# Hollywood Movies in the Classroom: Bringing Finance and Business Ethics Alive

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## ABSTRACT

*This paper describes how Hollywood movies can be used in the classroom to bring finance and business ethics alive in ways that that are difficult to achieve in traditional lectures, assignments and written case studies. The use of seven popular full length motion pictures, four fictional and three based upon actual events, are discussed along with an approach that uses selected excerpts (film clips) in the classroom.*

"Anyone who tries to make a distinction between education and entertainment doesn't know the first thing about either."
Marshall McLuhan

## INTRODUCTION

Teaching finance and other business disciplines poses the continuous challenge of linking the wide variety of theories to the "real world" and providing students with an organizational frame of reference that helps them understand and appreciate the relevance and context within which the subject matter applies. It is also challenging to include the human dimensions of our disciplines. It is ultimately men and women who practice finance and business, people who are motivated by egos, desire for career success, lust, money, job security, excitement, competition, greed, and power.

There is a growing body of literature that describes how business faculty can effectively use movies to teach a variety of difficult topics in the classroom. Many students, but in particular undergraduate students, do not have the business experience and organizational context within which to place much of what is learned in the classroom. This is especially the case when studying the managerial motivations (e.g., personalities, egos, and greed) surrounding strategic decisions such as corporate takeovers and proxy fights or malfeasance such as insider trading, and fraud. As demonstrated by Serey (1992), who uses the movie *Dead Poets Society* to teach management and organizational behavior and Harrington and Griffin (1989), who use the popular science fiction movie *Aliens* to teach leadership and power, movies are able to bring situations and people to life in ways that lectures, cases, and text books simply cannot.

Building upon this foundation, this paper describes how movies can be used in the classroom to facilitate learning on subjects as varied as leveraged buyouts, perverse employee incentive systems, fraudulent accounting practices, and rogue financial trading. The paper is organized as follows. The first section provides overviews of seven popular Hollywood motion pictures and how they can be integrated into finance and business courses to reinforce, illustrate, and help bring subjects alive: *Barbarians at the Gate*, *Boiler Room*, *Enron: The Smartest Guys in the Room*, *Glengarry Glen Ross*, *Other People's Money*, *Rogue Trader* and *Wall Street*. The second section further elaborates the benefits of using movies in the classroom, to both substitute as well as complement traditional learning tools. The third section discusses the use of selected excerpts (film clips) from movies or television productions as an alternative to showing full length movies in the classroom.

## THE MOVIES[1]

*Barbarians at the Gate* (1993, 107 minutes)

The HBO movie *Barbarians at the Gate* is based upon the bestselling book Barbarians at the Gate: The Fall of RJR Nabisco by Bryan Burrough and John Helyar (1991) that chronicles the history of RJ Reynolds Tobacco Company from its inception in 1875, to its numerous food company acquisitions in the 1970's and 1980s, its acquisition of Nabisco Brands, Inc. in 1985, and the historical takeover battle and leveraged buyout of the company in 1988.

Starring James Garner as F. Ross Johnson, CEO of RJR Nabisco, Jonathan Pryce as Henry Kravis of Kohlberg, Kravis, Roberts & Co. (KKR), Fred Thompson as James Robinson, CEO of American Express, and Peter Riegert as Peter Cohen, CEO of Shearson Lehman Hutton, the movie focuses upon the events, executives, lawyers and investment bankers who were drawn into one of the largest leveraged buyouts in history. After learning that the company's new smokeless cigarette called Premier is likely to fail in the market, F. Ross Johnson decides to take the RJR Nabisco private by buying out existing shareholders. Although Johnson was originally introduced to the idea of a leveraged buyout (LBO) by Henry Kravis, he decides to instead work with the Shearson Lehman Hutton division of American Express. Feeling betrayed and not too be out done and dethroned as the king of LBO's, Kravis decides to submit a bid for the company and a highly-publicized bidding contest ensues between KKR and the Johnson management group. Whereas the management group's strategy was to sell the company's food businesses and retain its tobacco business, KKR's strategy was to retain the tobacco business as well as many of the food businesses. Ultimately, KKR prevails, but at an inflated purchase price financed by an enormous amount of debt.

The story of the buyout of RJR Nabisco portrayed in the movie combines colorful personalities, power, greed, ethics, and egos – a combination guaranteed to capture the interest of students. Students are fascinated with the lavish lifestyle, fraternal mentality, and motivation of F. Ross Johnson, and the shrewdness of KKR's Henry Kravis. Their reactions to Johnson and Kravis range from repulsion to attraction. For some students, the RJR Nabisco buyout saga reinforces their desire to pursue careers in finance and investment banking. For others, it causes them to reconsider their career plans and goals.

As described by Nofsinger (1995) and Peterson and Philpot (1997), *Barbarians at the Gate* can be effectively used to prompt discussions of issues related to valuation, ethics, agency theory, leveraged buyouts, capital structure, and social responsibility. They suggest discussion questions that can be used during or after the movie to stimulate discussion by students of these and other issues. Kester (2008) discusses how the movie can be combined with Burrough's and Helyar's book, a Harvard Business School case that focuses on the valuations of RJR Nabisco, and articles in the popular press to provide students with a multidisciplinary (and multimedia) perspective into the one of the largest leveraged buyouts in history.

*Boiler Room* (2000, 120 minutes)

*Boiler Room* is drama about the world of aggressive, unscrupulous stock brokerage firms. The movie focuses upon Seth Davis (portrayed by Giovanni Ribisi), who has dropped out of college and runs a casino out of his apartment for college students. Recruited by a friend who works for the brokerage firm J.T. Marlin, Davis quickly learns how to cold call prospects over the telephone and use aggressive sales tactics to generate clients for the firm.

Although he becomes quite good at his job, he learns that the firm's business model is just a "pump and dump" scam. Davis and the other brokers are paid high commissions to convince affluent investors (whales) to purchase shares of near-defunct companies, thereby inflating the prices so that the current owners can sell the shares at the high prices before the companies actually collapse. When the firm is finished pumping the stocks, the new investors are stuck with shares with no buyers and the price drops leaving them with worthless stock and substantial losses. Ultimately, the FBI confronts Davis and pressures him to cooperate in bringing down the firm.

*Boiler Room*, which also stars Vin Diesel, Nia Long, Nikki Katt and Ben Affleck, is a classic story of greed, excess, and unethical business practices. It can be used in courses in investments, organizational behavior, or business ethics to expose students to the use of perverse incentive systems and unscrupulous brokerage and sales practices that seem to be far removed from practices of traditional brokerage firms. At the same time, however, the sales tactics and single-minded pursuit of trading commissions seem uncomfortably familiar. As with *Barbarians at the Gate*, the themes depicted in Boiler Room penetrate students to the point where some rethink their future career choices.

*Enron: The Smartest Guys in the Room* (2005, 110 minutes)

*Enron: The Smartest Guys in the Room* is the academy award-nominated documentary based on the best-selling book by *Fortune* reporters Bethany McLean and Peter Elkind (2003). It chronicles the demise of Enron Corporation, one of the largest corporate frauds in history. Narrated by actor Peter Coyote, the documentary features interviews with former Enron executives and employees, reporters, traders, and security analysts. It examines the moral vacuum, excesses, and obsessive pursuit of profit at any cost that that eventually resulted in the company's bankruptcy. Also examined in the movie is Enron's involvement in the California electricity and state-wide blackout.

Hatfield and Buchko (2008) discuss how *Enron: The Smartest Guys in the Room*, can be used to enhance discussions of financial and ethical issues related to this well known business scandal that "has become synonymous with bad management, corruption, and management failure." (p. 68). They provide discussion questions and suggested additional readings that can be used to enhance discussion in the areas of agency theory, capital budgeting, capital structure, bankruptcy, corporate takeovers, information asymmetries, stock valuation, corporate governance, and ethics. In particular, the film is an excellent tool to teach students how a strong organizational culture (i.e., perverse inventive systems, strong risk appetite, loose corporate controls, etc.) can lead to disastrous organizational outcomes.

*Glengarry Glen Ross* (1992, 100 minutes)

Critically acclaimed *Glengarry Glen Ross* is an independent film based on the Pulitzer Prize and Tony Award-winning play by David Mamet. Starring Al Pacino, Jack Lemmon, Alec Baldwin, Ed Harris, Alan Arkin, Kevin Spacey and Jonathan Pryce, the movie focuses upon two days in the lives of four real estate agents and their response when the company's corporate headquarters attempts to motivate sales by announcing that in one week, all but the top two salesmen in the office will be fired. The title of the movie is based on the names of two real estate developments being promoted by the company – Glengarry Highlands and Glen Ross Farms.

The movie is excellent at portraying the challenges and dilemmas employees face when put under extreme pressure. The company's reward system almost ensures that wrongdoing will take place. Instead of working together, the salesmen work against each other to look after their own interests. With limited support from an unsympathetic boss, the salesmen resort to petty infighting, backstabbing, and eventually fraudulent behavior by the competing salesmen. Much of the movie revolves around a burglary in the office. Someone has stolen the good leads on prospective customers, and it is likely the leads were sold to a rival firm. There are many possibilities as to who the thief or thieves may be. The robbery also escalates the tension in the movie. Students who have viewed this movie in class have commented that the contest reminds them of the corporate culture at Enron. Enron instituted a "rank and yank" promotion system, in which the highest performers were rewarded, the lowest fired, and the middle ranks warned to either reach the higher echelon of the company or face future termination. The Enron system created a culture of greed and paranoia, much like the situation chronicled in *Glengarry Glen Ross.*

*Glengarry Glen Ross* also provides a wide spectrum of ethical archetypes. All the characters fall within a continuum of rule bending and rule breaking. Some are criminal while others are simply unethical. There are no "good guys" in the movie, but some are more good than others. Al Pacino's character uses his charisma to charm clients into deals that are not as they appear. Kevin Spacey's character looks after his own position in the firm and provides no leadership. Alec Baldwin delivers a motivational speech from headquarters that is part Knute Rockne and part Attila the Hun. Alan Arkin, Ed Harris, and Jack Lemmon play weak characters without a moral compass and no ethical backbone. Thus, the movie provides ethical issues within and between all the levels of the company.

The other excellent contribution of the movie to classroom discussion is the dialogue. David Mamet is perhaps the best screenwriter in capturing the way people actually talk and then portraying it on the screen. Mamet spent months in a sales office observing the rapid pace of conversations among business people, in order to ensure the authenticity of his script. The movie makes the viewers feel they are participating in the conversations as the characters plot how they will win this twisted contest. Students have the opportunity to describe how they would have responded if faced with the same situations. The movie brings reality and complexity to classroom discussions in ways that are not always captured in traditional written cases.

*Other People's Money* (1991, 101 minutes)

*Other People's Money*, based on the off-Broadway comedy by Jerry Steiner, portrays the hostile takeover of New England Wire & Cable by corporate raider Garfield Industries.

Starring Danny Devito as Lawrence Garfield (a.k.a. "Larry the Liquidator"), president of Garfield Industries, Gregory Peck as Andrew Jorgenson, chairman of New England Wire and Cable, and Penelope Ann Miller as Kate Sullivan, Jorgenson's stepdaughter and attorney brought in to help defend the company against the takeover.

New England Wire and Cable is a debt-free corporation located in Rhode Island which was founded and managed by two generations of the Jorgenson family. Unfortunately, the market value of the company's common stock is less that the underlying value of its assets and although several of its divisions are profitable, its wire and cable division is unprofitable and supported by the other divisions. This leads to the takeover attempt by Garfield Industries. As Sullivan engages in various tactics to defend against the takeover, a romantic attraction evolves between her and Garfield. The story culminates in a proxy fight and impassioned and colorful speeches by Jorgenson and Garfield at the company's annual shareholders' meeting. Ultimately, Garfield prevails and the wire and cable division is closed

For Garfield, making money is a game – a game he loves to play. Ultimately, he must choose between his love for Sullivan and his love of money. Among his memorable quotes in the movie is (DVD Scene 8):

> "You make as much money for as long as you can. Whoever has the most when he dies, wins. Look, it's the American way. I'm doing my job. I'm a capitalist. I'm simply following the law of free enterprise."

*Other People's Money* is a story that combines colorful personalities, suspense, greed, comedy, and romance. Chan, Weber and Johnson (1995) describe in detail how the movie can be used as case study in corporate restructuring, business ethics, social responsibilities of the firm, capital structure policy, and corporate takeovers. They present a list of discussion questions on capital structure, takeovers, and the legal aspects of takeovers that can be used after the first 30 minutes of the movie and a list of questions related to social responsibility versus shareholder wealth maximization that can be used to discuss the speeches by Jorgenson and Garfield and the proxy fight at the annual shareholders' meeting.

Graham and Kocher (1995) also describe how *Other People's Money* can be used as a case study of corporate restructuring and related ethical issues, including free enterprise, stakeholder interest, and gender stereotypes. They offer post-movie questions to stimulate thought and discussion of these issues.

*Rogue Trader* (1999, 102 minutes)

*Rogue Trader* tells the story of how futures trader Nick Leeson (portrayed by Ewan McGregor) brought down the world's first merchant bank and one of Britain's oldest financial institutions, 200-year old Barings Bank. Based on Leeson's (1996) book, <u>Rogue Trader: How I Brought Down Barings Bank and Shook the Financial World</u>, it is a story of greed and high risk trading.

After working in Baring's Jakarta, Indonesia office, Leeson is transferred to Singapore as Barings' trading manager on the Singapore International Monetary Exchange (SIMEX). He quickly rises to become one of Barings' best traders. Or is he? He begins to incur increasingly larger losses that he hides in an error account. Unfortunately, Barings' executives in London have in place weak control systems to mange their traders and are unaware of Leeson's mounting losses which eventually exceed £800 million. When his high risk gambles fail to recover the losses, he and his wife escape to Indonesia, where they learn that Barings has gone bankrupt. Knowing that he will be arrested, they decide to return to London, but Leeson is apprehended during a stopover in Frankfurt, Germany and subsequently extradited to Singapore for trial and prison.

The movie illustrates one of the most mundane topics taught in business schools -- the employment of proper (i.e. strong) organizational and accounting controls. Students are often aware of how firms become insolvent due to poor strategic decisions, inappropriate capital structures, unanticipated external shocks, or other reasons; however, they are less likely to fully grasp the a firm's vulnerability to individuals when they are given the "freedom" to bet the firm as was the case with Nick Leeson. As has become apparent over the past 18 months with the collapse of Bear Sterns, the liquidation of Lehman Brothers, and the bailouts of AIG, Fannie Mae and Freddy Mac, companies are vulnerable to risky bets made by legitimate as well as fraudulent trades in financial instruments. *Rogue Trader* presents a compelling example of how quickly aggressive financial bets can spiral out of control, causing the trader to push the bounds of legal behavior.

*Wall Street* (1987, 125 minutes)

Probably the best known of the movies reviewed in this paper is Oliver Stone's *Wall Street,* a classic story of power and greed. It is the story of how an ambitious young stock broker Bud Fox, portrayed by Charlie Sheen, schemes to become successful by winning legendary corporate raider Gorden Gekko (portrayed by academy award winner Michael Douglas) as a client. Fox ultimately achieves his objective by divulging insider information about his father's employer, Bluestar Airlines. Fox succeeds, but at a high price as he is lured into the Gekko's unscrupulous world of wealth, power and profit at any cost. Fox is eventually arrested for violating federal securities (insider trading) laws. The movie culminates with Fox confronting Gekko and recording their conversation, thereby providing the Securities Exchange Commission (SEC) with evidence of Gekko's complicity in their insider trading.

One of the most memorable and often-quoted scenes of the movie occurs when Gekko delivers his "greed is good" speech at the shareholders' meeting of one of his hostile takeover targets, Teldar Paper (DVD Scene 12):

> "The new law of evolution in corporate America seems to be the survival of the un-fittest. Well, in my book, you either do it right or you get eliminated. In the last seven deals that I've been involved with, there were 2.5 million stockholders who have made a pretax profit of $12 billion. Thank you. I am not a destroyer of companies. I am a liberator of them. The point is, ladies and gentlemen, that greed, for lack of a better word, is good. Greed is right. Greed works. Greed clarifies, cuts through and captures the essence of the evolutionary spirit. Greed, in all its forms – greed for life, for money, for love, knowledge – has marked the upward surge of mankind and greed – you mark my words – will not only save Teldar Paper, but that other malfunctioning corporation called the U.S.A."

The real world counterpart of this speech is arbitrageur and convicted inside trader Ivan

Boesky's 1986 commencement address at the University of California. As reported by Stewart (1991, p. 223):

> "'Greed is good, by the way,' he said, raising his eyes from his text and continuing with what seemed genuinely extemporaneous remarks. 'I want you to know that. I think greed is healthy. You can be greedy and still feel good about yourself.' The crowd burst into spontaneous applause as students laughed and looked at each other knowingly."

The use of the movie *Wall Street* as a "live case" and springboard for classroom discussion of insider trading and ethical issues related to takeovers and corporate restructuring is described by Dyl (1991) and Beldon (1992). Dyl (1991) provides discussion questions and suggests 15 stopping points during the movie to discuss issues related to legal, ethical and other issues. Alternatively, he suggests that the movie could be shown in two parts as a visual version of an "A" case (after the first 70 minutes) and a "B" case (remaining last 56 minutes), an approach he finds to be somewhat more effective. Another alternative, of course, is for students to watch the movie in its entirety, an approach that minimizes distractions and maintains the momentum of the story. Beldon (1992) suggests various readings that can be assigned and discussed prior to viewing the movie.

*Wall Street* can also be used to provide rich context for illustrating and understanding the role of mentorship – both good and bad – in the workplace in ways that traditional lectures and case studies cannot. The academic and consulting literature has expounded on the value of corporate mentoring to help recruit and retain talent (see Messmer, 2003 and Wing, 2009, for example), yet this film demonstrates the downside of corporate mentoring. the Bud Fox has the option of three mentors – his father (portrayed by Martin Sheen), Lou Manheim (an older and more conservative broker in his firm portrayed by Hal Holbrook), and Gordon Gekko. Unfortunately, he chooses the charismatic Gekko who relishes the opportunity of molding his young protégé in his own image. Bud quickly learns how to get ahead in the financial industry. He observes Gekko violating every norm of civilized society in order to accumulate wealth. Gekko sponsors Fox, introduces him to powerful people, and assigns tasks which he successfully completes. Through observation and experience, Fox achieves success and begins to accumulate wealth. That Fox idolizes his mentor is vividly seen at the end of Gekko's "greed is good" speech. As he returns to his seat, Gekko smirks at Fox who smiles as if in a trance. If he were a puppy dog, Fox's tail would be wagging rapidly in rapture.

It is only when Gekko betrays him that Fox begins to understand the perils of trusting an unethical mentor. But Fox has learned well. He responds by betraying Gekko to the SEC.

## THE BENEFITS OF MOVIES IN THE CLASSROOM

Whether fictional (such as *Wall Street, Boiler Room*, *Glengarry Glen Ross*, and *Other People's Money*) or based upon actual events (such as *Barbarians at the Gate, Rogue Trader*, and *Enron: The Smartest Guys in the Room*), movies capture students' attention, provoke thought, and stimulate discussion. As previously discussed, these movies can be used to bring a variety of business and finance topics alive in ways that textbooks and lectures cannot. Table 1 lists the seven movies and the various business and finance topics that can used as "live cases" to illustrate and stimulate discussion.

--- Table 1 about here ---

The question which all university instructors face each and every time they enter a classroom is: how do I make today's lesson meaningful (i.e., real) for my students? For business faculty, this may take the form of simulating the discussions top executives go through prior to announcing a potential merger, business-line managers contemplating "killing" the heretofore ballyhooed launch into lucrative emerging market, or investment bankers contemplating the "right" price to set an IPO. In each case, and in most cases, the instructor needs to create or refer to an external context in which to ground the learning. We submit that grounding the learning with pertinent movies act as a highly effective way to facilitate these contexts. There are two primary benefits for employing films in the classroom:

1. Bring From Abstract to Real. The principle benefit of using films in the classroom is that it permits instructors to make abstract concepts – such as agency theory, corporate governance, core competencies, and corporate culture – real. Take for instance corporate governance, one of the most important functions of modern day corporations. There are a couple ways to facilitate a discussion on corporate governance with undergraduates. First, you can identify colossal failures such Enron, WorldCom, and more recently AIG and Lehman Brothers and assign texts, case studies and recent articles to read. After absorbing these readings, the class can discuss important breakdowns in the corporate governance such as empire building, weak board of directors, poorly aligned compensation packages, and plain old executive hubris, which led to the firm's failure. Although enlightening, it is difficult to for students to relate with the executives, board members, and regulatory agencies which failed their shareholders. A second approach is to individualize the corporate governance function so it relates to what students do. One method is to play a "what if" game related to an upcoming assignment or exam. For example, what if the students had the ability to choose a representative to take their next test for the course? Who would the student choose and how would the student ensure that the proxy test taker would achieve optimal performance? Although this method is very stimulating to the students, and a good way to talk about the separation of management and ownership, it has limitations of actually modeling a corporate governance event. Here is where the movie method adds value in the class room. After establishing the basics of corporate governance through readings and other tools, the instructor can show a film depicting governance in action. We submit that undergraduate students are better able to relate to the characters in a film than they are to the "real" executives in a written case or article.

2. Bring From Complex to Simple. In addition to being abstract, many business concepts are equally complex. Practices such as due diligence, *Six Sigma*, supply chain management and intangible assets are difficult to simplify through the reading of texts, cases studies and current articles. For example, *Six Sigma* has or is currently being implemented by many firms in a variety of industries ranging from manufacturing to financial services, and in a variety of corporate functions from research and development (R&D) to supply chain management. Again, most instructors lay the ground work of *Six Sigma* by having their undergraduates read texts or books such as Pyzdek's (2003) *The Six Sigma Handbook*, and supplement these readings with case studies. While students absorb the workings of *Six Sigma* – the basic tenets, the appropriate way to implement a program, and the benefits to the organization – they still have difficulty relating to the managers and employees going through this process. Here is where a movie can add value. For example, there is a scene from *Cast Away* (2000) which depicts a FedEx systems

analyst (portrayed by Tom Hanks) cajoling a team of package handlers in Moscow, Russia to implement a leaner work flow. Although not addressing *Six Sigma* directly, the scene simplifies the steps firms must take in order to implement a more complex corporate program as *Six Sigma*.

Using movies also fits well with an emerging tendency in both ethics scholarship and pedagogy to use narrative to teach ethics (George, 2005). In part, this is associated with the resurgence of interest in virtue ethics, where the object of ethical evaluation is character rather than action. Literary narrative is well-suited to conveying ideas about character. However, even outside the virtue ethics context, where the object of evaluation is the moral propriety of particular actions, stories can do good job of conveying the texture and nuance of ethical decisions.

In *Other People's Money*, when the shareholders are weighing the arguments presented by Jorgenson and Garfield, at New England Wire and Cable's annual shareholders' meeting, they are forced to confront a host of normatively charged ideas and emotions. Jorgenson appeals to virtues like loyalty and compassion. Are these traits of character to which the individual shareholders aspire and, if so, how does that bear on the decision they are about to make? He also draws on the values of community and tradition. What do we stand for as Americans? What is required if we are to keep faith with those who brought us to this level of prosperity? Then there are more straightforward utilitarian calculations – straightforward in what they involve but not in execution. If the wire and cable division is closed the consequences will be significant and dire for many families. On the other side, Garfield has a consequentialist story to tell as well. If we look to the broader consequences we will recognize that it is the engine of unfettered capitalism that has produced the prosperity we now enjoy – prosperity that has lifted all boats. The proposed takeover is simply that engine in operation. But Garfield poses another ethical contrast as well. It is the fundamental contrast in all ethical debate – the contrast between the legitimate pursuit of my self-interest and my obligations to others. How does what we owe to one another constrain what I can reasonably pursue for myself? All of these issues are fundamental to business ethics. Embodiment in the narrative of *Other People's Money* brings them forward in a particularly compelling way.

The appeal to narrative has been particularly influential in practical ethics (Charon and Montello, 2002) where it dovetails with another tendency in practical ethics – the focus on case studies. The case study approach resembles the development of common law in legal judgment. The idea is to identify a series of clear and uncontroversial cases which can then be used, through a kind of triangulation, to resolve murkier cases. As the overall conceptual landscape becomes clear, guiding principles can be extracted from the case analysis. These principles can then be deployed in new situations. Not surprisingly, films can be a very effective means of presenting cases. When the case study method is used, whether in business ethics, medical ethics, or any of the other branches of applied ethics, the cases are usually short descriptions of situations, often no more than one or two paragraphs in length. Almost invariably, the discussion is constrained by the under-description of the case. The richness of texture and detail required for ethical judgment is hard to provide in a brief description. In fact, in many ways description does not seem to be the right vehicle at all. Narrative – storytelling – is often a more effective way to supply the requisite context, detail and emotional fidelity. Again, *Other People's Money* illustrates the point. The downside, of course is that it takes more time to develop a case and thus, fewer cases can be examined. In this respect, movies have an advantage over written narrative.

There is a final tendency in contemporary ethics, once again most clearly exemplified in practical ethics, that finds a natural home in film. This is the tendency toward ethical pluralism. An ethical theory is *monistic* if it determines the rightness or wrongness of actions on the basis of a single principle. Utilitarianism is a classic example. There is only one principle – the principle of utility – relevant to determining moral obligation. Suppose you are trying to determine which of two acts (A or B) you ought to perform. There are only three possibilities: (1) A creates more utility than B, (2) B creates more utility than A, or (3) A and B create equal amounts of utility. If the first is true you ought to do A; if the second is true you ought to do B; if the third is true you have no moral obligations regarding the choice between A and B. One of the striking, and historically attractive, features of moral monism is that it leaves no room for genuine moral dilemmas – situations in which there are legitimate moral considerations that support doing A and equally legitimate, but conflicting, moral considerations that support doing B. An ethical theory is *pluralistic* if it is not monistic, that is, if it adopts more than one principle for determining moral obligation. Pluralism is contentious and cannot de defended here, but this much can be said: the prevailing tendency in practical ethics is to adopt some form of pluralistic analysis (Beauchamp and Childress, 2009). This reflects the fact that moral dilemmas – understood in terms of the pull of conflicting moral intuitions or demands – pervade our actual lives, a fact that story-telling can effectively bring to life in a dramatic powerful way. Once again, this points to an important pedagogical role for film. Like the other areas of practical ethics, business ethics confronts its share of moral dilemmas. What do you do as a shareholder in New England Wire and Cable? Film can be a useful tool for bringing these dilemmas to life and, in the process, enhancing the fidelity with which our ethical analyses track the realities of actual ethical experience.

One might question whether Hollywood movies are an appropriate use of class time. It can be argued that watching a movie is a passive activity and does not attain learning objectives. However, we have found movies to be a very practical tool for stimulating classroom discussion and engaging students. Perhaps the best learning environment for students to enter would be to expose them to scenarios in the real world. However, it is not always feasible to take students to real world settings or to coordinate proper involvement from outside experts. Thus, movies offer a convenient way to address the many subtleties found in ethical dilemmas. The authors have found that over the years each class that watches a movie offers new insights that were overlooked with past viewings. Additionally, professors can compile these observations over the years and include them in discussions. Also, as times change and new issues become prevalent in society, the interpretation of the movie often changes as well. While the authors support traditional learning methodologies, we have found that movies are a valuable asset to have in our teaching toolkit.

Student feedback from using *Barbarians at the Gate* in their finance courses has been reported by Kester (2008) and Nofsinger (1995). They asked students to indicate their level of agreement with closed-end statements based upon a five-point scale ranging from 1 for strongly disagree to 5 for strongly agree. Kester reported that students thought that watching the movie was time well spent (rating of 4.53), a rating that was similar to the 4.45 based on the same question and scale reported by Nofsinger (1995). They disagreed with the statement that Hollywood movies are not an effective use of class time (rating of 1.50) and the statement that the film and readings failed to bring the financial issues into a real world setting (rating of 1.35). The latter result is similar to the rating of 1.60 reported for the same question by Nofsinger

(1995).

Beldon (1992) also reported positive student feedback from using the movie *Wall Street* in her finance course. Using the same five-point scale to rate closed-end statements, she found that students thought that watching the movie was time well spent (rating of 4.16) and that the movie was useful for bringing the issues to light in a "real world" setting (rating of 4.37).

**AN ALTERNATIVE APPROACH: FILM CLIPS**

As previously noted, time in the classroom is a valuable commodity to instructors; they must closely manage how they use classroom time in order optimize their students' learning experience. To address these constraints and to placate academics critical of the use of full-length movies as a teaching tool, we offer an alternative. In lieu of using entire films to facilitate learning, instructors could use individual, stylized movie or television "clips" to demonstrate important finance and business management concepts. There are three clear benefits to teaching with film clips versus full-length movies. First, unlike full-length movies, movie clips are shorter in duration (usually three to five minutes), and usually only focus on one or two pertinent topics. Their short duration provides greater opportunity for subsequent class discussion and topic development. Used in conjunction with other learning media, clips can enhance the broader understand of a topic, demonstrating different points of view than the monolithic view of a feature film. For example, using clips from multiple movies provide a broader point of view than just showing one movie in its entirety (Champoux, 2006). Thus, there is an inherent advantage of using clips rather than an entire film because it conveys multiple views – organizational culture, rationale (i.e. economic and psychological), processes, mechanisms, etc. – concerning the topic of interest.

In addition to presenting multiple views, showing clips allow instructors to edit out much of the Hollywood "fluff" of a feature film, such as the obligatory romantic angles, chase and crash scenes, as well as family issues, personal trauma and other character-driven story lines. This "fluff" tends to distract students from the topic of interest and the core learning to be gained in the film. We all understand that producing films is a money-making venture, and that most if not all movies have elements that "sell tickets" rather than inform viewers. By playing only a movie clip, instructors can keep the students focused on the pertinent topic reinforcing the learning objective; instead of giving the students the opportunity of drifting off into the story. Stated differently, short clips help keep students on point (Champoux, 2001).

Lastly, employing clips as part of a multi-faceted teaching method creates a natural break for the class, which permits students to refocus their attention on the topic and the instructor to reenergize the learning process. As we noted from the outset of this paper, smart laymen and educators alike have recognized entertainment's proper place within the education process; you do not have to be Marshall McLuhan to appreciate how "edutainment" has become a complementary model for communicating various instructional media and venues (Stoll, 1999). The simple truth is that most business and finance topics are complex, especially for undergraduate students to absorb, and that many instructors would like the ability to "lighten" the density of the topics they are facilitating in the classroom. The film clip teaching method allows instructors to gain the benefit of a focused method of presenting the material, while unleashing the inherent intricacy of the material they must teach to undergraduate students (Champoux, 2001).

Of course there is a downside to employing movie clips in the classroom. First, instructors must take time to "catch the class up" concerning the story arc leading into the film clip to be shown. This task is made more difficult when the majority of the instructor's students have never seen the movie. In fact, it is likely that a number of movies, especially those predating 2000, such as 1987's *Wall Street* or *1991'2 Other People's Money*, may be completely foreign to undergraduate students. Many of "The Great Movies" noted by Roger Ebert (2002, 2006) such as *12 Angry Men*, *Do the Right Thing*, *The Godfather*, *Network*, and *The Shawshank Redemption* can be used to enhance the learning process in the classroom. However, almost every movie on Ebert's Great Movie list would at best get a vague memory recall from today's undergraduate students. Thus, when using older movies (strange to think anything made before 2000 is old), which for many instructors makes up the core of their film library, instructors will need to dedicate several minutes to explain to the class the context of the clip.

The second weakness of the clip teaching method originates from the first weakness. Even after setting the context of the clip, it still may be difficult for the instructor to completely explain the clip to students who do not have the context developed in the full length movie. Because clips are generally only three to five minutes in duration, there is very little opportunity for character development, which inhibits students from fully comprehending the knowledge, motives, and actions of the relevant characters in the scene. For example, an excellent clip to demonstrate intra-industry cooperation and mutual forbearance is a scene from *The Godfather*; the five controlling families of the New York Mafia (firms within the industry) negotiate a return to "peace" ( return to greater cooperation/collusion) after a damaging escalation of competition (a "war" in which rivals were killed). The scene clearly demonstrates how difficult it is to maintain intra-industry cooperation and mutual forbearance, especially in the presence of new entrants. However, much of the back story –the origins of the collusive behavior and the personalities of the important characters – is not easily apparent, and some students may not fully comprehend the interplay between the key participants developed in the full length movie, even after a thorough lead-in to the scene.

Although there are flaws in using the film clip teaching method in the classroom, the benefits greatly exceed the apparent weaknesses. Below we conclude this section by providing a brief overview of three movie clips that can be used to effectively demonstrate important finance and business management topics.

*A League of Their Own (*1992)

The movie *A League of Their Own*, directed by Penny Marshall, is based upon a story that chronicles the rise and fall of the All-American Girls Professional Baseball League (AAGPBL) during World War II. The movie begins with Walter Harvey (portrayed by Garry Marshall), a candy manufacturing magnate and creator of the new women's baseball league, sending a talent scout Ernie Capadino ( portrayed by Jon Lovitz) scouring the country looking for female baseball players to fill the rosters of the league. At first the league attracts little interest, but over time attendance grows. The league becomes a success following a favorable write-up in <u>Life Magazine</u> after the leagues star player Dottie Hinson (portrayed by Geena Davis) makes a spectacular catch behind home plate while doing s split.

DVD Scene 29: In this scene, which lasts about three minutes, Walter Harvey congratulates Ira Lowenstein (portrayed by David Strathairn), the head of public relations for the (AAGPBL), for the great work he has done making the league a success. Despite the success, Harvey informs Lowenstein that he plans to shut down the league after the season because of the impending end of World War II and the expected re-emergence of men's baseball. A shocked Lowenstein retorts in two ways. First, he is outraged that Harvey would be so callous as to let the "girls" go, not even acknowledging the hard work and long hours the players put in to make the league successful. Second, he implores Harvey to see the value in the league – "I sold your product when there was no product, this is a product" – and asks permission to take over the league, even as all the team owners agree to shut it down.

Teaching Objective: This clip addresses important finance and business management business topics: stakeholder management, business ethics, and strategic analysis of the external environment. Shutting down the league and dismissing the women players was a clear indication that capital market stakeholders had greater claims than the organizational stakeholders (Hoskisson, Hitt, & Ireland, 2004). Was it ethical of Mr. Harvey and his fellow owners to entice the women to relocate to play in the league, only to shut down the league and release them without proper notice? The message is that management must balance the needs of each stakeholder class when making major strategic decisions such as shutting down a business unit. At the same time, the clip proffers a great example how an external shock (World War II) creates business opportunities for firms to enter new markets and profit from pent up or latent customer demand. The opportunity of the AAGPBL existed solely because of the war, which the team owners recognized. Once the shock subsided (the war wound down), conditions returned to the pre-war state. This is an excellent case of understanding external environmental trends that are mere blips, versus ones that are longer in duration.

*Cast Away* (2000)

The movie *Cast Away*, based upon a screenplay written by veteran American screenwriter William Boyles Jr., chronicles the struggles faced by FedEx systems analyst Chuck Noland (portrayed by Tom Hanks), when he is stranded on a remote, uninhabited island after his plane crashes in the South Pacific. Prior to being stranded on the remote island, Noland was sent to Moscow to "fix" FedEx's processing center.

DVD Scene 2: In this memorable scene, which lasts about six minutes, Noland tries to get his Russian employees to embrace the FedEx way; he wants them to become as time-obsessed as all good FedEx employees because the clock is "the evil taskmaster" that threatens FedEx's very existence. Noland cajoles his new Russian employees with a clever illustration. Prior to coming to Moscow, Noland ships a FedEx package to himself in Russia. When Noland reveals the contents of the package, a clock, and that it has taken eighty eight hours to ship this clock from Memphis, USA to Moscow, Russia, he berates them by asking "what if instead of a clock, it was your pay checks?" Noland's message is clear, the old Soviet ways of doing business are dead and buried.

Teaching Objective: The clip reveals the challenges confronting firms in the wake of two powerful forces in business: globalization and corporate culture. One method of setting the scene is to ask the class how doing business in Memphis is different than doing it in Moscow. Globalization is a reality and firms competing in almost every industry must either adapt their Western business practices to the local population, or orient their new global employees to the ways of the firm. Here the importance of corporate culture becomes evident. Noland not only is working against the existing Russian culture (i.e. old Soviet culture), but must also have these cynical employees embrace the hard-driving, FedEx corporate culture. This scene gets students to start thinking about the many challenges of translating well-known business practices across global business units.

*In Good Company* (2004)

The movie *In Good Company*, written and directed by Paul Weitz, chronicles the fall of a seasoned advertisement sales executive Dan Foreman (portrayed by Dennis Quaid) when he gets demoted following the merger of his company, Sports America, with a more aggressive company, Globecom. Foreman is replaced by the naïve Carter Duryea (portrayed by Topher Grace), his new boss who is half his age (and, in true Hollywood style, also sleeping with his daughter, Alex, portrayed by Scarlett Johansson). The merger is predicated upon a sales approach labeled Synergy, which Duryea preaches to his new team at Sports America, a high ranking sports publication. However, Foreman resists what he perceives to be smoke and mirrors strategy from a recent business school graduate because he is skeptical that it will deliver better results than his previous, old-school style.

DVD Scene 18: In this scene, which lasts about six minutes, Teddy K, (portrayed by Malcolm McDowell) Globecom CEO and the architect of this merger and the advocate of Synergy, comes to address the troops at Sports America and preach how he has built Globecom to become a new country which will conquer a more globalized world. Upon hearing the benefits of Synergy between Globecom's computer business and Sports America, Foreman chuckles out loud, and is made to explain himself. In refreshing honesty, Foreman questions the wisdom of Synergy publicly in front of Teddy K and the entire Sports America staff. Despite the rising tension in the room, Teddy K does not admonish Foreman for his disbelief, but challenges the team to answer Foreman's poignant questions.

Teaching Objective: For those who teach topics on mergers & acquisitions (M&A), from strategic fit and due diligence to implementation and integration, this movie is truly a gold mine. In fact, there are many scenes within the film that address pertinent finance and business topics ranging from downsizing as a response to "over paying" for an acquisition to coming in as an "outsider" to build the post-merger team. In this particular scene, the discussion tends to focus on two things. First, the synergy justification for the merger, what is the strategic fit bringing together companies with vastly different core competencies, products and customers. Is it wise to trumpet a section on computers in a *SportsAmerica* magazine issue? Because many M&A's end up being value destroying, this scene makes that reality come to life. Second, and along those lines, the discussion moves towards how difficult it is to integrate two companies after the merger is announced. What is made clear by Teddy K's non-response to Foreman's difficult question is how corporate executives generally fail to appreciate the hard work of meshing two disparate organizations. In fact, what we find is that the difficult work is made by the line managers trying to keep the team together through the anxious uncertainties of post-merger implementation.

**CONCLUDING COMMENTS**

We have found that full length movies and short excerpts from movies (film clips) can be used in the classroom to bring finance and other business subjects alive in ways that that are difficult to achieve in traditional lectures and assignments. Used properly, movies or film clips can help student place learning in a broader richer context. While movies are not a substitute for traditional pedagogical tools, the complexity and richness found in the script and in the acting offers professors a way to recreate ethical dilemmas that reflect situations students may face one day. Students can bring topics covered in class and develop deeper understanding through application to a film's characters and situations. Films can create a stimulating learning environment. We encourage other professors to try this approach, and share movies they use in the future with the reading audience.

**ENDNOTES**

[1] It should be noted that these seven movies are rated "R" for language and other reasons. Needless to say, instructors should review the movies to evaluate the appropriateness for their student audiences.

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## Table 1: Selected Discussion Issues

| Issue | *Barbarians at the Gate* | *Boiler Room* | *Enron: The Smartest Guys in the Room* | *Glengarry Glen Ross* | *Other People's Money* | *Rogue Trader* | *Wall Street* |
|---|---|---|---|---|---|---|---|
| Agency theory/costs | X | | *X* | | | X | |
| Bankruptcy | | | *X* | | | | |
| Capital budgeting | | | *X* | | | | |
| Capital structure | X | | *X* | | X | | |
| Corporate governance | X | | *X* | | | X | |
| Corporate restructuring | X | | | | X | | X |
| Corporate takeovers | | | *X* | | X | | X |
| Ethics | X | X | *X* | | | X | X |
| Fraud | | X | *X* | | | X | |
| Information asymmetries | X | | X | | | | |
| Insider trading | | X | X | | X | | X |
| Social Responsibility | X | | X | | X | | |
| Valuation | X | X | X | | X | | |
| Leveraged buyouts | | | | | | | |