

Organization Behavior Development: Case Studies on Corporate Scandals

Donald K. Hsu, Ph.D.
Dominican College
Division of Business Administration
Orangeburg, New York, USA

Abstract

Organization Behavior and Development (OBD) has been the topic of significant research for the past twenty years. The theoretical foundation of OBD has been established in many MBA programs, corporations and government entities. Culture, ethics, motivation, norms, values constitute corporate social responsibility (CSR).

Recent scandals and accounting frauds, involving companies such as Adelphia, AIG, Enron, ImClone, OmniMedia, Siemens, Societe Generale, Tyco, Vivendi and WorldCom, triggered much interest on global ethical leadership (GEL). American and German companies appointed Chief Risk Officers (CRO) to oversee ethical behavior of the risky investments. This is a new title that exerted much influence on the corporate decision in making strategic investments. Tyco continues to do well with a new CEO, while Enron has filed for bankruptcy. OBD, CSR and GEL are major reasons for corporate long-term success. Using case studies, this paper tends to address these issues.

Introduction

Organization Behavior and Development (OBD) has been a major research topic in all business schools. Bakker and Schaufeli (2008) did work on positive organizational behavior. Cooke and Szumal (2000) used the organizational culture inventory (OCI) to understand the operating cultures. Using OCI, constructive vs defensive cultures can be measured. This leads to the transformation of the organization culture. It helps to facilitate the global strategic alliances and management, Human Synergistics International (2008). Goleman (2003) did work on the new leader. Klein (2008) did the research on organizational culture as a source of competitive advantage. OBD research results were available for free download at the Open Courseware at MIT (2008). Therrien and Rodriguez did work on Organization Behavior Management (2007).

Corporate social responsibility (CSR) and ethical values courses have attracted much interest. Kotler and Lee (2004) put forth cutting edge ideas on CSR. O'Brien (2004) made a comprehensive analysis of the ethical leaderships of 15 Dominican colleges in USA. Pennino (2002) investigated the relationship between principled ethical reasoning and managerial decision styles. Prahalad and Porter (2003) collected findings on CSR. Safty (2004) organized a global leadership conference to discuss value leadership. Recent scandal and accounting fraud brought the downfall of Enron, Global Crossing and

WorldCom. Prior to bankruptcy, their assets were \$63 billion, \$30 billion, and \$103 billion, Bankruptcy Data (2007). Trevino (2006) used Enron for MBA courses.

Since 1996, internet e-commerce became the new paradigm to disseminate research findings. Chinese American Scholars Association (CASA), a New York non-profit firm, has sponsored E-Leader conferences in four global locations since 2006. The aim of the E-Leader was to train tomorrow's leader in all academic disciplines. Bruno (2007) did the research on Innovative Leadership. Gahir (2007) did the evaluation of business ethics. Mathisen and Foley (2007) did work on the role of ethics. Nino (2006) did research on women and equality. Yuksel (2007) did research on leadership and conflict transformation. As a result, world professors and researchers presented many case studies in OBD, CSR and GEL, CASA (2008).

Dominican College***

In the Fall Semester of 1988, Dominican College's student population was about 1,400 when this author joined the Division of Business Administration as an Associate Professor. The Business Division offers degree programs in Accounting, Computer Information Systems and five concentrations in Management: Finance, Human Resource, International, Information System, and Marketing. As of the Spring Semester of 2008, the College's student population was 1,950. The College is located 14 miles northwest of New York City. Business majors were 580. Other academic programs include Arts and Science, Education, Nursing, Occupation Therapy, Physical Therapy, and Social Science. A Master Degree in Business Administration was approved by the State of New York in 2007. This author served as the Director of the Business Division, from 1990 to 1996.

1. International Management Course

This course covers: managing across the culture, strategic planning, managing global risks, decision making and controlling, labor relations, ethics and social responsibility. In addition to lectures, group exercises were done in computer lab using materials from: 1. BusinessWeek, 2. Economist, 3. Financial Times, 4. Forbes, and 5. Fortune magazine and/or website. Case studies from Harvard Business School, Cranfield University (2003) and Thunderbird (2003) were used. Japanese management issues were discussed, Hsu and Wirth (1997). CSR and GEL issues were covered. A comparison on Tokyo, Hong Kong and Shanghai economy was done, Hsu (2003). In Fall Semester of 2007 and Spring Semester of 2008, 24 and 16 students enrolled respectively. Final group projects were presented: Avon, H & M, Ikea, and Pepsi, just to name a few. Students presented their findings by using MS PowerPoint slides.

2. Global E-Commerce Projects Course

Starting with E-Commerce US leaders Amazon and Ebay, ten other countries that built successful E-Commerce models were covered. It was a combination of lectures, Internet search, "hands-on" group exercises in Business Plan software, Global Finance,

Harvard Business Review case studies, and Project Management software. OBD, CSR and GEL were discussed at length in class.

For over 100 years, multinational enterprises (MNE) such as GM, IBM, and Sony have been doing business worldwide. The letter of credit (LC) was the standard form for payment. Many types of LCs existed today, such as irrevocable LC and revolving LC, just to name two. Countries appearing on the worst transparency list for international payments were: Nigeria, Russia and China. In the Global E-Commerce environment, one would pay over the internet with credit cards. Everything happens as soon as a mouse was clicked. What are the new rules and regulations? How do the buyers and sellers conduct transactions involving millions of dollars? Is a letter of credit enough? Many of these issues are surfacing now as Global E-Commerce is quickly becoming the new paradigm of doing business. The MNEs that have practiced OBD, CSR, and GEL will be the winners for years to come. In the Spring Semester of 2005, 22 students registered. Eleven final projects were made, dealing with the scandals and accounting fraud that eventually brought down Enron, and WorldCom, Hsu (2004) and Hsu (2006).

Monroe College*

1. Managing in the Global Environment course

In January of 2008, this course was offered at the King Graduate School of Business, Monroe College, Bronx, New York. Thirty MBA students enrolled. Deresky (2006) book was used. A laptop PC and a projector were brought into class by this author. Using the PowerPoint slides and Internet search, made the lecture more interesting. Emerging markets: Brazil, Russia, India and China (BRIC) were compared. Khanna (2008) and Gupta (2008) provided great insight about the upcoming dominance of China and India in the global stage. CSR and GEL were covered in details. Understanding culture difference, is one the most important aspects for global success. Real life stories about the different culture: USA vs Japan, Christian vs Muslim, were employed. Student in-class participation was crucial. Magazine articles were distributed in class. Each student would read an article that was related to Managing in the Global Environment. Then he/she told the class in one minute or less about its importance. This approach kept the whole class focused and engaged. Every student had to do the one-page outline of Industrial Analysis Project (IAP) and Business Plan Project (BPP). IAP, BPP and four sets of homework assignments were collected and graded. The feedback of these assignments was given.

Due to the large class size, individual final project was not feasible. Ten group projects were assigned with three people in each group, as their final exam. Topics needed: the founder/CEO of the firm, management team, location, core business, SWOT analysis, stock price, investor's relation, reason for success, international management issue, competitor, and how the firm is doing today. Each group has to hand in a 17-22 page written paper and 15+ PowerPoint slides. Student gets the same grade for the written paper (40% of the final exam), but different grade for the oral presentation (60% of the final exam). Companies sent their employees, Table 1. Global ethical leaders (GEL) did great jobs for the firm and the community they served, see Table 2.

2. Organizational Behavior and Development course

This course was also recently taught by this author at King Graduate School of Business. Twenty MBA students attended. The course used a combination of PowerPoint lectures, Internet search, books, magazines, and in-class reading assignments. The textbook was written by Osland (2007). Topics covered were: psychological contract, learning and management theory, human behavior, motivation, personal growth, work stress, interpersonal communication, perception and attribution, group dynamics and work teams, problem solving, managing creativity and diversity, conflict negotiation, leadership, decision making, organization culture, and performance measurement. Osland (2007) does not provide PowerPoint slides. Using the PowerPoint slides by Andre (2008), made the class lecture more interesting. Four homework assignments were collected and graded. Feedback on homework was given.

The Statistical Package for Social Science (SPSS) software could be employed to do data analysis in social science or marketing research. Starting with a known problem, one formed a focus group consisting of 5-9 people. From the result of the focus group, a questionnaire was designed for an in-depth survey of the general public. Using mall intercept, 100 or more convenient samples were collected. SPSS software was used to analyze this data. Then a final report with recommendation was given.

In 2004, this author taught a course in Marketing Research at Baruch College, New York, New York. Thirty six MBA students enrolled. Six groups were formed, with six students in each group for the final projects: Artec Loreal, Bookstore, Beth Israel, Blockbuster Video, HBO, and iPods, Hsu (2006). By showing the SPSS analysis with the six final projects, Monroe students learned how the SPSS analysis worked. They understood the elaborate process to publish research in Journal of Applied Psychology.

E-Commerce, IPO success, Enron-collapse and WorldCom-crash stories were covered. In July 2002, President George W. Bush signed the Sarbanes-Oxley Act into law. American CEO not only had to pay higher accounting/auditing fees to meet the Sarbanes-Oxley requirement, Chief Executive (2005), but also had to weigh the pros and cons of Business Process Outsourcing (BPO). India is the leading country to benefit from BPO, estimated to be \$12 billion business in 2008.

Ten final group projects were assigned. Each group consisted of two people. They did the research on scandalous companies: Adelphia, AIG, Enron, Imclone, OmniMedia, Societe Generale, Siemens, Tyco, Vivendi and WorldCom. Emphasis was placed on the reasons of the scandal and/or accounting fraud. Students would write a ten-page term paper and presented the case study with 12 PowerPoint slides. Student in the group received the same grade for the written term paper, but different grade for the oral presentation, Table 3.

Conclusion

OBD, CSR and GEL have generated much interest in the past ten years. These topics were covered in courses: Organization Behavior Development, Global E-Commerce, International Management and Managing in the Global Environment. A hands-on approach, in-class discussion of OBD, CSR, and GEL would make the class stimulating. Extensive Internet research, case studies from Harvard, Cranfield or Thunderbird, and final project presentations were the strategies that would have the best chance of success. Student evaluations were extremely positive.

Notes: *** Full time position * Part time consultant

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Table 1 Companies that sent employees

ABC Radio, Aetna Insurance, Andrus Children’s Center, Automatic Data Processing, Avaya Corp, Avon Products, Becton Dickinson, Broadridge Financial Solutions, Broadview Network Inc, Christies Auction House, Citigroup, Columbia University, Commerce Bank, Consulate General Jamaica, Credit Suisse First Boston, Czur Entertainment, DaimlerChrysler, Delta Airlines, Direct Marketing Association, Deutsche Bank, DRA Advisors, Economist Group, Goldman Sachs Co, Guardian Life, Hertz Corp, Hilton Grand Vacations, Honeywell, IBM Corp, ICIC Bank India, Intel Corp, Interactive Data Corp, Interfaith Medical Center, Johnson & Johnson, JPMorganChase, Keane Co, Keyspan Energy, Knight Equity Market, KPMG Inc, Lehman Brothers, Long Island Railroad, Lucent Technology, Medical Herald, Mercedes Benz, Merck Inc, Merrill Lynch, MetLife Insurance, Microsoft Corp, Monroe College, Morgan Stanley, Mount Sinai Medical Center, New York City Department of Education, New York City Government, New York City Human Resource Administration, New York Life, New York Presbyterian Hospital, NJ Bulk Mail Center, NJ Transit, North Central Bronx Hospital, Office Medical Examiner, Oppenheimer Co, Orange Rockland Utilities, Panasonic Computer Solutions, Par Pharmaceutical, Partnership with Children, Passaic Valley Sewerage Commissioners, Pentax Medical, Pfizer Inc, Pollak Import Export, PricewaterhouseCoopers Inc, Prudential Securities, Salomon Smith Barney, Seiu Benefits Pension Fund, Takasago International, Tilcon New York, Technical Traffic Consultants, Tower Insurance, Unilever Inc, United Parcel Service, Utopia Home Care Inc, Verizon Communications, Verizon Wireless, Wyeth Pharmaceutical and Yamada International

Table 2	Manage Global Environment
<u>Group A</u>	<u>Group B</u>
Carlos Ghosn Nissan Renault	Prince Alwaleed Kingdom Property
<u>Group C</u>	<u>Group D</u>
Lakshmi Mittal Mittal Steel	Indra Nooyi PepsiCo
<u>Group E</u>	<u>Group F</u>
Rupert Murdoch News Corporation	Andrea Jung Avon Products
<u>Group G</u>	<u>Group H</u>
Bernard Arnault LVMH	Ingvar Kamprad Ikea
<u>Group I</u>	<u>Group J</u>
Carlos Slim Helu Telmex	Sheldon Adelson Las Vegas Sands

Table 3	Org Behavior Development
<u>Group A</u>	<u>Group B</u>
John Rigas Adelphia Comm	Maurice Greenberg AIG
<u>Group C</u>	<u>Group D</u>
Jeffrey Skilling Enron Corp	Sam Waksal Imclone Systems
<u>Group E</u>	<u>Group F</u>
Jerome Kerviel Societe Generale	Martha Stewart OmniMedia
<u>Group G</u>	<u>Group H</u>
Klaus Kleinfeld Siemens Corp	Dennis Kozlowski Tyco International
<u>Group I</u>	<u>Group J</u>
John M. Messier Vivendi Universal	Bernard Ebbers WorldCom

