction to social demands is usually negative; all possible tactics for their avoidance are utilised. When it becomes clear that something must be done, since otherwise the State will use sanctions, then only that, which is required by law, is done. If the pressure from the environment is strong, then the acceptance of ethical responsibility and adaptation to the environment follows.

If the Company has started to develop its social responsibility, then it needs to go through the four stages of Company social responsibility. The first stage is financial responsibility. Next is responsibility to the public and the fulfilment of social demands. The fourth stage is social management, where managers keep an eye on both the internal and external environment to discover potential social problems, as they are developing to quickly react with the launching of a social program.

In the long term, social management style is certainly more profitable than only concentrating on today's profit and ignoring the needs of the community. Those companies wishing to become market leaders will surely reach pre-emptive action first.



DISCUSSION OF THE INDUSTRIAL PROPERTY RIGHT AND ETHICAL BOUNDARIES



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Introduction

The purpose of this article is to help students and businessmen reflect upon the vexing ethical problems that are emerging in the information age. The rapid advance of technology is affecting virtually every aspect of modern life. Hardly a day passes without the announcement of a new insight into the working of the human organism, opening doors to a new medical treatment or expanding the possibilities for manipulating evolution's genetic handiwork. Commercial enterprises increasingly integrate on a global scale, relying on intellectual and physical capital at its most productive source.

The job of a company is to produce goods and services efficiently and effectively:

- keeping its costs down by not wasting the resources it uses;
- achieving the sales and revenues needed to reward its share holders with dividends derived from profits made by responding effectively to demand. In other words, as Calvin Coolidge said, "the business of business is business".

The use of the term "business ethics" is currently still widespread in Estonian, certainly not within the business community itself, although this is changing rapidly.

Ethical issues resulting from expanded marketing include the following:

1. ethical values in private limited companies,
2. relationship between ethics and industrial property rights,
3. information and computer ethics,
4. patentability of Genetic Engineering Inventions

I. Ethical Values in Private Limited Company

Managing the process of introducing profitable new products is complex. The five key factors I have found to be important are: strategy, the market, the product, the profit plan and teamwork. I will carefully explain each of these five factors and indicate practical ways to cope with them.

For a company to behave ethically, it must be guided by decision makers who make ethical decisions. A manager can raise several questions when assessing the ethics of a decision or action. Will human or property rights be violated? Will some people benefit at the expense of others?

The factors that affect people's propensity to make ethical or unethical decisions are not fully understood.

Ethics are the code of moral principles and values that govern the behavior of a person or group with respect to what is right or wrong. Ethical values set standards as to what is good or bad in conduct and decision making.

Ethics are distinct from behaviours governed by law.

II. Relation Between Ethics and Industrial Property Rights

Industrial property rights are the foundation on which investment in new products and markets stands.

Fig.1. illustrates the relationship between ethics and know-how, trademarks, patents, utility models, designs, trade secrets. Subject matter that qualifies for patent, design, trade mark, or trade se-

cret protection is contained within the know-how universe.

Since 1 February 1999, the legal protection of industrial property in the Republic of Estonia is being regulated by the following acts:

1. Trade Mark Act, entered into force 1 October 1992;
2. Competition Act, new Act entered into force 1 October 1998;
3. Act of Protection of New Varieties of Plants, entered into force 25 March 1994;
4. Patent Law, entered into force 23 May 1994;
5. Utility Model Law, entered into force 23 May 1994;
6. Industrial Design Law, entered into force 11 January 1998;
7. Law on the Protection of the Topologies of Microelectronic Products, entered into force 15 March 1999. Evaluating an invention for industrial property planning involves the following questions:

1. What is the technology at issue?
2. Is patent /trade secret/ design/ trade mark protection available?
3. If available, which form of legal protection is best suited to protect the client's interests?
4. Are only awarded for inventions in Estonia – novelty, inventive step and industrial applicability?

III. Information and Computer Ethics

The computer and Internet age presents us with a dual ethical challenge. One set of problems involves the proper deployment of the technologies that process information, including computer hardware, software, and networks. Another set of issues focuses on the management and control of information. How do we define intellectual property rights now? We confront moral issues in three main spheres of concern:

1. ownership of intellectual property,
2. the security of networks and computer systems,
3. the obligation of high tech vendors to

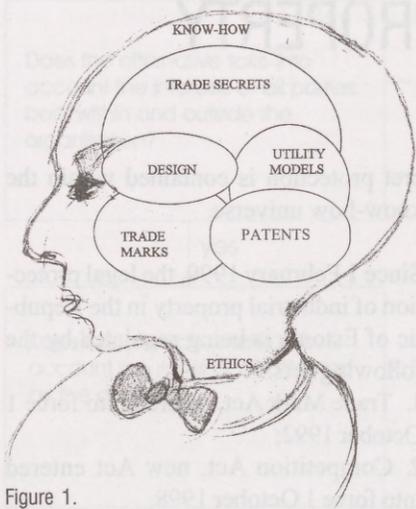


Figure 1. Relationship between ethics and know-how, trademarks, patents, utility models, designs, trade secrets

provide safe, reliable programs while eschewing false product announcements.

The Copyright Law came into force on 12 December 1992. Copyright law, patents, trade marks, and trade secrets can all be used to protect software programs, but the efficiencies of these forms of protection has been heavily disputed

Law and morality do not always overlap or easily substitute for one another. Many end users and professionals seem

to have few qualms about making illegal copies of commercial software..

IV. Patentability of Genetic Engineering Inventions

The term "biotechnology" probably represents an umbrella that covers a range of related areas. The common aspect of most of these technologies appears to be manipulation of the basic genetic structures of living things. One suggested definition is "the full range of technologies available due to progress in the mapping of proteins, including recombinant DNA, RNA, cell fusion, etc".

More than 15,000 European patent applications have been filed in "biotechnology" generally. Of these, about 4,000 relate more specifically to genetic engineering. 1,000 or so are for transgenic plants, over 2,000 are for DNA sequences isolated from the the human genome and used to develop therapies and medicines.

The related issue of the ethical ques-

tions relating to the patentability of parts of the human body, and treatments derived from human tissue, has been the subject of considerable debate in the context of Directive 98/44/EC on the legal protection of biotechnological inventions, which was adopted on July 6,1998. The Directive provides that the human body, at the various stages of its formation and development, and the simple discovery of its elements, cannot constitute patentable inventions, but that an element isolated from the human body or otherwise produced by means of a technical process may be patentable, even if its structure is identical to a natural element. The final form of the Directive avoids reference to the "basic ethical principle excluding all ownership of human beings" which was in the initial draft.

- Inventions not patentable in Estonia are:
1. inventions contrary to *ordre public* and morality;
 2. methods for treatment of the human or animal body and diagnostic methods practised on the human or animal body.

Patenting life is immoral – it is playing God.



VALUE JUDGEMENTS AS FACTORS EFFECTING PEOPLE'S BEHAVIOUR



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The goal of the project:

The goal of project was to study the value judgements of future leaders (post-secondary school students) and proceeding from this, to predict their leadership skills upon graduating from university. The other goal was to establish whether Estonian university students are very different from students of the same age in the U.S. This research project should also provide information concerning what should be changed in university course programs and which values should be stressed during the course of studies. In the given project, special attention was placed on ethical values.



Introduction:

Values are general principles directing people's activities and decisions in various situations. Values cannot be directly taught, they are learned by observing and following the example of others, beginning at an early age /5/. Thereby the development of values is influenced by the environment in which people grow and mature, including the aspects of culture, family and school. Values are abstract and cannot be closely observed. They are revealed through a person's decisions and actions.

In today's market economy the key to successful business is knowledgeable management. Management quality is largely dependent on the decision-making ability of the manager / director and also on the kinds of decisions he or she makes. Analyses of decision-making /1/ show that the effectiveness of decisions is based on how many alternatives can be envisioned by the person deciding, as well as how they judge those alternatives. When processing any kind of information, including when deciding, a person processes information through four channels /4/

- facts (or perceived as such)
- feelings (or emotional reactions in specific situations)
- opinions (attitudes taken about our own position in a given situation)
- values (fairly consistent beliefs about ourselves)

Values are essential as criteria for deciding and judging alternatives. Every decision that an individual makes reflects his or her values. This is why the study

of university students' values is so interesting and allows for the future to be seen through the prism of decisions. In other words, whatever the values of university students may be, the decisions of future managers shall stem from these.

The placement of ethical values in the general hierarchy of values is especially interesting.

The comparative analysis of the managerial orientation of first year at EBS and Fordham business students reveals certain similarities. First of all, the judging

Management quality is largely dependent on the decision-making ability of the manager / director and also on the kinds of decisions he or she makes.

average of both groups is basically equal (EBS 4,69 points, Fordham 4,73 points) and therefore comparable.

Comparison of value orientation

In both sets of values orientation commonalities can be seen in the areas of high-priority, average and low-priority value groups. (See table 1). The most highly prioritised descriptor for both contingents was the group of business ideological ethics (first place in both cases). The descriptor considered average by both contingents was the group consisting of values tying organisations with culture (6th place in both cases). The descriptor judged the lowest by both (9th out of 10) was values related to the everyday and infrastructure.

In addition to the aforementioned commonalities, significant differences also appear.

- values related to professional specification (E 4; F 10) and ethical values (E 8; F 2) differed by 6 points.
- individual (E 2; F 2) and social values (E 7; F 4) differed by 3 points.
- descriptors of management ideology (E 5; F 3) and professional values (E 10, F 8) differed by 2 points.

A great discrepancy between ethical values points to an ethical crisis in Estonian society today, which the President spoke of in his Independence Day speech /3/. These are typical ideological relics of a post-Socialist society. This is where the need arises for education in schools and universities in order to change ethical values, or in other words, to give value to ethics and morals.

The 10 value groups analysed in this study have been listed in table 1.

Alongside the large differences in values orientation as a whole, when looking more closely at the inner structure of single descriptors, similarities as well as greatly varying elements can be found. Let us look at each individual descriptor separately. Let's begin with the descriptor holding first place – the values of business ideology.

Within the inner structure of this descriptor the only commonality was financial security (8th place in both).

The following value discrepancies are worth noting:

Table 1. Value Judgements

	Estonians (E)		Americans (A)	
	Score	Rank	Score	Rank
1. Values of Business Ideology	5,20	1	4,96	1
2. Ethical values	4,51	8	4,85	2
3. Managerial ideological values	4,79	5	4,83	3
4. Social values	4,83	7	4,81	4
5. Individual values	5,02	2	4,80	5
6. Cultural values	4,79	6	4,78	6
7. Organisational – juridical values	4,86	3	4,73	7
8. Professional values	4,35	10	4,69	8
9. Values related to the everyday and infrastructure	4,48	9	4,48	9
10. Values related to professional specification	4,85	4	4,36	10
Average score	4,69		4,73	

- the quality of a business' products and services (E 2; A 5)
- a business' wealth (E 4; A 1)
- advertising (E 6; A 9)
- constant surveillance of the competition (E 1; A 7)
- profits earned by the business (E 9; A 2).

The great discrepancy in the last factors (E9; A2), may point to Estonians' placement of personal gain before the business' success. The Estonians' ideal of rapidly gaining wealth still holds strong.

Regardless of certain surface similarities in managerial value judgement between first year EBS students and American business students, a large gap still separates them. The best example of this is the descriptor of ethical values, which the Americans ranked 2nd with an average score of 4,85, while the Estonian group ranked this 8th with an average score of 4,51 (see table 1).

Table 2 breaks down the descriptor introducing the structure of ethical values.

Certain similar phenomena exist within the inner structure of ethical value descriptors. Rankings for freedom (5th place), national identity, (8th place) and religion (9th place) achieved the same position for both groups.

8th place for the ranking of national identity is understandable in the case of the Americans, since they are part of a large national group, but is not an easily understood ranking by Estonians, from the standpoint of a small national group. As a rule, national identity is not a problem for members of a nation with a large population. Yet the fact that Estonians do not value their national identity can be considered a problem.

Although the Americans gave religion only enough points to have it ranked in last position, a schizophrenic allergy towards religion is not noticeable, as is the case with the Estonian study group, who gave religion only 2,8 points. Obviously the atheist upbringing of the totalitarian era has left a considerable mark.

The ethical value of honesty was highly

Table 2. Structure Of The Descriptor Of Ethical Values

	E		A	
	Score	Rank	Score	Rank
2. Ethical values	4,51	8	4,85	2
1. 03 Honesty as an ethical value	5,29	2	5,59	1
2. 23 Self-worth and its preservation	5,01	4	5,36	2
3. 13 Peace of mind / Spiritual peace	4,12	7	5,23	3
4. 43 Being humane	5,35	1	5,01	4
5. 63 Freedom (of speech and movement)	4,83	5	4,97	5
6. 53 Democratic style of leadership	5,06	3	4,86	6
7. 33 Principality	4,12	6	4,79	7
8. 83 National identity	3,71	8	3,93	8
9. 73 Religion as a tool for regulating ethical behaviour	2,80	9	3,89	9

ranked by both contingents, standing 1-1 with the Americans and 2-1 with the Estonians.

Discrepancies were recorded in the following values:

- a difference of 1 point in the ranking of principality (E 6; A 7)
- a difference of 2 points between rankings for honour (E 4; A 2)
- a difference of 3 points for the rank of democratic management style (E 3; A 6)

Even though democratic management style was ranked in 3rd position by the Estonians, ethical values being in 8th spot eliminates this result. An analysis of conflicts in Estonian businesses reveals an authoritarian management style /4/.

The greatest discrepancy was found to exist in the ratings given peace of mind. The Americans ranked this as 3 -1 among ethical values and the Estonians at 7-1. Since Estonian managers do not consider peace of mind/spiritual peace to be an especially important issue, they are often found to suffer from work stress. The short life-span of Estonian men is also an indicator of this.

Future heads of business rate business ideological values with a different absolute rating level E 4,79 and A 4,83). Due to this we see a different descriptor position in the entire values orientation. Estonians placed management ideological values at 5th and the Americans in 3rd place. The essential difference is in the attitude towards creating career opportunities for the younger, upcoming generation. In the Americans' values list this is traditionally high, in first position, while it is 4th for the Estonians. Americans seem to look further into the future

than do Estonians.

A noteworthy difference between the value orientation of Americans and Estonians can be found regarding the descriptors of social values (see table 1). The Americans in the study rank social values in 4th spot, yet Estonians at a lower 7th spot.

There are many instances of concurrence in this descriptor, yet the points given for teamwork and a leader's prestige vary greatly between the Americans and Estonians:

- the rating for teamwork varies by 7 positions (E 9; A 2);
- the image of a leader's prestige varies by 5 positions (E 1; A 6).

From here we can deduce that Estonians do not value teamwork and practical studies in Estonian businesses have revealed similar tendencies, i.e. Estonians rely more on a lead figure than a team. It is very important for an Estonian leader to be recognised and this is also evident in the individual values descriptor.

Contemporary democratic results-management is not imaginable without organisational culture. Culture and its innovation are not only the result of management, but also managerial instruments. Management supported by an organisation's culture helps to save a manager's energy and also allows for a much more work-secure result. This is why the reaction of a pre-manager to an organisation's culture and its various components reveals the adequacy of leadership knowledge, that is his or her affinity to actual management as a phenomenon.

The descriptor characterising organisational culture received 6th place (see table 1) and most likely organisational culture is not yet considered to be a factor influencing the success of a business in today's society.

An alternative to organisational culture is the formal-organisational and juridical aspect of management. If culture sets in people's conscience and regulates their behaviour via values, norms of behaviour, myths and taboos, then a formal-organisational aspect is supported by the outer limitations of behaviour through laws and regulatory precepts.

The over-judgement of the organisational-juridical aspect is characteristic of a pre-manager's hope to make it with behavioural spontaneity, using exterior pressure- and juridical values. As is shown in table 1, the Estonians of the study consider the descriptor of organisational-juridical values to be more important than the Americans of the same study (E 3; A 7).

To a degree, the source of this lies in a certain vacuum as regards legislation, and also due to an ethical crisis in Estonia, yet also speaks vividly of the deformation of managerial consciousness.

An over-judgement of one's profession, at the expense of the occupation, goes hand in hand with a totalitarian way of thinking. This has its own ideological and historical roots and such a tendency does not seem to be easily swayed. This is what we in fact see in the case of descriptors related to value judgements concerning professional and managerial knowledge (see table 1). Values tied to one's area of professional specification are in 4th position and professional values in 10th position for the Estonians asked. The Americans placed these in 8th and 10th place respectively. The absolute figures of corresponding average scores vary considerably (E 4,85; A 4,36).

In conclusion

A first year EBS student represents an everyday level of managerial consciousness oriented to the field of business. This level has been formed by Estonian conditions, and is based on self-image, an image of the world at large and ethics

developed during general education as well as the relations between them, general orientation and survival competence.

It is understandable that their scientific, theoretic and professional level of managerial consciousness is yet unformed. Their managerial self-consciousness is also quite unclear.

An consciousness of the everyday is a relatively typical product of an ill society, in which the symptoms of ethical

In other words, decisions are not weighed from the standpoint of ethics, but rather from the standpoint of personal gain, success and prestige.

crises are reflected most clearly. An ethical crisis is best reflected in the 8th place position of the ethical values descriptor (see table 1). In analysing values from the decision-maker's standpoint, then no matter what kinds of decisions are made, generally some of the first values from the general hierarchy are those which people get going. From here we can conclude that ethics are not included as part of the decision-making process in Estonia today. In other words, decisions are not weighed from the standpoint of ethics, but rather from the standpoint of personal gain, success and prestige.

It is unfortunate that no traces of disorganisation received through general education can be found in this everyday consciousness. Consciousness of the everyday is formed as a result of the spontaneity of moments providing influence from the surrounding environ-

ment and reflects the specificity of the situation at hand. Therefore a prophylactic, constructive aspect directed to the future is missing here.

Certain beginnings of managerial consciousness are formed in the pre-higher educational period and it is difficult to change them at a higher educational level. Obviously these characteristics should be more clearly acknowledged and used as a principle of selection for entry. General ethical education requires serious work and institutes of higher education should make efforts to introduce and explain ethical principles.

Basic ethical values generally take shape before a person is 6 years old. Changes and alterations may only occur alongside a growth of self-consciousness and self-educational motivation, as well as by a conscious valuation of scientific knowledge. One becomes a leader more than one learns to be one. Therefore young people suitable for leadership roles should be selected at an early age and receive instruction at private schools. Their leadership skills should be specifically developed and a respective direction of leadership consciousness deliberately instilled in them. Correcting mistakes at a higher level of education is often not very effective.

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COMPANY CULTURE – KEY TO SUCCESS

Our Vision of the Company Culture in Coca-Cola Beverages of Estonia



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“Company culture” refers to a company’s values, beliefs, traditions, operating style, and internal work environment.

The Company culture is visible in the values and business principles that management practices, in its ethical standards and official policies, in the traditions the organization maintains, in its supervisory practices, and in employees’ attitudes and behavior.

Mission

The mission of The Coca-Cola Company is to increase shareholder value over time. Fundamentals are: to enhance Coca-Cola trademark and satisfy customers needs and expectations.

Image

The image of The Coca-Cola Company is an integral part of the success of the Coca-Cola system. This image is communicated through the quality of our

products and services and through media advertising. The Coca-Cola Culture is built on norms or standards, which are known in all countries where The Coca-Cola Company operates.

In The Coca-Cola Company, you can hear a slogan: Think global, act local. The Coca-Cola Company’s approach to marketing is called the “multi-local approach”. The Coca-Cola system approaches marketing in a global sense, but works with each geographical area on a local basis in order to meet the needs of local customers and consumers.

The Coca-Cola System recognizes the value that each culture brings to our organization. The Coca-Cola System as a whole, as well as each individual employee, benefits from the rich cultural diversity, which comes from being a global enterprise. Together, employees of The Coca-Cola Company around the world form a mosaic. Each piece is unique, but blends together with the other pieces to create a common theme. The organization is designed to keep resources and responsibility as close to the consumer as possible.

Systems like The Coca-Cola Company have enormous impact on the community where it operates. The system generates jobs, pays taxes, and contributes in many ways to communities around the world. Along with economic contributions, the Coca-Cola system also contributes to communities through our emphasis on environmental protection. Some of the principles we adhere to which fulfill this responsibility include:

- conducting our business in compliance with laws and regulations
- researching ways to decrease the environmental impact of our operations and packaging
- commitment to reducing and recycling solid waste

This commitment to preserving the environment is a growing part of the Coca-Cola culture and will be an important consideration as we continue to refresh millions of consumers in the future.

Working Environment

As The Coca-Cola Company wants employees to work well, it offers the conditions and well-organized working environment. The offices are well-equipped and employees have all needed resources at hand. In Coca-Cola the working environment is based on friendly and open communication. The offices are open and doors unlocked. Anybody can enter anybody’s office. It is pretty common that your boss visits you in your office. To make the system work, the Coca-Cola has an approach: make the information’s exchange as easy as possible. It means to offer people the opportunity to call directly the boss if there is a need or to write anyone in the Coca-Cola System if you need some information.

Communications

First name contact:

People address each other by first name. It is common even in case you are sending an e-mail to your boss or even higher.

Informal verbal communication:

In English ‘you’ means ‘you’, no singular no plural, and it is easy to talk to people. In Estonian almost everybody says ‘sina’ instead of ‘teie’ and does not depend on sex nor age.

Formal written communication:

Memoranda are formal. Sending a memo you always have to use the person’s full name. Your memo has to be well-structured, whole subject has to be brief and clear. A big system needs a certain set of rules and bureaucracy, so everybody has to be in compliance with written policies and procedures.

Lotus Notes:

Lotus Notes replaced The Coca-Cola Company intranet KO/Office which has been a communication tool for years. It enabled one to send messages with or without attachments to people all over the world.

Dress Code

There is an unwritten rule that you must

wear proper wardrobe at work. As the employee is the representative of the company, he or she must be in compliance with company's overall image.

In production there are special uniforms for line operators, for quality assurance etc. It is important for employees to feel themselves as part of the company and also for general outlook.

In sales department there is also a uniform: jackets and coats, to represent the company in the form that can be noticed already from far away. For example, drivers wear red uniform with Coca-Cola logo that shows from where they come from and who they are representing.

Service Recognition

Long service is recognized by the company. Service award presentation is one example of how Coca-Cola cares about

its employees and keeps in mind mainly long-term working commitment. After 5 years service in Coca-Cola, employee receives a pin, which is 18K gold contour bottle with a ruby in it.

Ethical Behaviour

Our responsibility to community includes always acting with honesty and integrity, two cornerstone values of The Coca-Cola Company. Company representatives have the responsibility to act in every situation within highest standards of ethical conduct. The Company adopted many years ago a Code of Business Conduct that applies to all employees worldwide. It provides guidance on Company standards in the areas of accuracy and completeness of accounting records and reports; conflicts of interest; dealing with government officials,

employees and Company customers and suppliers; and political contributions.

Career Opportunities

Each managers' and supervisors' performance is assessed and tracked annually. High performers have the possibility to be promoted. Thanks to the fact that the company operates in almost 200 countries our employees have truly good career opportunities.

We believe that part of the company's success stems from its ability to make people who work here feel proud of the employer which makes them work harder and be more dedicated to their jobs.

Other factors which affect the company's success are effective and pervasive distribution system, abundant resources, and satisfied customers.



AN ETHICAL VIEW FROM THE PERSPECTIVE OF ADVERTISING



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Introduction

A person is known to be a thinking being. His scientific name of Homo sapiens (Latin for smart person) sounds even as a compliment! The development of humans can be followed in all walks of life including the development of advertising. Advertising, born from the start of the use of printing technology in the 15th century and the development of print production, has developed into today's complicated art of advertising.

The object of this paper is not to describe the diachronic story of the development of advertising. It is a more

interesting challenge to discuss the aspects of advertising which cause differences of opinions. The main point would be the ethics of Advertising. In connection with this, the conscience of advertising designers and the value of the thinking consumer cannot be ignored. Advertising causes conflict between the producer and the advertiser as well as the producer and the consumer. The information provided in an advertisement may be wrong or misleading. Another conflict causing theme is the aggressiveness of advertising. The influence of advertising is different according to culture and target group.

Advertising and the Law

The criteria for ethics are different in different cultures and societies. The Law assists as an uniting force. On the one side, the law determines from a position of power, but on the other hand, its disciplining force on the two parties cannot be underestimated.

Therefore, in addition to the question of "How to make an advertisement?" one must also ask, "What may be done?"

The latter must be provided and answer in the Estonian Advertising Act, which came into effect on January 1, 1998. In reading §2, I deduce that all sort of information in all fields in whatever consideration and "with the objective of the achievement of a desired result" is handled as "advertising" in the Estonian Law (1). The question is raised, how can such generalisation be declared as Law?

The Estonian Advertising Act does not set clear guidelines for different types of advertisements. The only types that are handled separately are the so-called forbidden advertisements (Misleading advertising §4, improper advertising §5 and disparaging advertising §6). All the definitions are handled superficially. Still, I would not like to get stuck on the non-knowledge of the Estonian Law-makers but would like to analyse the following aspects of advertising, which are hard to appraise according to the Law. In the same way the law only sets minimal ethical standards and again we must answer the question "is that, which is not forbidden, allowed?". I would answer my self that everyone in Advertising is still working in children's shoes

and according to their own inner feeling and to their personal level of corruption.

Children and Advertising

I think that the advertisements causing the most ethical problems are those regarding children. Firstly- how to react to advertisements which are directed at small children. This is a target group, which as a rule does not have the ability to make rational decisions due to their lack of experience. Let's take for example, the story telling lady, who at the end of her show recommends that the children go ask their parents for an expensive storybook. The direct influencing of children should be looked at carefully and with greater responsibility. What are then ethical advertising channels for children's goods? I believe that family magazines and daily newspapers are the publications, which are directed mainly at parents, who can make a rational decision and direct a chosen advertising message to the child. It is of course necessary that children learn to make decisions and choices, but a 4-5 year old child has difficulty in understanding that an expensive Barbie is too expensive for the family purse. The social pressures on children's values by friends, nursery school and children's show is definitely the result of advertising is too strong influence.

What should the attitude be towards advertising depiction violence and dominance? On one satellite channel, there was an advertisement depicting a battery-operated play aeroplane bombing a small city. Did the advertising toy "win" against some negative emotion? Why could the attractive plane be shown in a friendly and warm context- for example, the plane flies into the small town and rescues a girl in trouble? We adults do not have the right to manipulate little people, who are still learning as to what is good and what is bad.

The makers of advertisements know that children are especially good advertising channels, because the use of children gives the opportunity to emphasise sympathy. According to the Estonian Advertising Act, the use of children for the emphasis of sympathy is rated as

improper advertising. For example: "Every morning I look at you and think, that your life must be better than mine." (An insurance company's advertisement for children's insurance directed at parents, fall 1998). In defence of this advertisement, I would like to ask: "how is it possible to inform of the possibility of insuring a child's future without saying something, what is improper in wanting a better future for our children?". I believe that here the use of the child is right, as the target audience is a thinking and caring adult. It is paradoxical,

Family magazines and daily newspapers are the publications, which are directed mainly at parents, who can make a rational decision and direct a chosen advertising message to the child.

that according to the Estonian Advertising Act the advertisement "Don't hit a child" is also under suspicion of being improper.

Sense of Responsibility And the Consumer's Independent Choices

In the discussion regarding the ethics of advertising, the sense of responsibility of advertisers cannot be overlooked. In Tallinn's largest cinema an advertisement for ice cream is shown both before the movie as well as during the intermission. The sales results (ice-cream manufactures sales results 1998) show a large increase in ice cream sales both during and after the film. It is clear that in this situation the movie audience did not act independently. They did not buy the ice cream from the wish to eat it, but the

decision was based on the subliminally actions of the advertisement on the persons biological mechanisms (saliva) and "group-thinking" ("see the other people are eating that tasty ice-cream"). The influencing of the consumer by sly advertising is deeply unethical, since the consumer is not able to make a decision independently.

Advertising and Misleading

One of the most often repeated accusations is the misleading of consumers by advertising. The texts of Advertising theory state that the objective of advertising to inform and to convince a person. If we equate advertising with convincing, then in my opinion, the main function of advertising is to create a clear wish for the product as well as the agreement to pay for it in the consumer. A skilled salesperson knows how to make an item more attractive and of better quality than it really is. Of course, there is no assurance, that the watchers- listeners are in a better situation than before, with their newly expressed wish.

The another basis of Advertising theory is the function of informing. The objective of advertising is to give the consumer two kinds of information- information about the qualities and quality of a product and the price. At the same time doubts can be expressed about how informative many advertisements are. They depend on some connection or the achievement of dreamed level of the potential consumer. This type of advertisements do not contain important information about the qualities or price of the product, the objective is to create a wish to attain something through the purchase of the product as well as to quickly raise sales. What more? - We can ask. We want to be better both inside as well as out.

Take for example, the advertisement in last years press in England with the message: "Old Charter Bourbon Whiskey- the highest step on the ladder of success". This advertisement does not give information about the beverage qualities, quality or price level. The creator of the advertisement has tried to create

a connection between the consumption of the beverage with success and prestige. Is this advertisement misleading or not? It seems that in this example the difference between truth and appearance is hazy. This advertisement does not inform or convince the consumer of the true qualities of the product (age, test results, price etc.) but tries to bring to light the subliminal wish of the potential consumer to be more successful and richer. It would be 100% misleading if the consumer was informed of the product's qualities that were not true or had been changed (2). I think that there is no point in underestimating the target group of the advertisement and to think

that every slogan is taken as gold. Who would believe that drinking whiskey would increase the value of their share holdings? Who would believe that if they order Eesti Ekspress (the best selling weekly in Estonia), that they will soon be the owners of a white Volvo? Hopes will remain, of course, but only for a few or only one will they be fulfilled.

Summary

Everyone would like to change, adjust, get richer or create something. Like an artist or pastor so do the advertisers

give themselves the right to create illusions, symbols and ties which promise more than simple functionalism. The reader/listener of the advertisement must decide for themselves about the truth and ethics of the promises. The aspect of ethics in Estonian Advertising has room for plenty of development.

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ETHICS OF AN ECONOMICS JOURNALIST WRITING ABOUT STOCK MARKET COMPANIES



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Introduction

Journalism and stock market companies both deal in the business of trust. "A journalist must be as clean as Caesar's wife," said one journalist to another in the novel "Bel Ami" by Guy de Maupassant. Although in the case of the novel, where the action takes place in a journalists' circle in 19th century Paris, journalism ends up being as dirty as politics, the idea is still a noble one. A journalist must be someone who cannot be accused of anything. His or her position in society is different, a newspaper is constantly in the forefront, since it is a medium which understands and forwards information openly and thereby inevitably influences public opinion. The reader always knows the author of a

news story. Thereby a journalist should always be clean, since journalism often sheds light on events unpleasant to those being spoken of. Mainly a newspaper sells news, yet its by-product is trust. Every newspaper wants the reader to see them as an honest and objective source. Stock market companies similarly trade with trust. Just like journalism, a stock market company is in the limelight more than many other businesses. This is not only due to the fact that it is usually large in terms of its turnover, number of employees or market capitalisation, but rather because its shares belong to a large number of people and the value of shares is largely dependent on the kind of trust that exists towards the business.

Journalism and Objectivity

Journalists must always make clear for themselves who it is they are writing for, what is the target group of their news or in other words, they must construct a gage for their stories in order to detect what is excessive. One of the most important things demanded of news journalists is objectivity. A stock market company inevitably cannot be objective when forwarding its announcement to the stock exchange, since it is in its best interest to portray things in a better light.

And besides, it's not necessarily out of the question for a company to cover up unpleasant truths or to announce conflicting reports.

A journalist is therefore able to take into consideration the influence his or her work has on the behaviour of shares, actually it's good if he or she is aware of this, yet does not thereby lose objectiveness or the need to protect the interests of investors.

Since in terms of the future of the stock market's share, being directed into the future, or in other words trust is important, an investor searches for news concerning what the future may hold for the company and how it may act on the stock market. Truths reflected in the news provide new points of reference, with the help of which an investor can predict the future of both stock market companies as well as its shares. Another possibility is the rating given in an article. Surely the journalist has his or her own opinion, but in order to remain objective and impartial, they are not able to reveal it. While at the same time it is necessary to present a prognosis. A journalist should use experts for this, which in the case of general stock market companies are usually the comments of a stockbroker. In revealing them, you should not only limit yourself to one opinion and if they are in conflict, both opinions must be presented.

Besides, a stock exchange notice presented by a company is always the passing-on of a one-sided dry truth. A journalist can shed light on the occurrence in a broader manner, adding background information as well as the comments of close friends and competitors. In other words, they can transform a dry piece of news into something lively and containing broader-ranging information.

Usually a newspaper attempts to avoid a situation where one of their journalists begins to forward facts which are not objective, altered information or downright false. One possible way to battle against this is to establish a journalist's code of ethics, allow this to be read by the journalist and then have the journalist sign it, so that they are required to follow the ethics code. In a case of this code being violated, the editorial board shall have the right to punish the journalist or to terminate his or her work contract, just as the stock market punishes a stock market company for violating stock market rules with either a fine or by being banned from the stock market.

If the stock market protects the investor in this fashion, then the newspaper's editorial board does its best to protect the readers. The interest of the editorial is firstly that the journalist writes good articles which are true to the facts and does not mislead readers and also that a journalist does not fail to write about things which are important and interesting for the reader.

Journalists' Code of Ethics

One possible source of threat is a conflict of interest. This involves a clash between the journalist's personal interests and the goals of the editorial board. In the *Äripäev*'s journalists' code of ethics there are three points, which deal specifically with stock market companies and their shares on the market:

1. The journalist shall reveal his or her stock portfolio to the head or assistant editor and immediately inform them of any changes.
2. A journalist shall not own shares of the companies of which he or she writes about.
3. A journalist shall not buy or sell stocks (nor suggest such transactions to their

relatives or friends), whose price could change due to the article being prepared in the editorial office before its publishing.

Along with this, the code of ethics includes the aforementioned demands concerning objectivity and number of sources, or in other words, the fact that the opportunity to speak must be given to the opposite side as well. The requirement to reveal stock portfolios, mentioned in the first point, may seem to be spying in one's personal wallet, since why should it be the employer's concern how his or her employer spends their personal funds? Yet a stock market company is a public enterprise and by owning shares belonging to such a company, a journalist also belongs to the group owning the company. That is the reason why shares belonging to him or her can be investigated if necessary.

People are not used to this kind of "public knowledge" in Estonia. When the newspaper *Äripäev* revealed the shareholders of Ühispank after it acquired Põhja-Eesti Pank and the price of shares rose prior to the deal being made public, this kind of going public with the names of shareholders was considered unethical. And so it is, that often what is ethical is in fact what the general public considers ethical. In the case of the situation we just spoke of, it was believed that the newspaper was going through people's pockets and that this was not very polite. The first to feel this way were those who were most effected by the disclosure or in other words those whose name stood in the list of shareholders. For many it was of course extremely interesting to discover who belongs to the group owning shares in Ühispank and when they were purchased. In the Western world, people react to such openness as something natural or more precisely, this is not seen as an unethical deed. Generally openness is the right thing for them and simultaneously helps to avoid shady deals, when those involved in the deal are known.

I therefore think that a journalist should not fear his or her stock portfolio's being revealed before the newspaper's board of directors nor at any other time. An attempt to shroud the contents of one's stock portfolio leaves the impression that the journalist must have cer-

tain suspect reasons to cover up his or her shares.

In the second point the editorial board demands that a journalist not own the shares of a company of which they are writing. The editorial board fear that such an action would put the journalist's impartiality in jeopardy. In fact it is not unethical for a journalist to own such shares, but rather if due to such ownership, they fail to do their job well, e.g., they write news stories which are not objective or if they withhold or reveal information to achieve personal gain. So in my opinion a journalist could also own shares in a company that they are writing about, as long as that fact does not influence the content of their article. This is dependent on the journalist's ability to switch roles, being an exemplary journalist and loyal employee and at other times being a small shareholder.

Besides, it is useful even on the level of education for a stock market journalist to understand the mechanisms behind share trading and as a small shareholder it is easier for them to put themselves in the role of their typical reader, that of a small shareholder.

In the case of an editorial board, it is simply easier to minimise the risk that a journalist could start to pay more attention to their own interests as a shareholder, than those of the editorial board or readership as a whole. What could a journalist then do, when acting unethically? For instance, he or she does not reveal information and does not write a critical article before having sold his or her shares prior to their prices dropping. Begins writing only positive articles concerning companies whose shares he or she owns and does not write of things that may badly influence the company. It is very difficult to constantly do these kinds of things, since the actual circumstances will emerge sooner or later. And besides, there is competition between newspapers and if a journalist writes convoluted stories or does not reveal certain information, a journalist from a rival newspaper could act otherwise and then all would be revealed. Therefore I don't have a single example to show of a journalist acting unethically when writing of stock market companies. I believe that owning shares is not unethical in itself and the threat of thereby becoming unethical is



also minimal. In the case of buying and selling shares at a time when it is known that an article is being prepared which may cause a change in share prices, then in my opinion this is debatable.

From the editorial board's standpoint, this would seem to be an example of a transaction based on inside information. Although the stock exchange has also determined rules which prohibit the use of inside information when performing stock market transactions, then it is not considered an inside information transaction according to the stock market. Perhaps the editorial board is more concerned about a journalist's reputation, so that no impression is left of the journalist being the non-objective, greedy type.

An inside information transaction is actually useful from the standpoint of the adequacy of share prices. It is said, that the stock market price is always right, this means that it cannot be stated whether a share is over- or under-priced. Yet the price corresponds to certain investor knowledge and hopes concerning the company. If an event takes place or a decision has been made regarding a certain event, then once this becomes

public knowledge, it may effect share prices. Therefore, the faster things are done due to information about the event, the faster share prices correspond to actual conditions. From this point of view, inside information transactions could be permitted. For instance laws in Germany have permitted such transactions.

Conclusions

Journalists are not the original source of information concerning stock market companies. They are only its transporters, the information itself is already someone else's and it is quite probable that a stock market inside information transaction will be performed using this information. And besides, it is hard to have any control over such transactions occurring. In Estonia the securities inspectorate has tried to reveal such occurrences in the past but have not achieved many positive results.

Obviously it is absolutely normal that a journalist writing about banking has his or her own personal bank account in a certain bank. If a journalist finds out that the bank is in threat of going bankrupt,

is it unethical if they go and withdraw their funds from that bank? A journalist can act similarly in the case of their share investment. What if they buy shares based on information that they have, yet which has not yet been published in an article? In such a case they assume that the market will begin to react in the same way and will begin to purchase the company's shares. All inside information transactions are done on the assumption that the market will follow. And in fact all share transactions are done on the assumption that the market will continue to act the same, only that the investor has predicted this trend ahead of time.

I thereby believe that a journalist's preference is mostly dependent on how he or she does their work, not by the kinds of threats leaning to possible unethical deeds that he or she is surrounded by.



CERTAIN ASPECTS OF BUSINESS ETHICS

Based on the Example of Banking



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Introduction

Decisions must be made every day. Decisions affect the activities or status of the one deciding, as well as people or organisations, processes or events which are in one way or another dependent on the person deciding.

Decisions and resolutions are a question of choice. Whether to choose good or bad, right or "even more right", or as is often the case, between the lesser of two evils, that is the question. Such choices can involve a dilemma, trouble in finding the right and impartial path between what is permitted or prohibited, in doing a beautiful or nasty deed, and in solving problems. The goals can thereby be very noble indeed.

Making decisions is not only the duty of top leaders and an activity belonging solely to them. Choices are made by all of us, by every employee at the business level.

Decision making takes place according to knowledge and ability, but also according to good intentions and customs. What ultimately determines a person's

choice or answer to the question "WHAT IS RIGHT?" is their decision, based on experiences, knowledge and ethics, which derive from feelings concerning morals, upbringing and moral education.

The gap between deciding and freedom of choice and rules established by law and crime is a problem of ETHICS. Ethics is a branch of philosophy which studies how a person is tuned when making decisions, the reasons behind the decisions and possible consequences in the social background system.

When speaking of entrepreneurial activities, in business this type of deciding philosophy is referred to as BUSINESS ETHICS.

BUSINESS refers to a goal-oriented activity attempting to gain economic profit (Meel, 1997).

Business ethics thereby studies peoples' behaviour and decision making in an economic environment, where conflicts, including ethical cases and ethical dilemmas, will inevitably arise since various sides are attempting to profit.

From this point on, I would like to deal with things related to business ethics. Since the quickly changing and developing economic life in Estonia is extremely influential to a large number of people and their fate, then it can be said that the knowledge of what is ethical and what isn't, is growing in importance. Everything concerning ethics derives from our vision of the future and our ideals concerning an honest and secure life.

In a time of changes, there is a lack of security and honesty, hence the reason why this is very often the topic of conversation. Not that during such a time people are objectively unethical or dishonest, but rather because there is an unusually large amount of things which are unclear and irregular during such a period.

Problems in contemporary business ethics are most likely similar in their basic nature and comparable to the antique age, to ethical norms which were valid in the economic sphere of ancient Greece. However, if we are to take a look at the content and character of ethical problems today, then their development and manifestation is most definitely different from the time when so-called state regulation totally ceased to exist or was in a developmental stage. These days the development of many possible conflicts when choosing between ethical and non-ethical are much more dependent on (and more precisely determined by), laws regulating economic activity and other such so-called norms enforced in black and white.

Business ethics is one of the most important topics of discussion and most liable to cause arguments in world business practise. Business ethics deals with the question of whether different activi-

ties and ways of acting in business ethics are socially acceptable. For instance, should a salesperson speak of a product's possible threats when introducing it? Should an accountant notify someone concerning inaccuracies found in the bookkeeping, if they come upon it? Should a large shareholder consider smaller shareholders, and so on. According to the legality of solving these problems, the actions of people will be decided on and considered right or wrong. However all decisions are not regulated by legislation and this may result in ar-

Business ethics deals with the question of whether different activities and ways of acting in business ethics are socially acceptable. For instance, should a salesperson speak of a product's possible threats when introducing it?

guments over interpretation and judgement of one situation or another.

By nature, business ethics are an endless source of arguments, since universally acceptable solutions do not exist in the case of specific ethical conflicts.

Yet countless cases have occurred which are not directly regulated by any one act and provide the person or organisation with the "opportunity to end up in an ethical conflict".

Discussions on the topic of business ethics and developing opinions concerning them should in fact help entrepreneurs measure moral gains and losses, rights and fairness in varying decisions, how to come out of a conflict situation without causing damage to yourself or others, and so on.

One way to simplify the solutions for coming out of the aforementioned conflicts is to describe the so-called good practise in various areas of activity. Ethical principles or actual ethical rules of behaviour have been introduced for instance in banking, activities of the stock exchange, real estate brokerage, accounting, and other such fields of activity.

If suggestions for activities by employment representatives, norms of behaviour in cases of having to defend the honour of their profession, or of lack of regulation have been described, in terms of the aforementioned ethical code, then in the case of good practise, the ethical suggestions of businesses active in some economic field or other, or their directors are declared. The category of honour is emphasised in business ethics. When speaking of good practise, we speak more of honour towards second and third persons and about not damaging their interests or opportunities and the demand for the utmost openness.

The aforementioned description of good practises and codes of ethics can also be referred to as the standard of ethical principles. Standard solutions to ethical conflicts can be found in terms of analogous cases.

But still, each ethical dilemma is always unique and a standard example can only be of help in searching for a solution in a situation that has unfolded.

Banking and Business Ethics

Now I will turn to dealing with the possibilities of an ethical conflict occurring, the situations in terms of which everything seems legal, but is still in fact unethical. I will review moral conflicts and the opportunities for solving them. I shall analyse one of the most influential areas of economics, which during the period at hand had very strongly effected other businesses and the economy as a whole – banking. I will thereby discuss the possibilities for the development of ethical conflicts and their possible solutions within the ac-



tivities and leadership of banks.

Rapid activity in the banking sector began in today's Estonia in the early 1990s, when a banking enterprise could be founded with relatively few and simple means.

Since that time, banking has gone through two large crises, the first during the transitions from 1992 to 1993 and the second in 1998. Since I will not go into the details of describing what a crisis is, then I would call what occurred in banking simply as a change and I do this in order to include more events and situations which all need not fit the definition of a crisis.

Banking is tied to humane trust. It is not a simple buy and sell service, but the mutual delegation of an intimate and personal problem called MONEY and the hopes and obligations that go along with it. Money and valuables have been borrowed since time eternal, this activity is not a new one, however the norms and forms of borrowing and trust have changed drastically. Borrowing from your neighbour until pay-day in rural areas is quite a common phenomenon. The borrowing of millions by large corporations or states is also becoming all the more common.

The greater the trust, the larger the sum that is entrusted in the hands of others – to banks in the form of savings, businesses or individuals as a loan. The greater thereby is the waiting and the hope that the trust will be justified and the more it is presumed that the return of the property should occur. The uniqueness of borrowing as a form of business lies in the fact that a larger sum is wanted in return than what was given out, or in other words, a profit is desired when lending money.

This is where the first ethically conflicting link is revealed. A person who wishes to borrow money is someone who at the moment has none. Money is borrowed with the goal of earning even more money and with the intention of paying back the borrowed sum.

Borrowing activities are quite strictly regimented all over the world. In Esto-

nia the Bank Act and Credit Institutions Act are in force. In addition, many civil law acts and also the Criminal Code regulate and ensure that trust is not ill-used.

Still, the area of interpretation lying between permitted and regulated activities and those which are prohibited and illegal is extremely great and it is here that the shaded duel of hidden principles is taking place.

Ethical regulation and a similar overall understanding exist only in an ideal landscape.

In reality, ethical conflicts are unavoidable.

Bank as an Ethical Enterprise

Let's look at the bank as a specific enterprise, a joint share company can have thousands of shareholders or owners, and tens of thousands of clients at the same time. They can also be shareholders and the business can be headed by people who are shareholders and clients at the same time.

As mentioned earlier, the Bank Act and Credit Institutions Act regulate bank activities. In addition, every bank has its own statutes and other acts which regulate the activities of the given enterprise.

One crucial document, which regulates the unanimous understanding of the bank and the public at large concerning the principles of banking activities is entitled GOOD BANKING PRACTISE.

The preamble of this document notes that the goal of *good banking practise* is to determine **ethical** principles in writing, which are used by Estonian credit institutions and would provide help on the road to mutual understanding, honest and free competition, the development of the banking system and the insurance of a good reputation (Good Banking..., 1996).

The bank is a relatively open business association for shareholders whose shares are quoted on the stock exchange.

Ethical problems can arise from different interests and from a difference in goals and how to achieve them.

A shareholder is the owner of the enterprise and his or her wish should be sacred. Unfortunately depending on the number of shares, a shareholder has either more or less rights to speak and opportunities to join in the actual planning of the goals and direction of the enterprise. This is where there is a collision, especially in the strategic plan, of the interests of so-called small shareholders and large shareholders and the opportunities to realise these interests. How ethical is the direction of a bank according to the goals of a large shareholder? To what extent should a large shareholder consider the interests of small shareholders? These are questions to which answers can be received only through arguing and often the small shareholder must simply accept the situation, as long as everything occurs within the limits of the law.

An example from the recent past: A Swedish bank that acquired the majority of one of Estonia's larger banks, unexpectedly sold a part of the shares to a Polish investment company, thereby changing the bank's directing strategy. The transaction was legal, but was it in the interest of Estonia's small shareholders?

Pronounced conflicts of interest involving shareholders can erupt if there are shareholders in the bank's board of directors. The chairperson can be a small shareholder, but comprehending a larger part of bank information undoubtedly gives the chair-shareholder an advantage over other shareholders. Such a situation takes on drastic overtones if the bank's business activities start to go very well, or just the opposite, very poorly. On a personal level, the bank's chairperson shall certainly present him or herself with the question as a shareholder – it is ethical to realise one's shares during a period of change? Using so-called internal information, it is possible to speculate with one's shares either in the stock exchange or outside of it and earn more than other shareholders thanks to your position. A good example of a sales boom of shares was the widespread sale of the shares belong-

ing to large shareholders and heads of a large Estonian bank. For many, this was a sign that there was something very critical occurring within the bank.

Along with the development of conflicts, so-called conflicts of responsibility can arise between shareholders and heads of banks who are shareholders and this is accompanied by ethical problems. Responsibility is usually divided according to the size of the pack of shares, yet the responsibility of the management and board of directors is unique and inseparable. The responsibility of the manager is even greater, even if he or she is not a shareholder. Responsibility demands certain rights, but even here it is necessary to know and sense what is permitted, even when everything seems to be legal. How ethical is it to give a loan to a bank employee, person belonging to the board of directors, or even a shareholder?

Obviously the limit to being moderate is seen by many as being a crucial aspect, since in the fierce competition between banks it is not realistic to leave a relatively large part of shareholders or heads without the right to use elemental bank services. Yet once again the question lies in the conditions and limitations of how services are obtained. If the bank were to slip into bankruptcy for instance, then you can be certain that the institution's heads, or businesses associated with them who have received the bank's services, shall be accused of stealing the bank's money. The head of Estonia's Taxpayers Association Enn Roose had said, that the main reasons that can be named for Estonia's banking system crumbling, are the desire of new bankers to get rich quickly and inexperience at taking risks and intentional deceit. This occurs in the form of bank money being transferred into one's own pocket via various channels (Roose, 1998).

Ethical Behaviour Between a Bank and Its Clients

Mutual ethical behaviour between a bank and its clients is necessary. It is written in Good Banking Practice that

the basis for relations between bank and client are mutual honesty and trust (HPT). It is clear that stressing trust is in the bank's best interest. It is a kind of encouragement and simultaneously a way to tempt clients to bring their money to your bank. Is such tempting, whether it be with high savings percentages or in some other way, ethical? On the other hand, it is in the clients interest to be able to obtain a loan in addition to receiving a high percent on savings? How much should the client reveal concerning his or her plans when

A bank's social responsibility is best revealed during a wave of bankruptcies. Obviously not all "active" people are good entrepreneurs or knowledgeable owners, and so it is that during a general downward slide in the economic climate, many entrepreneurs who took a bank loan will go bankrupt, and the banks are thereby hit twice.

trying to obtain a loan? A bank should trust the person receiving a loan. Yet in Estonian banking practice there have been too many cases of loan fraud or simply instances where businesses have failed and large sums of money have gone missing. Should banks inform depositors about those receiving loans and losses through loans? What kind of risk and taken to what extent, is ethical, which isn't? Is it ethical to profit by taking advantage of trust? Where does the limit of agreement for risks lie? It is said in Good Banking Practice, that when performing transactions, the bank must consider the legal interests of all parties involved. The bank cannot compromise its trust with the client either distantly or otherwise via its activity or inactivity.

The client also has a right to choose a bank and bank services. This point forces banks to act very aggressively

and often on the limit of ethicalness in the strong race between competitors to win the trust of clients, since a prerequisite of a bank's activity is the trusted existence of money.

The bank and social environment are closely related. Luckily banks do not pollute the environment, yet since large monies swirl around them, banks inevitably influence the economic environment and thereby also politics, in a roundabout way. It is written in the Good Banking Practise document, that banks do not find it appropriate to support political movements, -parties or other such, pseudo-political organisations.

According to a liberal worldview (Milton Friedman), it is the utmost duty of each business to earn a profit (M. Meel, 1998). The state should be responsible for lawfulness and maintaining order. The bank is a totally legal institution of employees loyal to the state, which also takes care that everything it does is legal, since this also is of utmost importance from the aspect of trust. Thereby it can be said that there is more social responsibility involved in bank activities than in other types of enterprises. At the same time, banks are not in the business of cultivating national sentiment, at least not in as great a capacity as many clients and politicians would like to believe. When offering services and considering conditions for a loan, a bank cannot show preference for the nationality or background of a certain business. Yet banks always have the opportunity to make reference to various risk levels when determining conditions and to decide based thereon.

A bank's social responsibility is best revealed during a wave of bankruptcies. Obviously not all "active" people are good entrepreneurs or knowledgeable owners, and so it is that during a general downward slide in the economic climate, many entrepreneurs who took a bank loan will go bankrupt, and the banks are thereby hit twice. On the one hand they must get the money back from the entrepreneur as quickly as possible, which can then lead the business into bankruptcy faster. On the flipped side, they must pay back more to the depositors, which makes the bank's situation

much more difficult. The largest bank crash of the recent past can be considered the bankruptcy of the Maapank, in whose case the state intervened, to avoid an even greater crash in the state's economy as a whole. Therefore it can be said, that the larger the bank, the greater its place in the state and the more painful the possible results in the entire country's economic conditions should something bad happen.

Banks effect the economy and the economy effects banks. I would like to quote Enn Roose, who has stated that reasons behind the so-called stock market crash of 1997 may be found by looking into the activities of banks. "...Estonia's largest commercial banks were directly linked to the crash, since by encouraging their repo-transactions, they pumped the prices of shares to a height which lacked any kind of economic base..." (Roose, 1998).

In conclusion I would like to agree with the statement that the development of banking, its two incidents of crumbling

and cleansing achieved thereby has been a process full of social meaning, above all else. It is a situation, which has been mostly described and talked about using the term **ethical crisis**.

During a period of change business strategies change also, initially becoming quite severe in order to win the inevitable battle to survive, in the name of, and with the goal of, surviving. Later they become trustworthy and more placid. It is at that point when business people are asked to come and discuss on the theme of ethical business or business ethics. It is a similar situation to where no one speaks of the heart, at a time when it is well. When the heart gives a signal, the topic becomes one of a healthy lifestyle and saving the heart from stress.

Conclusion

An understanding of business ethics develops in time, just as does legisla-

tion and the economic scene as a whole.

It is important to stress that ethics and honest business are in many ways synonyms and that it is in the best interest of every honest business partner to cultivate business honestly, yet foremost it is in the interest of banks, since it is profitable and useful.

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EBS CODE OF CONDUCT

This is the new EBS Code of Conduct, as agreed by the Executive Committee, the Senate and the student body. It is designed to plainly define the "rules of the game" for studying at EBS, and to send a clear signal about our standards and expectations.

Principles

The Estonian Business School believes in honesty, integrity and competition as key principles in a functioning market economy. It therefore expects its students, faculty and staff to follow these principles both in business and in academic life. Any act of cheating, plagiarism, or similar unethical behavior will be treated as an attack on the institution itself, and punished accordingly. Students need to understand that the value of an EBS diploma in the labor market is based on the fact that it is earned through hard work. Anyone trying to get credit by other means than his own work not only deprives himself of the opportunity to learn something, but damages

the reputation of EBS and steals from his classmates, by lowering the value of their diploma. Anyone disrupting the learning process lowers the quality of education that students receive. Reports on violations of these principles will be treated confidentially.

Examples of Prohibited Behavior

- Cheating, plagiarism, collaboration and any other form of academic dishonesty in connection with tests, homework, exams, or final paper
- Giving false or misleading information to any EBS official, staff or faculty member
- Forgery, alteration, or misuse of any EBS document or record
- Disruption or obstruction of teaching, e.g. chatting or use of mobile phones in class, repeatedly arriving late or leaving early
- Disruption or obstruction of administration or other EBS activities, including library and computer facilities

Sanctions

A violation of the principles of honesty, integrity and competition at EBS is an abuse of the privilege of studying at EBS, and raises the question whether the person is worthy of attending EBS in the future. Sanctions for prohibited behavior range from grade reductions to exmatriculation without refund of tuition. Cheating and plagiarism result automatically in an F (zero) for the paper in question.

Smaller sanctions: grade reduction, F for test/exam/homework, additional tasks, remark in student's academic record, exclusion from class participation in the given course for up to one week

Severe sanctions: F for semester, repeat course, repeat semester, temporary exmatriculation, permanent exmatriculation, legal action, exclusion from class participation in the given course for more than one week, exclusion from more than one course.

An individual staff or faculty member

can decide smaller sanctions; more severe ones need the approval of the responsible chair or the director of studies. The person imposing a sanction passes a written notice, containing the name of the student, the offence and the sanction, to the student database. Students can protest against imposed sanctions in written form to the responsible chair or to the director of studies.

Definitions

“Cheating” means (1) use of any unauthorized assistance in taking quizzes, tests, or examinations; (2) dependence

upon the aid of sources beyond those authorized by the instructor in writing papers, preparing reports, solving problems, or carrying out other assignments; or (3) the acquisition, without permission, of tests or other academic material belonging to a member of the University faculty or staff.

“Plagiarism” means the use, by paraphrase or direct quotation, of the published or unpublished work of another person without full and clear acknowledgment. It also includes the unacknowledged use of materials prepared by another person or agency engaged in the selling of term papers or other aca-

demical materials.

“Collaboration” means the unauthorized cooperation with another person(s) in preparing academic assignments or collaboration with another person to commit an act of academic dishonesty.



THE FIRST FULBRIGHT RESEARCH SCHOLAR GRANT AT EBS

Tiia KARING, PhD
Director of R & D

The Fulbright Program in Brief

The flagship international education exchange program sponsored by the U.S. Government, widely known as the Fulbright Program, is designed, in the words of its enabling legislation, to “increase mutual understanding between the people of the United States and the people of other countries...” With this goal as a starting point, the Fulbright Program has provided more than 220,000 participants - chosen for their leadership potential - with the opportunity to observe each others’ political and economic institutions and cultures, exchange ideas and embark on joint ventures of importance to the general welfare of the world’s inhabitants since its inception over fifty years ago.

The Fulbright Program was established in 1946 under legislation introduced by former Senator J. William Fulbright of Arkansas. The Fulbright Program is administered by the Bureau of Educational and Cultural Affairs of the United States Information Agency. About 4,200 new grants are awarded annually.

Professional Program in the U.S.

In the Fall semester of 1998 the author of this article had the opportunity to use a CIES/USIA Fulbright Research grant to carry out her research in the U.S.

The project title was: Development of Meaningful Quality Accreditation Standards for Higher Education on Transitional Societies (The Estonian Case).

The research objective was to develop accreditation standards for graduate business education in Estonia. To accomplish this time was used as a Fulbright scholar to deepen understanding of American principles of accreditation and the organization of the process. I will use this knowledge to recommend procedures for devising a set of standards that are appropriate for the Estonian educational system.

North America has one of the longest traditions in the accreditation of education. I had a good opportunity to visit accreditation institutions, consult with key individuals and contact peer group members.

I visited 15 institutions, where research was done. I met keypersons, interviewed them and the people who were responsible for accreditation. In several universities and colleges I had very

good meetings with faculty members. I worked in many libraries and gave a lecture at Cornell University under the Occasional Lecture Program.

The host institution for this Fulbright research was Bentley College.

Estonian Universities, including EBS, have had a long- standing relationship with Bentley College. The research was planned in conjunction with Bentley College and during my stay, I had full access to the academic resources of Bentley College.

The Methodology I used for my research was:

- consulting with American experts and peer group members on accreditation topics
- analysing specific cases of evaluation
- familiarizing myself with the relevant legislation
- collecting information on the rules and procedures of major U.S. accreditation institutions such as American Assembly of Collegiate Schools of Business(AACSB), New England Association of Schools and Colleges (NEASC), Accrediting Council for Independent Colleges and Schools(ACICS),etc.
- reviewing self-evaluation reports from Bentley College, School of Ho-

tel Administration of Cornell University and Fordam University.

One of the most important sources for my research was from AACSB - Standards for Accreditation Business Administration and Accounting (Guidance for self-evaluation). I compared American standards with Estonian standards and it gave me the opportunity to devise a set of quality accreditation standards that are appropriate for the Estonian educational system.

In addition, I reviewed many different materials such as books, journal articles, websites, etc. I had a good opportunity to read several self-evaluation reports from the schools I visited. It gave me an overview of the quality achievements and information about the continuous improvements of education in American colleges and universities through self-evaluation.

The opportunities provided by being based in the U.S. educational institutions would facilitate:

- The implementation of the work results through governmental structures (Ministry of Education and Accreditation Center)
- Realising the Quality Accreditation Standards for all universities and colleges in Estonia
- Looking forward to closer co-operation with possible partners in the Baltic area and being able to deliver our experience to them

The results of my work in the U.S. would allow me to employ my experience at a practical level for the Higher Education Quality Assurance Council of Estonia and in this way to improve the quality of

the educational system in Estonia. I can also devise a set of quality accreditation standards that are appropriate for the Estonian educational system. To use the results of my research work, I have been asked to publish several articles in publications, such as: "Review of GATE" (Washington, D.C.) and "Cornell Quarterly", the review of Cornell University.

Due to personal contacts during my Fulbright stay in the U.S. several ideas and plans will continue my professional collaboration with members of faculty at Bentley, Fordam University, The Hotel School of Hospitality at Cornell University, Babson College, The Economics Institute (at Boulder) etc.

I intend, if proper funding is obtained to join Bentley College's work-group to establish a Business Ethics Center at the Estonian Business School. We plan to organize with Bentley College a Business Ethics Conference in Spring 1999 in Estonia.

Other Experiences and Impressions

American Universities and colleges offer a lot of different scientific, professional lectures and cultural events. At Bentley College, the International Center excels in merging different cultures, organizing different lectures, seminars and cultural events for international students and scholars. I took part in many of them.

Especially useful and of great interest to me was taking part in the International

Graduate Academic Excellence Seminars on very different topics, given by Professor Mary Wright-Singer. I learned a lot about American culture, history, economy, etc.

I used every opportunity to speak about my country, my home town, college and work. I had a lot of printed materials, souvenirs and CDs from Estonia, which helped me to illustrate my presentations. At Cornell University, NY I gave a presentation about Estonian higher education. I also spoke to people from the office study abroad at Bentley and Cornell about potential student exchange with EBS.

I visited several homes of my Bentley colleagues. During my short trips I stayed overnight in several homes on Long Island, in New York, in Washington and in Colorado. I liked very much the American's life style to work as a volunteer for their community and their donations for schools, libraries, etc. I appreciate that Americans are helpful, open minded and friendly people.

I visited mainly on the East Cost of the U.S. - Washington D.C., New Hampshire, Boston, New York, Ithaca (NY) as well as Boulder and Denver in Colorado. All these trips were connected with my work and during these travels I visited different schools, universities, and organizations of accreditation. They gave me a lot of good personal contacts, possibilities for further collaboration and a better understanding of an American higher education, as well as a possibility to work in well equipped libraries and collect a lot of information for my research.



Professor Lee H. Schlorff, Academic Vice President of Bentley College and Tiia Karing



Staff of the International Center of Bentley College



Participants of the International Graduate Academic Excellence Seminar

I saw different towns, various topographies (landscape), historical places, visited museums and took part in cultural events, went to the theatres and concerts. This gave me a better understanding of America and Americans.

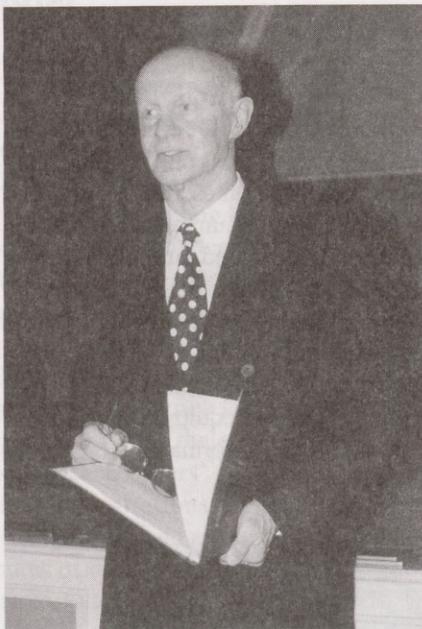
The basic purpose of the Fulbright Program is as follows: "To increase mutual understanding between the people of the U. S. and the people of other countries". On the bases of my experience and observations in the U.S. during this

grant, I would mention that, I think very highly of the Fulbright Program and the possibilities to carry out research during my stay in America. I noticed that many universities and colleges there are as multinational societies and it gives a person an opportunity to see and understand people from other countries. For example, during this grant, I worked with the multinational office, one of my room-mates was a professor from China. I also shared office with a professor from India, and I made friendly contact with many representatives of other nationalities.

I am sure and believe that in this case the aim of the Fulbright Program is fully realized.



CONGRATULATIONS, PROFESSOR MADIS HABAKUK !



Since the establishment of Estonian Business School in 1988 two names - Madis Habakuk and Estonian Business School are used synonymously. Our school celebrated its 10-th anniversary last December. At the same time, the president of EBS celebrated his 60-th birthday. Congratulations!

The best word that describes his career is versatility. His friends have described Madis Habakuk as a person who always has a long-term vision. His career started in Norma as the Head of the Department of Industrial Engineering. He is the founder of the Estonian Management Institute. For ten years (1978-1988), he was the Head of the Management Department, Management Institute, Estonia. In 1988, he founded the first private university in the former Soviet Union-Estonian Business School.

In 1981, Madis Habakuk earned his PhD degree in the field of management and organisation (Tallinn Technical University). In his defence, the main problem was that Madis Habakuk was "too young age for a PhD". Madis Habakuk has been involved in teaching both at university (Tallinn Technical University) and executive level for the last 25 years. In 1992, he was elected Honorary Doctor of Science at the San Francisco Graduate School of Psychology. Today, in addition to his presidential role at EBS, he teaches Strategic Management and Management Techniques to Executive MBA students and BBA sophomores.

In the 1980-s, Madis Habakuk worked as management consultant advising both companies in Estonia as well as in Ethiopia, Switzerland (ILO), Cuba, Poland, Hungary and chzechoslovakia. He is a board member of the Central and East European Association for International Education and of the Estonian Association of Private Education. The Ultimate Professional Directory selected Madis Habakuk as an honored member of International Who's Who for the Year 1998.

Madis Habakuk has published more than 100 books, articles and reports as well as instruction materials for consultants. Madis Habakuk was the first one in the world who assessed loyalty in management according to his psychometric and sociometric measures. Besides research, his versatility is in his hobbies: Madis Habakuk can say a word in light athletics, wrestling, tennis, scuba-diving, tennis and swimming.

Strength and Creativity!

Estonian Business School

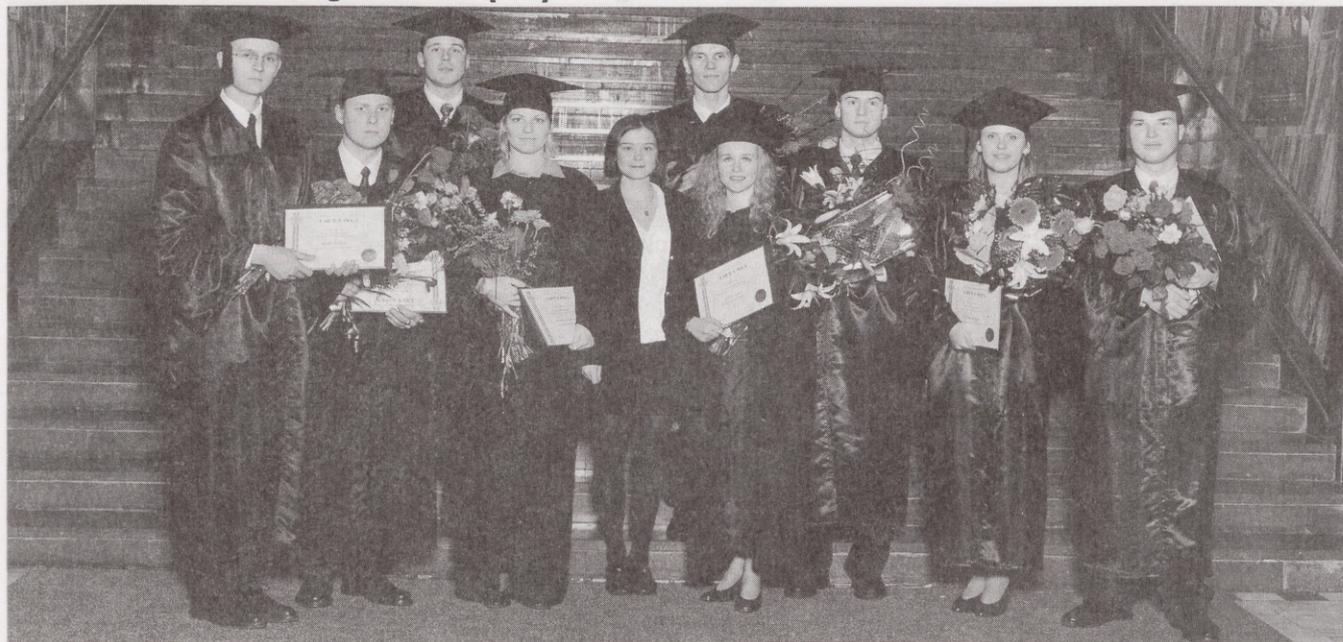


GRADUATES OF FULL-TIME, EVENING AND DISTANCE STUDIES WINTER 1998

Graduates of Full-Time Studies (BBA) Winter 1998

1. Ele Beek	Management, "The Need for Internal Marketing in Estonian Companies"
2. Janno Ingermann	Business, "Analysis of Office Product Marketing and Strategies for <i>Infotark Ltd.</i> "
3. Andres Klaar	Economics Theory, "The Spread of Financial Crises in Developing Markets: Chance or a Process Relying on Economic Indicators?"*
4. Jukk Pavelson	Business, "Estonian Decision-Making Processes and Their Influencing Factors"*
5. Rasmus Pikkani	Economics Theory, "The Model of Estonian Monetary Demand"*
6. Andrus Pukk	Business, "Estonian Wholesale Market Analysis of Security Systems and <i>Cairel Ltd.</i> Market Positions with Future Strategy"
7. Artur Suits	Accounting, "Measuring the Value of Companies. Techniques for the Valuation of Shares in Private Companies in Estonia"
8. Ave Suits	Accounting, "Accounting for Current Investments and Derivatives in Estonia"
9. Olev Tõru	Business, "Analysing Marketing Activities of <i>Läätsa Ltd.</i> from a Strategic Viewpoint"
10. Tiiu Voog	Economics Theory, "A Review of Private Banking and its Future Opportunities in an Global Perspective"

Graduates of Evening Studies (ÕB) Winter 1998



1. Kristina Koppel	Management, "Organisation Development in a Network Structure (Example of <i>Aulin</i> Business Development)"
2. Hannu Lamp	Economics Theory, "Estonia as a Target Country for Danish Direct Investments"
3. Jakob Saks	Management, "Strategic Plan for the Commercial Department of the Royal Danish Embassy in Tallinn"
4. Urmas Silman	Business, "Transit Cargo in Estonia – Problems and Perspectives"*
5. Mart Tõevere	Economics Theory, "Mergers and Acquisitions of Commercial Banks. Case: An Appraisal of <i>Hansapank's</i> and <i>Hoiupank's</i> merger"
6. Henri Treude	Business, "Introducing the Database Marketing Concept in <i>Starman Cable Television Ltd.</i> "*
7. Evelin Urbel	Business, "Surviving in the Estonian Cosmetic Market. An Analysis of <i>Travon Ltd.</i> "
8. Kristine Veinberg	Business, "The Marketing and Promotion of a Daily Newspaper"
9. Tarmo Võidula	Business, "An Analysis of the Marketing Strategy of <i>Q GSM</i> "

* These theses were written in Estonian

Graduates of Distance Studies (KB) Winter 1998



1. Ahti Aasma	Business, "Marketing Plan for <i>Dancop Mirrors</i> "
2. Kadri Aid	Accounting, "The Management of a Business' Monetary Turnover with Help from a Concern Account, Based on the Example of <i>The Port of Tallinn Ltd.</i> "*
3. Peep Amisepp	Business, "The Marketing and Analysis of Information Technology, Based on the Example of <i>Poniard Ltd.</i> "*
4. Jan Andresoo	Management, "Analysis of the Management Process of a Service Firm: An Example of <i>Estib-Talinvest Asset Management</i> "
5. Anne-Liis Arulo	Business, "The Role of Marketing Public Relations in a Company's Marketing Programs: an Example of <i>Estib Asset Management</i> "
6. Piret Brett	Management, "A Bank as a Selling Organisation"*
7. Aet Grigorjev	Economics Theory, "The Estonian Stock Market Crash"
8. Kristi Ilves	Management, "Training Personnel and Studies of Such Training in Pärnu Businesses"*
9. Indrek Jänes	Management, "Strategic Management in <i>House of Prince Eesti AS</i> "
10. Erik Keerberg	Business, "The Role of Public Relations in the Completion of Large Projects in Saaremaa"*
11. Piret Kermon	Business, "The Re-Organisation of Marketing Activities of the Insurance Company <i>AS Ühiskindlustus</i> "
12. Margit Kool	Business, "The Most Essential Aspects and Developmental Perspectives of Small Business Advertising, Based on the Example of Pärnu's Small Businesses)"**
13. Sirje Kuusik	Accounting, "The Financing of Small Business"
14. Kristina Kuusmik	Business, "Strategic Approaches to Media Planning"
15. Piret Laanemets	Business, "The analysis of Sales Promotion Tools"
16. Kristel Laanvee	Management, "Media Agencies and Their Future Scenarios in the Baltic Market"
17. Katrin Lehtmets	Business, "Different Distribution Channels in Life Insurance Industry"
18. Krista Leppiko	Business, "Key Account Management in the Hospitality Industry"
19. Mari-Liis Liinat	Accounting, "An Overview of Finances and Accounting in Estonian Circumstances, Starting from the Accounting Act and Income Tax Act"*
20. Marju Märtsen	Economics Theory, "An Organisation's Risk Evaluation from a Creditor's Point of View"
21. Ain Mihkelson	Management, "Software Project Management"
22. Ege-Rita Mölder	Economics Theory, "Methodology of Financial Advising for Businesses"*
23. Andres Muru	Accounting, "Measuring an Equity Portfolio Market Risk"
24. Ülle Ormus	Business, "Advertising and Society"*
25. Eve Päärendson	Management, "The Development Priorities of the Estonian Confederation of Employers and Industry until the year 2002"

26. Jaanus Palm	Business, "An Analysis of Marketing Processes and Practical Output, Based on the Example of <i>Baltic Auto Leasing Ltd.</i> "*
27. Moonika Palmse	Business, "Segmentation, Research and Communication in the Field of Insurance"
28. Maigi Peeduli	Business, "The Importance of Consumer Behaviour in Market Occupation and its Role in <i>Assabali</i> Marketing Strategy"
29. Tanel Press	Business, "The Expansionary Needs and Development of <i>Viisnurk Ltd.</i> "*
30. Evely Rebane	Business, "The Analysis and Development of Põlvamaa's Reputation"*
31. Andrea Reponen	Management, "Employee Motivation in a Business. Study, Analysis, Solutions."*
32. Peeter Rumessen	Business Law, "Labour Recruitment in the Baltic States and Finland. Economic and Legal Aspects"
33. Inge Runtal	Business, The Development of a Trademark and Analysis of Reputation, Based on the Example of <i>AS KND Marat</i> "*
34. Mari Siimar	Business, "The Application of the Main Principles of Environmental Marketing in the Activities of Organisations"*
35. Andri Simo	Economics Theory, "Export Promotion in Estonia and its Perspectives"
36. Tõnu Vanajuur	Economics Theory, "Opportunities for Financing a Business Prior to Emitting Stocks on the Estonian Capitals Market"*
37. Erko Virgepuu	Economics Theory, "Risks Carried by Electronic Banking Assessing and Management Recommendations"

MBA Graduates in International Business Winter 1998



1. Kiira Kure	"Conflict Resolution from Human Resources Prospective"
2. Boris-Chistoph Lemke	"Cross-Cultural Competence In International Management: Demand, Definition and Management"
3. Ando Lääne	"Activity Based Costing in Widget Company"
4. Mari Naarits	"The Valuation of a Company"
5. Olev Nilisk	"Environmental Scanning and 5-year Price Projections of District Heating Company Tallinna Soojus"
6. Eva Truuverk	"The Bank Cards and Consumer Cards Possibilities and Developments Analyze"
7. Olav Vilborn	"Strategic Plan C-Gates Lithuania"

Graduate Diploma in International Business



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| 20. Jürgen Kukkk | 42. Tiina Pahka | 64. Ivo Väär |
| 21. Jaan Kurm | 43. Teet Parring | |
| 22. Aat Kuum | 44. Meeli Puusepp | |

Graduate Diploma in Business Administration

1. Enn Otsa

EBS'S 10TH ANNIVERSARY

Kersti Loor
EBS, Marketing Manager

The Estonian Business School was founded in December of 1988, so we were therefore already celebrating our tenth anniversary in December of last year. The anniversary festivities culminated on December 18-19, with an official reception for EBS staff as well as a Concert-Ball.

On December 18 a special ceremony and reception were held for EBS staff, teaching staff and top students. The Ceremony was opened by EBS president Madis Habakuk, who spoke about the beginning years at the University. Many among us heard these tales for the first time. The speech was followed by remarks from Erich Rannu representing the Estonian Economic Club in Canada and Elmar Tampõld on behalf of the Estonian University Students Fraternity (EÜS). The School also received well wishes from the EBS Student Council president Kaido Irval and our neighbour- the Director of the Light Industrial Technical School, Aivo Natka.

During the Ceremony, EBS Anniversary Medals were presented to school founders Ilmar Martens, Marshall Fitzgerald and Madis Habakuk. Letters of Appreciation for long and loyal service were given to the staff who had worked for the school for more than five years. The top students were also mentioned. The Ceremony ended with a performance by the EBS mixed choir.

After the Ceremony, Madis Habakuk invited all to the Reception, where conversation flowed in a wonderful atmosphere by the banquet table.

This was all only an introduction to the next day- the Concert-Ball held in the Estonia Theatre's Concert Hall. Even though the official opening was at 6 in the evening, the first guests started arriving an hour before. The guests were greeted by the University President, Madis Habakuk and his wife as well as the Master and Mistress of Ceremonies Silver Lume and Kertty Talvik. In addition

to EBS staff, guests included Alumni, Students, the Speaker of the House Mr Toomas Savi, Members of Parliament, Ambassadors, University Chancellors, guest from partner Universities and elsewhere.

The Ball was opened with an Anniversary toast by EBS president Madis Habakuk. The Speaker of the House Toomas Savi and Tartu University Chancellor Jaak Aaviksoo also spoke. This was followed by a Concert given by the Estonian State Symphony Orchestra- W. A. Mozart's *Exultate Jubilate* and *Jupiter symphony*.

After the concert, guests were able to speak amongst themselves, visit the bar, and view the EBS photography exhibit and to write in the Guest Book. The Band, Karavan, set up in the Hall and played wonderful dance music all night.

During the first intermission, The Fouetté ballet dance school offered beauty for the eyes. The guests were shown classical gentle ballet as well as the jolly merrymaking of "snowmen". Taavi Esko's boys ensemble left a high-spirited feeling during the second intermission. In just a few moments, four boys were able to grab the whole audience and when the Beatles song "Yesterday" was sung as an encore, the audience was totally won over.

The more time that passed, the merrier the party became and the more they felt as one EBS family. The final non-pulsed were won over by the variety troop "A&Q", who performed during the third intermission. The final dance, of course, was the lively Can-Can.

The audience received the EBS mixed choir performance at the end of the Ball

very warmly. President Madis Habakuk made the closing statement. The Host and Hostess of the Ball presented the presidential couple a small bell with their names and asked everyone to the final waltz...

And so ended the tenth birthday. The small messing bell will remain to remember the ended celebration... And every year new names will be added - new Hosts and Hostesses of the Ball- in this way time passes and the University gains age.



WINTER SEMINAR IN PÄRNU 99

B.C. Lemke, MBA
Director of Foreign Language Institute
Head of Organizational Development
Estonian Business School

The Aim

Every year in January, members of EBS senate and management take time out for a few days to travel to the (relatively) famous sea resort town Pärnu in Southern Estonia together. There, far away from the everyday tasks of the regular workday, they look at the "big picture": where our business university is heading, what changes and trends are noticeable in the area of education in Estonia, and how we plan to further develop the role of EBS as a provider of the high quality management education Estonia needs.

This year's EBS Winter Seminar had two main goals. The first was to decide on concrete steps for the strategic development of EBS, primarily based on the strategic audit report conducted in 1998 by the European Foundation for Management Development in Brussels. The second was to strengthen our focus on our "clients", i.e. students and employers, by finding out more about "client relations" from a Finnish expert, professor Lehtinen from the University of Tampere.

The Process

Compared to past years, some things were new and spectacular this year in Pärnu. For the first time, someone "from the outside" was strongly involved in the process: Professor Veikko Jaaskelainen from the Helsinki School of Economics and Business Administration had agreed to act as our external advisor. Also for the first time, the whole seminar was conducted in English. Both features are a clear practical signs of the increasing internationalization of EBS. The guiding idea for structuring the seminar was to give as much power and freedom for creativity to the participants, while at the same time providing a clear framework and focus for our work.

Therefore, most of the time was spent in groupwork, either parallel groups working on the same topic, or different groups working on different topics. In addition, we had some elements asking for individual opinions or suggestions.

The Topics

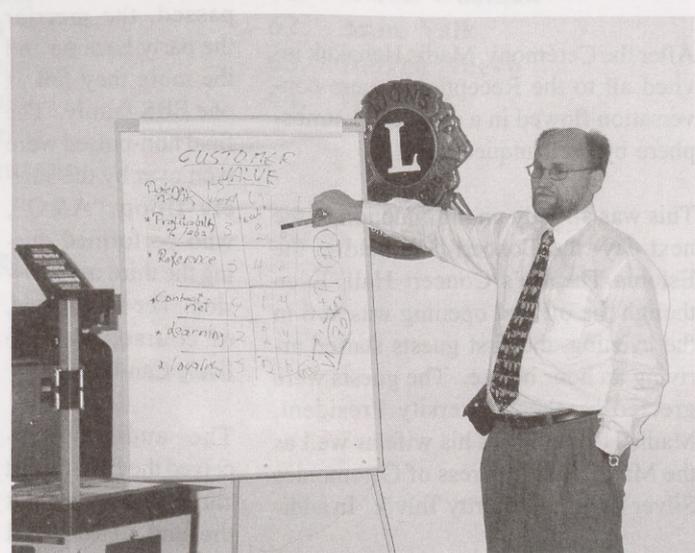
Some of the topics discussed in Pärnu are probably relevant not only for EBS or in an Estonian context, but represent typical key questions for academic institutions offering business education programs. Those are the ones that shall be briefly touched upon here, to provide food for thought for colleagues, partner institutions, and other individuals or groups with an interest in EBS.

One of those questions which are certainly of general interest, is what the Ideal Business School would look like - a vision of an "IBS", so to say, that does not exist but represents the ultimate, the perfect institution... Our discussion showed that even though there are some conflicting ideas concerning individual aspects of such an ideal, there was general agreement on a number of points. They can be summarized under the headings programs, students, faculty, and resources/organization. Study Programs are focused, there is a choice of majors, and there is a defined area of expertise. Students are talented and ambitious, as well as actively involved in academic life. Faculty includes a pool of assistants, teaching is balanced with research, and a strong sense of mutual loyalty exists. "IBS" is a private institution guided by an executive committee, resources include an international network and dormitories. Wouldn't YOU love to teach or

study there? - but seriously, apart from the pleasant realization that "in some of these aspects, we are already there", this little excursion to utopia did provide useful insights into our potential, as well as a strong sense of direction and purpose.

Another dominant topic well known to all academic institutions is the balance of teaching, research and administration. For EBS, the main question here is how to integrate research with the teaching process in our various study programs. EBS students can boast to have the best study conditions for business education in Estonia, but on the other hand the number of research projects is limited, and research is mostly isolated completely from the study process. This area was identified as representing the highest potential for development, and concrete steps are now being developed.

Concerning client relations, Lehtinen talked about general trends in this area. Two interesting aspects for EBS were the importance of word of mouth for abstract products (e.g. education), and the risk of neglecting the good students. These often do not receive enough attention simply because they are "doing fine" - while actually they deserve to be challenged and pushed towards higher goals than the average. Another exciting aspect of this approach is to focus not on individual study programs or semesters, but to look at the overall range of benefits that EBS can offer the students, the employers, and society as a whole. The key idea is to build strong



Professor Jarmo Lehtinen delivered a lecture on customer relationships

lasting relationships rather than engaging in short term exchanges.

A Personal Note

Apart from the numerous ideas, decisions, and actual projects that sprung from the seminar, maybe the most important result is an intangible one: a re-

vived team spirit and sense of direction among the individuals that work together to provide our students with the education they need to succeed. We realize that many of the questions dealt with in Pärnu cannot be answered once and for all - that is why we welcome your thoughts on these topics. What is your vision of an ideal Business School? What are your experiences, at your institution, in your country? We feel that

we have benefitted greatly in the past from an exchange of ideas with our partners and friends in Estonia and abroad - we see an open dialogue as the main motor of development. Feel free to contact us.



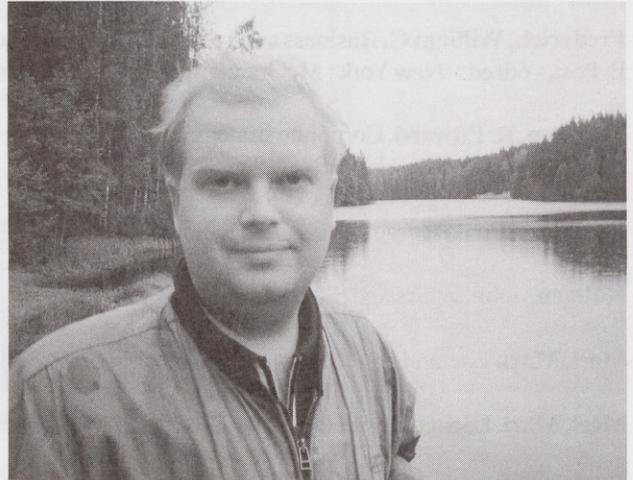
CONGRATULATIONS!

The youngest doctor of history in Estonia

Vahur Made

Associate-professor of law and public administration, of EBS who successfully defended his dissertation "Estonia and the League of Nations" at the University of Tartu on Feb. 19, 1999.

Born in Tallinn on July 11, 1971. Graduated from the University of Tartu in 1994, specialising in contemporary history and international relations. Defended his *magister artium* degree in history in 1995.



Lecture courses at the University of Tartu and the Estonian Business School:

"International Relations after the Second World War: 1945-1991.", "The History of European Integration" and "European Economic Integration".

Current research program:

His main field of research is the history of Estonian foreign policy. In the past few years the work has concentrated on Estonian relations with international organisations (the League of Nations, United Nations and European Union).

Research topic at EBS:

The study of the economics and society of Estonia and its post-Socialist neighbouring countries during the transitional period (1999-2003) and the founding of the Baltic Research Centre at EBS (1999).

EBS ALUMNI

In August of 1998 EBS and its alumni founded the EBS Alumni Foundation, in the hopes of uniting the interests of the university, alumni and students. Its main goal is to support outstanding students with scholarships. In addition to financial aid, students also need support in the areas of career planning, searching for employment, finding apprentice positions and when completing their final theses.

In association with the Estonian Business School's 10th anniversary concert-ball, alumni were given the opportunity to support the EBS Alumni Foundation through the purchase of a 1000-kroon ticket to the ball.

We thank you for your kind support:

Peeter Reštšinski

Arle Mölder

Johann Sulling



THESE BOOKS ON BUSINESS ETHICS ARE AVAILABLE IN EBS LIBRARY

Business ethics : a European approach / ed. by Brian Harvey. - New York : Prentice Hall, 1994. - VII, 258 p.

Chryssides, George D. An introduction to business ethics / George D. Chryssides, John H. Kaler. - London : International Thomson Business Press, 1993. - IX, 585 p.

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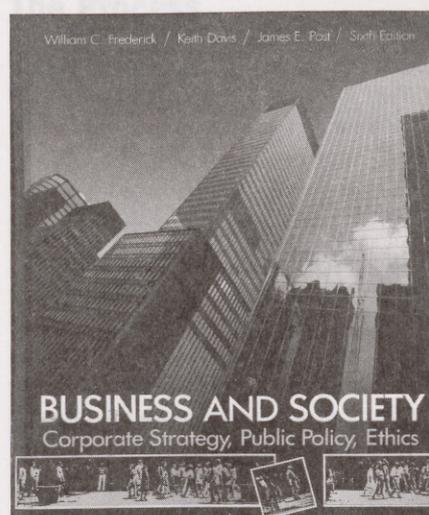
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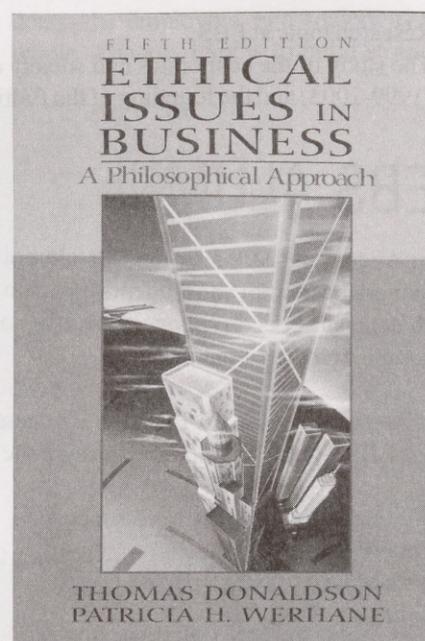
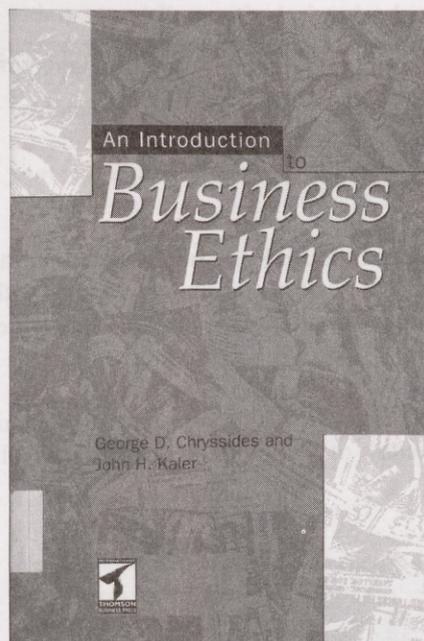
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