

STATUS OF ETHICS EDUCATION IN BUSINESS SCHOOLS

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Abstract

This report assesses the importance of ethics education courses among business programs for accounting majors. It evaluates the current state of ethics coverage required at business schools. Its focus is to examine why some universities have a separate required course in the business curriculum for ethics. The authors attempted to see if there were some identifiable variables that affected this decision. Factors such as funding sources, accreditation status and state CPA requirements were considered. Further consideration was given to possible reasons why there are so few programs that require dedicated ethics courses. The results are that Academia has determined that they have a responsibility in shaping ethical values in students. Yet, they are unclear as to how this should be incorporated into the curriculum.

The findings of this paper indicate a universal concern for ethical standards for accounting professionals. This concern is evidenced by the passage of the Sarbanes Oxley Act, inclusion of ethics requirements for continuing education by state societies, and recommendations by

accreditation bodies. Academia traditionally explained their lack of a specific ethics course on the grounds of its inclusion in other fundamental courses. However, academia needs to be in the forefront of providing the foundations necessary for accounting students to process ethical dilemmas faced in decision making. As evident from the demise of Arthur Andersen and Enron, the demand for ethics education will not subside. Current trends suggest that ethics will become more important in the future.

INTRODUCTION

In the wake of Sarbanes Oxley, a “continuing deluge of articles, editorials, and speeches addresses the need of ethics education in the curriculum of accounting majors.” (Mastracchio, 2005) The purpose of this study is to evaluate the current state of ethics as a component of Business School Education. It also provides evidence of the role of academia in changing and/or reinforcing accounting student’s awareness and ability to cope with ethical issues prior to going into the workforce. An October 2007 report by the Business Roundtable Institute for Corporate Ethics (BRICE) stated that “Business schools should require a class in ethics, as well as infuse it throughout the curriculum.” Dean Krehmeyer executive director of BRICE acknowledged that ethics ““is a core discipline of business” that merits its own course. “It’s central to the objectives of what businesses stand for.”” (Walzer, 2007) Thus if ethics is the core of business, what is academia doing to shape ethical behavior in tomorrow’s business leaders.

“The Association to Advance Collegiate Schools of Business (AACSB) and the American Institute of Certified Public Accountants (AICPA) recommended that accounting students receive ethics education at the general education level, the business administration level, and in every accounting course.” (Haas, 2005) This report examined the relationships between the

college's accreditation and funding source (public or private) to see if any discernable trends could be established between these criteria and the implementation of ethics education into the curriculum. Further it examined why such a small percentage of colleges were requiring ethics education for their accounting students and states some of the possible reasons for the low participation factor by colleges of business.

METHODOLOGY

A sample was drawn from the list of universities featured in the Prentice Hall Accounting Faculty Directory 2006-2007 by James R. Hasselback (the directory). The sample size was taken by drawing a random starting number and sampling every fifth college in the directory thereafter. The college web sites were reviewed to determine the required curriculum for an accounting degree. If a university's website did not have the required accounting curriculum listed it was excluded from the survey. The study identified whether an ethics course was a mandatory requirement within the accounting major curriculum. Further it determined whether the ethics course was taught within the general education level or business school level.

A comparison of colleges accredited by the American Association of Collegiate Schools of Business (AACSB) with those not accredited by this association was performed to see if accreditation status had an effect on student ethics requirements. A second comparison between educational institutions which are funded through public monies and those funded by private monies were examined to determine if funding sources were a factor. Finally an examination of continuing education ethics requirements by various state boards of accounting were analyzed to identify which states required specific ethics hours and if this influenced college's decisions to offer ethics courses.

For purposes of this study a comparison was made between universities that had a separate required ethics course in the business curriculum or a separate required ethics course in general

education level, and those that did not require a course. While the authors realize that many programs integrate ethics throughout the curriculum, the authors felt that this manner of emphasize was subjective and instructor percentage of coverage could not be measurable. Therefore, inclusion of these integrated within the course method in lieu of a stand alone ethics course could not be considered valid.

A sample of 170 colleges and universities was drawn from which to collect the data. This sample size represents approximately 20 percent of the population of institutions listed in the directory. The colleges were separated into those that required a separate ethics course and those that did not as posted on the course requirement section of the official college website. The schools were also separated as being either AACSB accredited or not accredited. The colleges accredited by the ACBSP were grouped within the non AACSB colleges. Only two of the colleges fell into the ACBSP category. The authors determined that a sample size of two would not provided sufficient evidence to detect a trend.

The next criteria dealt with their funding source. Colleges were separated into categories of either public or private institutions. The private colleges were not separated as to whether they had a religious affliction. All non public universities were grouped with private category.

Finally a search of continuing professional requirements from the state boards of accounting was conducted. The authors hoped to see if some relationship could be established between the geographic location of the educational institution and that states ethics requirement.

RESULTS

From the sample of 170 colleges, it was determined that 20 colleges required separate ethics courses and 150 did not. Of the 20 colleges requiring a separate ethics course, thirteen were upper level courses offered within the business administration level.

Three of this thirteen were specifically offered within the accounting department. The remaining seven colleges were offered their ethics classes within the general education level.

The sample size of 170 colleges tested consisted of 76 colleges (44.7%) that were AACSB accredited and 94 colleges (55.3%) that were non-accredited. The breakdown of private and public institutions included 79 private colleges (46.5%) and 91 public institutions (53.3%). For comparison purposes, we provided descriptive statistics using SPSS 14.0 to determine whether there were any statistically significance in the dependent variable of requiring an ethics course and the predictors, accreditation and funding. We recognize that these comparisons do not control for other predictors that may effect university decisions to require an ethics course. The results are summarized in the table 1.

Table 1

Population		Require Course		Accredited		Funding Source	
		Yes	No	Yes	No	Private	Public
No.	170	20	150	76	94	79	91
% of sample	100%	11.8%	88.2%	44.7%	55.3%	46.5%	53.5%

Descriptive Statistics

	Mean	Std. Deviation	N
ReqEthic	.1176	.32314	170
Accreditation	.4471	.49866	170
Funding	.5353	.50023	170

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.145	.041		3.560	.000
	Accreditation	-.016	.051	-.024	-.312	.755
	Funding	-.038	.051	-.058	-.742	.459

a Dependent Variable: ReqEthic

When the results were broken down by subgroups it was found that 10.5% of the AACSB schools sampled required ethics as compared to 12.7 % of non-AACSB schools requiring ethics. It was also noted that private schools required an ethics course at a substantially higher percentages than public universities. Private universities required ethics 13.9 % to only 9.9 % for public institutions. See Table 2

Table 2

Ethics Required		Ethics Required	
AACSB	Non AACSB	Private college	Public colleges
10.5%	12.7%	13.9%	9.9%

An examination of CPE requirements of state board of accountancy was also compiled. In addition to the 50 United States results for the District of Columbia, Guam, Puerto Rico, and the Virgin Islands were included in the CPE requirements for CPAs. Of the 54 society websites examined, 40 had a requirement for ethics continuing education credit and 14 did not. Of the 14 who did not required ethics there were two that did not require any continuing education in any area. This represents 74% of state

accounting boards requiring ethics and 26% that do not have such a requirement. See Table 3

Table 3

Total Societies	States with ethics CPE Requirements	States without ethics CPE Requirements	States without any CPE Requirements
54	40	14	2

The ethical requirements vary from state to state in content as well as number of hours. The vast majority of the state boards that required ethics required only a minimal amount usually 3 to 6 hours every two years. There was no obvious relationship to state society requirements and mandatory ethics course requirements in area colleges.

Effective January 1, 2006, all Certified Management Accountants (CMAs) will be required to complete a minimum of 2 hours of continuing education on the subject of ethics as part of their 30-hour annual CPE requirement. Certified Internal Auditors (CIAs) do not have a CPE requirement for ethics.

DISCUSSION INTERPRETATIONS AND IMPLICATIONS

It appears obvious from the proceeding discussion that a good deal of “lip service” is paid to the need for ethics education. The problem is that the implication falls short of this expectation. There are several possible explanations for this disconnect between what the professed positions of the professional organizations and the reality of the current situation regarding ethics education.

It can be implied from the low course coverage in universities that faculty curriculum committees do not consider ethics a major part of the curriculum item at most institutions. Additionally it may be assumed that while a large majority of state licensing boards have CPE ethics requirements, the number of hours and content, which varies from state to state, is minimal in most cases. These findings suggest the amount of ethics education is limited for most people in the accounting profession.

When we look at the recorded positions of the leading accounting organizations, government and professional societies they all seem to stress a need for ethics. Then why is there such a difference between what these organizations say should be done and what is actually being accomplished?

The AACSB stated their position clearly in 2004. The Ethics Education Task Force culminated with a white paper that called on business schools to “renew and revitalize their commitment to teaching ethical responsibility at both the individual and corporate level.”

On the government side Congress passed Sarbanes–Oxley Act (SOX) in 2002. Section 406 of SOX directed the Securities and Exchange Commission (SEC) to issue rules requiring each public company to disclose whether or not it has adopted a code of ethics (business code of conduct or employee code of conduct) that applies to the organization's key officers. The SEC adopted final rules implementing Section 406 of SOX in January 2003.

The accounting profession has increased its interest in ethics which is denoted by the fact that 40 state societies now require some type of continuing education in ethics. If these actions by Congress, AACSB, and state societies depict a need for ethics education then does it stand to reason there should be more offerings of this subject in academia? Do faculty curriculum committees shun their responsibility by not requiring formal ethics education?

The focus on ethics in the accounting profession must start in our universities. There is a high prevalence of ethical violations among college students. According to a study by the Center for Academic Integrity in 2000; Pullen, Ortloff, Casey, & Payne found that from 75-90% of college students admit to cheating on tests and/or plagiarizing information. “Several recent studies have reported a growing percentage of students who have admitted to some form of academic dishonesty. The most recent statistics (completed early in 1990 at Miami University, as reported on ABC’s Nightline) indicate that 91% of college students engaged in academic dishonesty. This finding represents a marked increase

from previous reports. In 1980, Baird reported that the figure was 75%, and in 1970 Stannard and Bowers (cited in Baird, 1980) estimated that 55% of college students engaged in academic dishonesty. Goldsen found the academic dishonesty rate to be 49% in 1960 and 38% in 1952: in 1941, Drake reported 23%.” (Sims, 1993) If this is in fact the case should there even be a discussion of whether more ethics training is needed?

Since ethics education is needed by students, and desired by accreditation bodies and the general public, what accounts for the lack of ethics requirements at the vast majority of universities? Could the rationale for low coverage at the university level be that ethics education would be better served in some other venue? Are college professors the proper ones to teach these courses? Perhaps the most crucial question is can ethics be taught at all?

Beggs and Dean stated that “Although ethics education is currently receiving increased attention, the extent to which one is able to teach ethics to others and have it impact their behavior is a millennia-old debate wherein some of the greatest philosophical thinkers have offered their opinions. The debate goes at least as far back as Plato and Socrates trying to define the concept of “virtue”” (Beggs & Dean, 2007). Many have speculated that the teaching of ethics must be approached differently among various cultures and genders. Snarley postulated that different cultures viewed ethics in a much different manner. (Snarley, 1985) “Scholars continue to investigate the perceptual and behavioral implications of ethical attitudes and their correlation to gender (Akers and Eaton, 2003; Conroy and Emerson, 2004; Ergeneli and Arikan, 2002; Peterson et al., 2001). A number of studies have found that females tend to be more ethically sensitive than males (Akaah, 1989; Arlow, 1991; Betz et al., 1989; Borkowski and Ugras, 1992; Conroy and Emerson, 2004; Jones and Gautschi, 1988; Luthar et al., 1997; Peterson, et al., 1991; Ruegger and King, 1992. A few studies have found no differences and have been inconclusive (Derry, 1989; Fritzsche, 1988; McNichols and Zimmerer, 1985).” (Luthar & Karri, 2005) On the other hand Allmon, Chen, et al stated after surveying students from Australia,

Taiwan and the United States that “Although statistically significant differences do exist, there is significant agreement with the way students perceive ethical/unethical practices in business. The findings indicate a universality of business ethical perceptions.” (Allmon, Chen, Pritchett, & Forrest, 1997). Despite the disagreements it is obvious as pointed out by Brown that “Business graduates are perceived to be ethically naive at best, and at worst, constrained in their moral development by the lack of ethical content in their courses.”(Brown, 1994). The problem of teaching ethics is then really three fold. First should it be taught, second by whom should it be taught and finally how should it be taught?

For the universities that are AACSB accredited the organization has not made the area much clearer. They have stated that the ethics should be taught but do not confirm that a separate course should be used. Since there is no clear direction, colleges often state it is integrated into the curriculum of many courses but in reality it often amounts to no more than a line in the faculty syllabus that says “ethics will be covered in this course”.

An important question to consider is whether faculty members believe ethics education is important? In a recent study by Beggs and Dean they state “In assessing root causes, faculty point to a failure of systems such as legal/professional and management (external) and declining personal values (internal). We also found that faculty recommends external forces as a remedy more often than increased ethics educational coverage.” (Beggs & Dean, 2007). If the faculty doubts the value of the ethics education then can it be rationally assumed they will voluntarily incorporate teaching ethics in their courses? Even those faculties who support ethics education have serious doubts. Beggs and Dean state “Even academics who believe that ethics education is important are critical of current pedagogy in the area. Duska (1991) states, “...the futility of ethics courses is not due to ethics being either (1) already known, (2) unteachable, or (3) unknowable, but rather due to the way ethics is taught” (p. 336)”.

(Ibid) With such skepticism of the area is it any wonder that only 10 to 13 percent of universities require any ethics courses.

A further question lays with the recipients of the educational process the student themselves. Do they believe their faculty members are the best source of ethics education? Based on the results of a November 2003 CNN/USA Today/Gallup poll (AFSCME, 2004), Friedman and Fogel stated "Although some professors in colleges teach ethics courses, the overall discipline of professors are not perceived as ethical when compared to numerous other professions." (Friedman & Fogel) Only 59% of respondents considered college professors ethical. As can be seen from the proceeding evidence it is apparent that for ethics to be part of the core accounting curriculum many strides needs to be made.

One of the few areas of consensus seems to be the way to teach ethics. Those who are proponents of ethics education seem to agree that the most beneficial teaching method is role playing. There seems to be an agreement that ethics should be presented over a period of time and actively participated in by the students.

Brown speculated that role playing is the most effective means of teaching ethics. She states "Two of the advantages of role play articulated by van Ments (1983) are changing attitudes and providing portrayals of generalized social problems. Chesler and Fox (1966) suggest that students can achieve insights into themselves, others, and motivations for actions which "can aid students in clarifying their own values and in effectively directing or changing their own behavior".

There are two major problems with trying to incorporate ethics within a course. The first is that it is doubtful that professors would devote a portion of each class day to ethical role playing situations. This would limit his time allocated to a lecture on accounting topics. Second, even if they did would the faculty member who is untrained in role playing strategies actually complete the goal of finding a way to stimulate critical thinking on ethical decisions? Castro (1989) states that "questions are intended to lead to confrontation with whatever underlying issues are faced

by the organization or individual asking them. The power of ethical inquiry lies in its ability to force such a confrontation and, through it, to achieve enhanced self-understanding" (Castro, 1989).

CONCLUSION

In the wake of Sarbanes Oxley, it is apparent that ethics education should be a priority of Corporate America as well as academia. It can be noted that there is a universal demand for more ethics education. As we have summarized above, the current state of academia in its coverage of ethics is not proportional with licensing designations for accountants. The American Institute of Certified Public Accountants (AICPA) is at the forefront in recognizing the importance of ethical training for accountants. Although several state boards of accountancy require ethics for continuing education, they are inconsistent as to the content and number of hours required. Corporations provide limited ethics training for their employees. Academia accreditation organizations have also joined the ethics education movement. Yet, there appears to be a lack of leadership from the schools of accountancy to conform to this current evolution. This trend is unacceptable. The number of accounting students unprepared to make ethical decisions is significant. Academia needs to be more proactive in its awareness of current trends that develop in the business community.

Substantial support exists for an ethics requirement but as noted by the results shown implementation has not been successful. There are differences of opinion at the university level as to whether a separate ethics course or the infusion of ethics into the curriculum is sufficient. Infusion of ethics into the curriculum creates problems of measurement for evaluating its effective. One faculty member's coverage of ethics may not contain the same content matter as another member's material. Also the coverage on ethics within the classroom may be inconsistent due to subjectivity. Other reasons for this lack of leadership by academia may be that it is not considered easily deliverable by professors. The question of who should teach the course, what qualifications

are needed, how should it be taught, and can ethics even be taught? While academics are addressing these issues one fact is inevitable. Demand for ethics education will continue to become more important in the future. The demand for ethics education will not subside. "We have to get young people to stop and think about ethics and the decisions they're making, otherwise, today's students may be tomorrow's criminals" (Weisul & Merritt, 2002).

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