

# **ETHICS IN BUSINESS EDUCATION: PROGRESS REPORT**

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## **ABSTRACT**

Many business schools now are taking steps to ensure that their graduates have been taught to adhere to high ethical standards and behavior. Much controversy has been created over the past decade due to unethical “white collar” conduct. The outcry of the public has put more pressure than ever on business schools to incorporate more and more ethics in their curriculum. A question that many researchers have asked is whether or not business schools can change the ethical behavior of students once they reach the college age. Many believe that most college-aged students have already developed their code of ethics, and no matter how hard schools try, they cannot change what has already been deeply embedded. However, some suggest that it is not too late to make a difference in the ethical views of students enrolled in business programs, and schools should do everything in their power to make sure that students are aware of the choices they will have to face once they graduate and enter the business world. The purpose of this paper is to present a progress evaluation report on the study of the ethical responses of business students from a small college located in the southeastern United States. Using an ethics quiz from the Wall Street Journal (WSJ, 1999) as a base questionnaire, business students shared their perceptions on ethical issues in business. Accredited business schools are assessing student learning to demonstrate that they are adding value to the business education of their students. Ethics must be assessed, as well, to ensure that future business leaders place a high value on ethical behavior.

## **INTRODUCTION AND LITERATURE REVIEW**

The word “ethics” is derived from the Greek word, ethos, meaning “customs”, “conduct”, or “character” (Northouse, 2007). The modern day meaning is concerned with what leaders do and who they are—their conduct and character. Numerous theories exist as to how followers are motivated to follow their leader/employer. Teleological theories are those that stress the consequences of a leader’s conduct. Teleological theories come from the Greek word “telos” meaning ends or purposes. When looking at consequences, two types of theories occur. The first type is Ethical Egoism and deals with an individual choosing an outcome that produces the greatest good for themselves, perhaps receiving a promotion if their division excels. The second

type of teleological theory is Utilitarianism, which states that a leader will behave in a manner to create the greatest good for the greatest number of people. An example is when a part of a federal budget is allocated to preventing an illness through immunizations rather than all to a catastrophic illness that already exists. Close to Utilitarianism is Altruism, which is almost a total concern for others, such as was the case with Mother Teresa (Northouse, 2007).

Virtue Based Theories are those that stress a person's character. These are elements of who a person is and his/her disposition. Based on the writing of Aristotle, these virtues are courage, temperance, generosity, self-control, sociability, modesty, fairness, and justice (Velasquez, 1992). At one time it was believed that these characteristics were innate; however, it is now believed that they can be learned (Kullberg, 1988).

Several perspectives of ethical leadership developed throughout the years. One theory was by Heifetz (1994) which advocates that a person must use authority to influence their people through conflicts and rapid change. It is part of ethical theory because of the emphasis that is placed on the values of the worker. James Macgregor Burns (1978) in his theory of Transformational Leadership attempts to motivate leaders to strive for higher standards of moral responsibility by emphasizing a follower's needs, values, and morals. Burns' theory is closely associated with Servant Leadership Theory by Robert Greenleaf (1970), which stresses even more emphasis on the needs of followers. Leaders under the Servant Leadership Theory should nurture and empathize with followers. The followers would then be motivated by viewing the leader as a role model through his/her becoming a servant (Northouse, 2007). According to Stanley (2008) leaders who have ethical values which are irreproachable will motivate followers in a more positive way. They then will tend to try to emulate their leader. An example of this type of ethical value is when a leader chooses not to take unfair advantage of another. If an individual is seeking promotion, doing so at all costs would be considered unethical behavior (Stanley, 2008). Robert Greenleaf chose the more ethical "route" to advancement, and after serving as a lineman for AT&T for many years, he moved into organizational management at the company (Sendjaya & Sarros, 2002). Greenleaf also put into practice what he believed and was the founder of the Greenleaf Center for Servant Leadership, which currently carries on his Servant Leadership Theory and practices (Smith, 2004).

With these theories established, the question arises as to how much influence leaders in education have upon students? Obviously the "leaders" within an educational environment are the teachers and administration. Are these "leaders" influencing students in a positive way? How can this be measured? Since ethics was incorporated as one of the five major objectives within the Department of Business in this small southeastern university, the authors wanted to compare the results from a 2006 study with those of the same survey collected in 2008 to evaluate whether or not a positive ethical effect has taken place from the teacher/student interaction during that period of time.

## **METHODOLOGY**

To evaluate if any kind of positive progress in the students' ethical perceptions has occurred between 2006 and 2008 due to teacher/student interaction, a 16 question ethics quiz from *The Wall Street Journal* served as the basis for the questionnaire. The questions ranged from personal

use of company e-mail on the job, to whether or not the individuals had lied about sick days or had taken credit for one another's work. Business students represented the population of interest. From a small public university in a southeastern state, a convenience sample of ten business courses was selected. From a captive population of 174 students, 138 responses were collected. One questionnaire was rejected for lack of completeness, providing an effective rate of return of 78.7%. From the students surveyed in 2006, two changes had to be implemented. First, the participating students from another institution were removed to account only for those within the same university, and second the demographics were limited to gender, class, and concentration as major factors. Students were informed about the purpose of study, and the voluntary nature of their participation. Proper research procedures were applied to assure the students' anonymity, to maintain the privacy of the information, and to avoid duplications in participation. Classificatory questions were used to be able to evaluate potential differences between the participants.

## FINDINGS OF THE STUDY

Table I shows the sample characteristics from the data collected in 2006, and reflects the characteristics of the students surveyed in 2008. The mix of students was very similar in comparing the two samples. The 2008 survey included a few students who were not business majors.

<b>Table I</b>						
<b>Sample characteristics</b>						
<b>Description</b>	<b>Gender</b>		<b>Classification</b>		<b>Concentration</b>	
	<b>2006</b>	<b>2008</b>	<b>2006</b>	<b>2008</b>	<b>2006</b>	<b>2008</b>
Male	54%	53%				
Female	46%	47%				
Freshman			1%	4%		
Sophomore			18%	26%		
Junior			30%	15%		
Senior			51%	55%		
Accounting					16%	14%
Economics/Finance					5%	7%
Health Care Management					15%	17%
Management/Marketing					64%	52%
Other						10%

In comparing the results of 2006 with 2008, emphasis was placed on the fact that many of the freshman and sophomore students from 2006 have become junior and senior students in 2008. Therefore, it is the assumption of the authors that of those freshman and sophomore students who continued their education at the surveyed university were exposed to the ethical values of their teachers and ethical issues emphasized in their business courses.

Table II shows the responses of the students with regard to their answers to the ethics quiz. There is no significant difference between the students surveyed in 2006 versus 2008 regarding items

pertaining to internet usage and technology, with the exception of question number five regarding blaming an error on a technological glitch. The answer to this question favored the students who took the survey in 2006. This was the only question that favored those students. However, there were six questions that had a significant difference in ethical responses regarding vendor, client, and employer relationships, which are items that are strenuously taught within the courses of the Department of Business. The students surveyed in 2008 showed a significant difference in questions 8-13. There was a significant difference in both receiving and giving gifts to a boss, and receiving gifts from vendors. Those students surveyed in 2008 had higher ethical standards regarding giving a fifty dollar gift to their boss, as well as receiving a fifty dollar gift from their boss. Also, the 2008 students received significantly higher responses regarding receiving various gifts from vendors such as football tickets, theater tickets, holiday food baskets, and gift certificates. However, in question 14, "Can you accept a \$75 prize won at a raffle at a supplier's conference?" the percentage is still high for both groups, 93% for 2006 and 95% for 2008, indicating that the majority of the students believe this type of prize is acceptable.

<b>Table II</b>		
<b>Student Responses</b>		
<b>Questions</b>	<b>2006</b>	<b>2008</b>
	<b>Answered Yes</b>	
1. Is it wrong to use company e-mail for personal reasons?	53%	58%
2. Is it wrong to use office equipment to help your children or spouse to do schoolwork?	53%	61%
3. Is it wrong to play computer games on office equipment during the workday?	81%	85%
4. Is it wrong to use office equipment to do internet shopping?	81%	82%
5. Is it unethical to blame an error you made on a technological glitch?	83%	74% *
6. Is it unethical to visit pornographic web sites using office equipment?	98%	97%
7. What's the value at which a gift from a supplier or client becomes troubling?		
	\$25,00	20%
	\$50,00	33%
	\$100.00	47%
8. Is a \$50.00 gift to a boss unacceptable?	33%	43% *
9. Is a \$50.00 gift from the boss unacceptable?	23%	34% *
10. Of gifts from suppliers: Is it OK to take a \$200 pair of football tickets?	59%	44% *
11. Is it OK to take a \$120 pair of theater tickets?	59%	47% *
12. Is it OK to take a \$100 holiday food basket?	68%	55% *
13. Is it OK to take a \$25 gift certificate?	83%	72% *
14. Can you accept a \$75 prize won at a raffle at a supplier's conference?	95%	93%
15. Due to on-the-job pressure, have you ever abused or lied about sick days?	45%	38%
16. Due to on-the-job pressure, have you ever taken credit for someone else's work or idea?	6%	7%
*significance .05 alpha		

The comparison of these two data sets indicates that the 2008 students are more aware of certain ethical issues, especially those associated with vendor, client, and employer relationships, and the assumption is made by the authors, that this awareness has been a result of emphasizing ethics in business classes and the interaction that these students may have with their teachers (leaders).

## **IMPLEMENTING ETHICS IN HIGHER EDUCATION**

Implementing ethics within business schools appears to be a trend that cycles back with time depending on the events occurring within the corporate world. After various incidences in the 1970s involving bribery of foreign officials, illegal campaign contributions and numerous business frauds, the Foreign Corrupt Practices Act was passed whereby companies that trade their stock publicly are required to keep appropriate records detailing transactions in an accurate and fair manner (Albrecht, et.al, 2008). Then in the 1980s the corporate world was confronted with the insider trading scandals regarding Michael Milken and Ivan Boesky (Stewart, 1991).

Corporations began to again address ethics, and Abend (1988), indicated ways corporations stressed ethical values to their employees. Electronic Data Systems software developers and Eli Lilly, pharmaceutical manufacturer, both used ethic's standards and programs in their employee training. Hallmark Cards also had standards and statements of ethics and reinforced these statements by having employees sign the statements, thereby acknowledging receipt and understanding of their policies. General Dynamics, aeronautical manufacturer employed nine full-time directors and had 29 ethics hotlines to answer questions that employees had pertaining to their ethical standards (Abend, 1988).

Ironically, Arthur Andersen accounting firm had implemented a program in 1988 to teach ethics in the university setting through the use of five case studies. This program was called Partnership for Applied Curriculum on Ethics (PACE). It was estimated that by 1992, approximately 300 universities would be using the program (Kullberg, 1988). Most disappointing is the fact that this leader in ethic's education was the accounting firm that audited and approved the financial statement of both Enron and WorldCom in 2000 when both companies were involved in the largest accounting scandals in recent history. Consequently, Arthur Anderson was forced to close their doors on August 31, 2002, and the Sarbanes-Oxley Act was a result of these accounting improprieties (Albrecht, et.al, 2008). Enron, the oil and gas conglomerate actually had an "image of being an excellent corporate citizen, with all the corporate social responsibility....and business ethics tools and status symbols in place" (Sims & Brinkmann 2003). They even had a code of ethics and a commitment to integrity and excellence (Moore, 2006). The example that both companies set was definitely not one of "walking the talk". Stanley (2008) emphasizes that "Leading by example is the finest way to demonstrate ethical behavior.....managers must adhere to a code of conduct themselves".

While implementing a code of ethics is a common procedure within business organizations, it is not typically done within higher education. As indicated by Moore (2006), "This raises the question whether the commonplace corporate practice of implementing a code of ethics, with all its attendant issues, is appropriately transferable to the higher education sphere". Moore further notes that all universities have standards deemed appropriate for research but need to address

those ethical issues that deal with the “commercial activity” they are in, i.e. recruiting and retaining students. His article explores a code of ethics referred to as the “Guide” that was developed in the United Kingdom by a Council for Industry and Higher Education (CIHE) event in 2004 and Brunel University. In conducting research on the subject prior to implementation of the “Guide”, it was determined that there was not often an institution-wide agreement on ethical standards but often a fragmented series of documents from department to department, and as aforementioned, ethical standards in research are deemed most important. The “Guide” that was implemented was 36 pages in length, consisting of two parts. Part I contained four chapters covering the articulation of ethics, thinking about ethics, developing a framework for ethics, and putting the policy into practice. Part II then goes further into the illustration of the framework with “warnings” that it is not intended to be a template to follow but merely an approach that universities may want to consider. As a result of all of the exhaustive effort, as well as the helpful examples and illustration, it may be widely adopted. The code of ethics that was developed in the “Guide” is definitely transferable between institutions and is accepted via ‘signature statements’ (Moore, 2006). As of the writing of Moore’s paper in 2006, five universities received support to try the “Guide”. Further research needs to be conducted to determine their success in implementation of this standardized code of ethics for higher education.

In view of the fact that the “Guide” has not been universally accepted, some alternatives for managing ethics within higher education have been suggested by Moore. In condensed form, they are:

- 1) Encourage integrity by staff and students.
- 2) Reinforce the institution’s mission and values among staff and students.
- 3) Issue a statement that it is known that moral issues will arise in the course of the daily activities of both staff and students, particularly in committee settings, and that these issues are to be acknowledged and openly discussed by both colleagues and managers when deemed appropriate.
- 4) Senior and middle managers should “walk the talk”.
- 5) Written guidance on ethical policies should be in place, especially in regard to research and ‘questionable practices’.
- 6) Monitor work by auditing current documentation.
- 7) Appoint an ethics advisory committee to monitor and advise on specific issues.
- 8) Do not expect all moral issues to be mutually resolved as constrained conflict is fundamental to the nature of universities (Moore, 2006).

Moore concludes his article by indicating that an interesting research project would be a comparison of those institutions that adopted the “Guide” as their formal code of ethics, compared to those that used the above alternative approaches.

## CONCLUSION AND RECOMENDATIONS

The results of this study indicate that student ethical perceptions can be positively influenced by business schools. Through proper leadership, and the integration of standardized codes of ethics within the university and the curriculum, business schools can have a major impact on the ethical behavior of their graduates, which in turn could positively influence the corporate business environment. However, business schools must establish a more formalized assessment effort that compares the student's ethical views both before and after they complete the upper level business curriculum in order to determine the amount of value added. Additional research is needed to determine the most effective methods for influencing business students. Business schools must be proactive in preparing their graduates not only in becoming professional business leaders, but also in becoming ethical decision makers who lead by example.

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