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ASSESSING ETHICS EDUCATION NEEDS IN THE MBA PROGRAM

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ABSTRACT. A methodology for assessing ethics education needs in a Masters of Business Administration (MBA) program is proposed and applied at one institution by comparing the ethical judgment of MBA and MPA (Masters of Public Administration) students over a variety of business scenarios. Implications are discussed for ethics education and its assessment in this and other MBA programs. MPAs were chosen as the comparison group because their education, organizational knowledge, and work experience are expected to promote reasonable judgments. They were also selected because future negative consequences are likely from an ethics gap between MBA and MPA graduates. MBAs were less critical in the current study, and were also more likely to report reliance on egoism, a principle strongly associated with greater tolerance of the practices described. An additional factor, however, appeared to contribute to the MBAs' less critical judgment. Ethical decision-making models suggest this factor was ethical perception. Suggestions are made for modifying ethical principles and perceptions where indicated. Decision makers are urged to assess ethics education needs in their own MBA programs, particularly if they have not added significant ethical content to their curricula.

KEY WORDS: business education, business ethics, business schools, ethics education, ethical judgment, MBA programs, needs assessment

INTRODUCTION

Masters of Business Administration (MBA) programs in the U.S. graduate nearly 100,000 students a year (Jones, 2000). Many of the decisions these graduates make in the business world will or should involve ethical considerations. Should the MBA education affect these considerations as well as the profit-centered ones? Proponents argue that the prevalence of unethical behavior in the business community and the apparent gap between U.S. business and non-business students' ethics demonstrate the need for increased ethics education in the MBA curriculum. But decision-makers know this can't be done without decreasing coverage of other topics or increasing curriculum requirements. Neither is easy to do.

Business schools operate in an era of expanding business knowledge and complexity, as we all do. The changing business environment both creates and demands the expansion of some topics (e.g., globalization and e-commerce) and the periodic addition of new ones. Making room



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for ethics education by cutting other topics is thus becoming increasingly difficult. Expanding curriculum requirements in the face of growing competition for MBA students and their time is no easier. The result is that neither approach is likely to be taken without strong evidence of the need for more ethics education and its likely success. The lack of respect Hosmer (1999) found for the ethics and social responsibility field at many business schools no doubt adds to this burden of proof. But even without these negative biases, it appears prudent to carefully assess needs and likely effects before deciding to add more ethics education to the MBA curriculum despite its associated costs. The current study is designed to assist in this assessment process.

A review of the literature reveals a substantial amount of research that supports the positive impact of ethics education, but little that addresses the need for it in MBA programs. Until much more is known about this need and the factors that moderate it, a program by program assessment is likely to be required to convince many decision makers of the need in their MBA curricula. Business school deans surveyed by George (1987) generally believed there was already sufficient ethics education in the programs under them. A time-efficient methodology is needed to encourage decision makers to assess the validity of this belief. The present study offers such a methodology, and applies it at one institution. Results are discussed in terms of implications for the assessment of needs and design of ethics education in the program studied and in other MBA programs.

The methodology used in the current study employs the scenario approach favored by many researchers for its ability to approximate decision situations (Barnett et al., 1998). MBA and MPA (Masters of Public Administration) students were asked to judge the practices described in a number of scenarios covering a variety of business situations and issues. The multidimensional nature and situational variability of ethics suggests this variety is necessary to obtain more reliable measures of general tendencies or effects and to distinguish them from more situational ones (Byron, 1977; Jones, 1991; Harris and Sutton, 1995). Fortunately, subjects can review and judge scenarios relatively quickly. Although this and other recent studies of ethical judgment are able to take advantage of this fact and use a number and variety of scenarios (e.g., Smith et al., 1999), many past studies have relied on only one or a limited few, justifying Collins' (2000, p. 16) complaint that "researchers have gathered a tremendous amount of situation specific knowledge that is not generalizable".

MPA students were chosen as the comparison group for the MBAs in this study because they are similar in educational level and organiz-

ational knowledge, but dissimilar in educational program and generally employment background. They are also taught by faculty with different backgrounds. Most MPA faculty have terminal degrees in political science or public administration. Less than two per cent are in business. Their programs are designed to teach “the skills required for effective public management”, not the pursuit of profit.¹ They place few graduates in the private sector, with almost two-thirds going to government. The total yearly enrollment in MPA programs across the U.S. is small in comparison to MBA programs, but sizable and stable at about 30,000. These MPA students are likely to become an increasingly knowledgeable, upwardly mobile, and influential segment of the public. A gap between their ethics and the ethics of MBAs would portend future conflicts between expectations and business decisions that are likely to be dysfunctional for the reputation of business, and perhaps for its societal support.

Research and theory suggest ethics education may be one way to address the ethics gap if it exists. Herndon (1996, p. 501) urges those designing ethics education formulate objectives “rooted in the components of ethical decision-making models”. We believe any methodology used to examine the need for ethics education should also be rooted in these components, as should hypotheses concerning the driving forces behind it. We chose to examine ethical judgment because it is a key component of the ethical decision making process, and can be studied over a variety of situations without requiring an excessive amount of subject time. Differences between MBA and MPA judgments are expected as a result of organizational and educational factors suggested by ethical decision making models and related research.

ETHICAL DECISION-MAKING MODELS

Models proposed by Trevino (1986), Hunt and Vitell (1986), Rest (1986a), Jones (1991), Wittmer (2000), and others describe the ethical decision-making process as consisting of essentially four stages: *ethical perception, judgment, intention, and behavior*. Each stage is affected by the stages that precede it (Blasi, 1980; Rest, 1986a) and the variables that moderate it. Ethics education most often targets the *perception* or *judgment* stage. Hunt and Vitell (1986) describe both in considerable detail, a primary reason for the emphasis on their model in this section. The *ethical perception*

¹ This quote and the information on MPA programs presented here come from the website of the National Association of Schools of Public Affairs and Administration (NASPAA.org).

and *judgment* stages are the targets of four of the five objectives for ethics education identified by Callahan (1980), and two of the three described by Sims and Sims (1991). The other objective identified by Callahan is similar to Sims and Sims final objective. It involves developing a sense of moral obligation, and thus targets *intention* directly.

Some have questioned the legitimacy of ethics education aimed at developing a stronger sense of moral obligation, and some have even questioned objectives encouraging the use of certain *ethical principles* in *judgment* (e.g., see Kavathatzopoulos, 1991, 1994; Gautschi and Jones, 1998), but few debate the goal of impacting ethical recognition or *perception*. Sometimes called ethical awareness or sensitivity, this step may be particularly critical because it begins the process (Wittmer, 2000). Hunt and Vitell (1986) describe the components of *ethical perception* as consisting of perceptions of the issues in the situation and the alternatives, consequences, benefits, probabilities, and importance of stakeholders affected. Research suggests perceived consequences may be particularly important (Collins, 2000). Proximity to the “victim” and the temporal immediacy of effects also appear to significantly impact perceptions of what Jones (1991) calls the “moral intensity” of a situation (Chia and Mee, 2000). Wittmer (2000) notes that *ethical perception* requires *ethical sensitivity*, the recognition of “ethical dimensions” (p. 185) in the situation and their relative importance. Others have a similar concept of *ethical sensitivity*, and examine it with similar measures designed to capture both a recognition and perceived importance stage (e.g., Shaub et al., 1993; Sparks and Hunt, 1998).²

Ethical judgment, the second stage of ethical decision making, is described by Hunt and Vitell as involving deontological (value or rule based) and/or teleological (consequence based) evaluations of the *perceived situation*. Philosophers and others have described *moral reasoning* based on teleological theories ranging from egoism or self interest to broadly-applied utilitarian or caring principles, as well as numerous deontological principles based on a variety of duties, virtues, and rights (Kohlberg, 1981, 1984; Williams, 1985; Steiner and Steiner, 2000). Different *judgments* may result from the application of these different *ethical principles*, or from different *ethical perceptions* of the situation being judged (Jones, 1991; Barnett et al., 1994, 1996, 1998; Singer, 1996; Wittmer, 2000). The *ethical principles* or *moral reasoning* forms emphasized by a person depend at least in part on his or her stage of moral development (Kohlberg, 1984; Rest, 1986a; Ferrell et al., 1989;

² Collins (2000) notes the term *ethical sensitivity* may also be used more broadly to refer to judgment and behavior as well as recognition or perception.

Sparks and Merenski, 2000). Some suggest moral development also affects *ethical perception* (e.g., Goolsby and Hunt, 1996), but evidence is mixed on this. Sparks and Hunt (1998) found a significant negative relationship between *ethical sensitivity* and relativism (rejection of moral rules to guide behavior), but Shaub et al. (1993) found no significant correlation between *ethical sensitivity* and *moral reasoning*.

Moderating Variables

A number of moderating factors are proposed to affect one or more stages of the ethical decision making process. Situational variables are prominent among them (e.g., see Fritzsche and Becker, 1983; Weber, 1990a; Jones, 1991). Jones (1991) contends six situational characteristics collectively determine moral intensity. Although some of these characteristics are incorporated into Hunt and Vitell's (1986) description of the components of *ethical perception*, Jones (1991) proposes they affect all stages of ethical decision making.

The importance of situational variability is widely recognized by ethics researchers, and is taken into account by many of the instruments they use. For example, Rest's (1986b) Defining Issues Test (DIT) measures *moral reasoning* over six different scenarios despite the fact it also asks 12 questions about each, and is therefore quite time consuming for subjects. A short form employing only three scenarios is available and preferred by some, but is less reliable (Sparks and Merenski, 2000). Many researchers studying *ethical sensitivity* and *ethical principles* have also chosen more limited scenario sets to allow more time for relatively extensive subject responses to each scenario. However, these researchers often acknowledge the situational variability of ethics, and sometimes note concern over the generalizability of their results because of their use of only one or a few scenarios (e.g., Wittmer, 2000; Paterson, 2001). Researchers studying *ethical judgment* find situational variability much less of a problem because subjects can judge situations relatively quickly, and thus a variety of scenarios can be presented without requiring an excessive amount of subject time. *Ethical judgment* instruments incorporating 10 or more scenarios are therefore common (e.g., see Fritzsche and Becker, 1983; Harris, 1990).

Situational factors are widely recognized moderating variables, but they are not the only ones. Educational and organizational factors also play a prominent role in a number of ethical decision making models. There is considerable empirical support for their inclusion.

THE IMPACT OF ORGANIZATIONAL FACTORS

Authors whose ethical decision making models emphasize organizational variables have cited considerable supporting research (e.g., see Trevino, 1986; Hunt and Vitell, 1986; Ferrell et al., 1989). There is also support for Hunt and Vitell's contention (1986) that industry differences affect ethics (Dornoff and Tankersley, 1975–76; Posner and Schmidt, 1984; Victor and Cullen, 1988). Ethical differences may occur across industries because of variations in professional or industry-wide standards and licensing requirements, or because of systematic differences in organizational factors across the industries (Bommer et al., 1987; Patterson, 2001). An example of the latter are the differences in organizational goals likely to differentiate for-profit and not-for-profit organizations. Bommer et al.'s (1987) concern over the short-term profit goals of many organizations would obviously not apply to organizations in the public sector. In the private sector, however, managers often resolve conflicts in favor of profits over ethics (Vitell and Festervand, 1987). The social goals of not-for-profit organizations, in contrast, may encourage a utilitarian perspective (Townsend, 2000).

Most recent studies continue to support the impact of organizational factors on ethical decision making. Although Patterson (2001) found no relationship between organizational or industry factors and *ethical sensitivity*, her study is an exception in not finding organizational impacts, and conflicts directly with several previous studies of organizational effects on *ethical sensitivity* (Schlachter, 1990; Singhapakdi and Vitell, 1990). Organizational factors positively associated with ethical decision making in recent studies include greater use of codes of ethics and other forms of formalization (Adams et al., 2001; Schminke, 2001; Zimmerman, 2001), and ethical climates emphasizing a utilitarian "caring", a professionalism, or organization-dictated rules (Deshpande, 1996; Barnett and Vaicys, 2000; Vardi, 2001). A tendency for public-sector organizations to rely more heavily on formalization than private sector ones may extend to stronger rules-oriented ethical climates (Victor and Cullen, 1988; Deshpande, 1996; Zimmerman, 2001). These organizational factors, like social goals, would be expected to increase ethical decision making in the public sector. They would also be expected to contribute to any gap between MBA and MPA ethics, since the majority of these students work in the sector consistent with their program of study.

Ethical decision making models generally assume that the associations found between organizational factors and ethical decision making reflect a causal relationship between the two, but an alternative explanation is possible. Organizational factors may attract certain types of ethical decision makers rather than modify their ethical decision making

processes. Although Oldman and Hackman (1981) found little support for such an attraction hypothesis in an extensive study of employee reactions to organizational structure, there is some recent evidence that moral development may affect the work climate a person prefers (Sims and Keon, 1997). Perhaps individuals with strong ethical orientations choose organizations with strong professionalism, rules, and/or caring ethical climates. Such individuals might also logically choose the social goals of public-sector organizations over the profit orientation of private-sector organizations.

More research is needed to better understand the possible roles organizational attraction and modification mechanisms may play in ethical decision making. Longitudinal studies are important, but are particularly difficult to conduct in an organizational setting. They are much less problematical in research designed to examine the possible effects of ethics education. That research indicates education can modify ethical decision making.

THE ROLE OF EDUCATION

Rest (1986a, p. 33) notes that “one of the strongest and most consistent correlates of development in moral *judgment* has been years of formal education”. Not all formal education has the same effects, however. The possibly differing effects of business and non-business curricula are obviously of particular concern here. Some research suggests the undergraduate business curriculum does lead to less moral development and greater tolerance of questionable business practices (e.g., see St. Pierre et al., 1990; Bellizzi and Hasty, 1982; Harris, 1991) than non-business curricula, presumably because of an overemphasis on profit and technical considerations and an underemphasis on ethical ones (Lysonski and Gaidis, 1991). Wood et al. (1988, p. 256) note with alarm the “deeply ingrained egoism in the psyche of the business student”. Milner et al. (1999, p. 257) review previous studies of undergraduate students and conclude that “it is clear business students do score lower than non-business students on the various empirical instruments used”. However, Milner et al. found this may be due to a lower ethical starting position rather than to the undergraduate business curriculum itself, which in their study did not appear to significantly increase or decrease the difference between business and non-business students’ ethics.

The ethics gap found between undergraduate business and non-business students is discouraging to many whether the business curriculum has contributed to it or simply failed to decrease it. They should be encour-

aged, however, by research suggesting that business ethics and business and society courses can often change students' ethical decision making. Two surveys of research studies conducted in the '80s and early '90s found these courses usually do have a positive effect. Weber (1990b, p. 183) concludes that studies "generally found ethical awareness or reasoning skills improve after taking the course", but notes the improvement may be short-lived, citing Arlow and Ulrich's (1985) finding that positive effects dissipated over a four-year period. Glenn (1992) reviews eight studies and reports on his own. Three of the four studies that examined *ethical perception* and two of the three that examined *moral reasoning* found positive changes. Another study found positive changes in *ethical judgment*, and another found changes in Rokeach values presumably related to *ethical judgment*.

A considerable amount of the research since Weber (1990b) and Glenn's (1992) reports also supports the positive effects of ethics-oriented courses (e.g., Eynon et al., 1997; Luther et al., 1997; Carlson and Burke, 1998; Gautschi and Jones, 1998; Abdolmohammadi and Reeves, 2000; Weber and Glyptis, 2000). Two recent studies provide additional evidence of significant effects on *ethical perception*. Gautschi and Jones (1998) found students better able to recognize ethical issues after taking a business ethics course, while Luther et al. (1997) found consequence perceptions changed. Three recent studies examined effects on the *ethical principles* or *moral reasoning* of students. Although DeMoss and McCann (1997) found no movement toward a more caring perspective after an ethics-oriented course, Eynon et al. (1997) and Abdolmohammadi and Reeves (2000) did find evidence of moral development.

Abdolmohammadi and Reeves' (2000) study differs from others examining the effects of business ethics courses by including a size-of-effect analysis based on the *effect size* or *d* statistic. This statistic has been used by some outside the business area to examine the size of ethics education effects (e.g., Rest and Thoma, 1985; Pascarella and Terenzini, 1991; Rest, 1994). They divided differences in *moral reasoning* scores before and after treatment by the standard deviation of pre-treatment scores. Abdolmohammadi and Reeves found the change toward more principled reasoning was statistically significant at the 0.01 level and had a "moderate" *effect size* of 0.35. This compares to an average *effect size* of 0.41 found in 23 studies of the use of Kohlberg's dilemma discussion method of ethics education, and an average *effect size* of 0.36 for 38 studies of psychological development programs having a major moral development component (Rest and Thoma, 1985). *Effect sizes* from 0.34–0.66 are generally considered moderate (Abdolmohammadi and Reeves, 2000).

Despite the apparent positive effects of ethics-oriented courses, few undergraduate and even fewer graduate business programs require them (Schoenfeldt et al., 1991). Furthermore, the percentages that do appear to be declining (Collins and Wartick, 1995). Of course, some of these programs may still provide significant ethics education by integrating it into other required courses. Business school deans generally believe their programs do this (George, 1987). Research by Burton et al. (1991), Hiltelbeitel and Jones (1992), and Kavathatzopoulos (1993, 1994) indicates that some positive effects can indeed be obtained by integrating ethics modules into other courses, but the effects may be short-lived or nonexistent if the amount or content is inadequate (Rest and Thoma, 1985; Richards, 1999). Differences in the amount or content of ethics integration may explain Richards and Harris' finding (1999) that an accounting curriculum appeared to increase students' ethical standards, but other business curricula did not. A substantial amount of ethics education is apparently integrated into the accounting curriculum at many institutions (McNair and Milam, 1993). Differences in amount or content may also explain the lack of significant effects from some business and society and ethics courses. Of course, even significant and strong effects are likely to dissipate over time if students have subsequent organizational experiences that discourage ethical decision making. This may explain Arlow and Ulrich's (1985) finding that initially positive results from a business and society course were no longer present four years later. The organizational environments these students worked in after graduation may have played a role in the decline.

Trevino and McCabe (1994) argue for the extensive inclusion of ethics education in business curricula through both a separate course *and* its integration into multiple core and functional-area courses. As noted previously, however, the costs of even one of these actions is significant in terms of either increased curriculum requirements or reduced coverage of other topics. The question is whether the need justifies the cost, particularly in MBA programs, where evidence of the need is more limited than at the undergraduate level. Research on the need for ethics education cited to this point involved undergraduate rather than graduate programs, but some have studied graduate business students. Zinkhan et al. (1989) found the ethical standards of MBAs declined during the '80s, but did not compare the MBAs to any other group. McCabe et al. (1991) did, and concluded that MBA students made less ethical decisions than law students. That conclusion was based on limited and somewhat mixed results, however. MBAs were significantly less likely than law students to indicate an ethical decision on two of the business scenarios presented to them, but they were

significantly more likely on a third. More consistent results were obtained when the effects of student values were examined. An emphasis on egoistic values was consistently associated with less ethical decision-making, and was more prevalent among MBAs than law students. A follow-up study by McCabe et al. (1994) indicated that the law program had a positive effect on student ethics, but the MBA program did not.

The McCabe et al. studies reveal some troubling comparisons, but results may differ at other institutions. Generalizing from the few scenarios used by McCabe et al. to a larger number and wider variety of business practices is also questionable given the situational nature of ethics noted previously. Wittmer (2000) also found troubling results, but his were limited also. He found graduate and undergraduate business students exhibited less *ethical sensitivity* than engineering and public administration students did, but used only one scenario. Furthermore, he did not break down the data into graduate and undergraduate results, or provide any statistical analysis of the differences presented. Stronger evidence of the need for ethics education will likely be required before many decision-makers will be moved to incorporate significantly more of it into their MBA curricula.

PRESENT STUDY

The current study offers a paradigm for assessing the need for more ethics education in an MBA curriculum, and applies it at an urban university in the southwestern U.S. Subjects were MBA and MPA students enrolled in an organization theory course typically taken late in their respective curriculums. They were taught by one of six instructors who volunteered their classes. Neither the MBA or MPA program required an ethics course. Both professed to integrate ethics topics into other courses, but left this integration to the individual professors. The programs targeted working students primarily, and therefore offered all courses in the evening. Both were accredited by their respective associations.

Although there has been little empirical research on the ethics of MPA students, the extent of ethics education included in MPA programs and the attitudes of their administrators and faculty have been studied through surveys, and through the examination of syllabi and textbooks. Coverage was "modest" in the textbooks examined by Bowman et al. (2001) and common in syllabi Schlachter (1993) collected from a number of MPA programs. Many of the educators surveyed by Cleary (1990) saw a need for more attention to ethics in the curriculum.

Procedure

One hundred and one MBA and 63 MPA students were asked to judge 15 business practices on a 5-point Likert-type scale of approval/disapproval. Subjects then indicated their program of study and the *ethical principle* (egoism, golden rule, utilitarianism, or Kant's categorical imperative) they used most while making the *judgments*. A description of these principles, in the response format provided subjects, is displayed in Figure 1. The principles are commonly cited teleological (egoism and utilitarianism) and deontological (golden rule and Kant's categorical imperative) moral philosophies (Ferrell and Fraedrich, 1997; Hartman, 1998).

Now that you have responded to the various business situations, you are asked to reflect on the decision process which you utilized to arrive at your given response. Which one of the following best describes the way in which you evaluated the acceptability /unacceptability of the business scenarios outlined? (Please check one.)

- A person (or business) should act in a manner which will maximize his/her long-term interests even if it means suffering in the short run.
- One should treat others as you would like them to treat you.
- A person (or business) should act in such a way that maximizes good for the greatest number of people.
- One should act in such a way that his/her behavior reflects a universal law or principle, applicable in all situations.

Figure 1. Description of Ethical Principles.

The instrument shown in Figure 1 is obviously subject to error as it measures the use of *ethical principles* with a single response. However, some criterion-related validity has been established in previous research with the instrument. Harris and Sutton (1995) used it in discovering differences between business students and executives' use of deontological and teleological principles that were consistent with those found by researchers using other measures of *ethical principles* (Singhapakdi and Vitell, 1991; Smith et al., 1999). Richards and Harris (1999) also used the instrument in finding a predicted negative relationship between egoism and *ethical judgment*. This is consistent with results obtained by Barnett et al. (1994, 1996, 1998) using the 20 question Ethical Position Questionnaire (EPQ) and those obtained by McCabe et al. (1991, 1994) using a Rokeach value survey. The present authors accepted the less rigorous measure of *ethical principles* used here in order to allow more time for subject review of a relatively large number and wide variety of business scenarios. Given the situational variability of *ethical judgment* and our priority in measuring it,

we believe the tradeoff is reasonable, particularly with limited evidence of criterion-related validity.

Subjects were also asked to provide information on gender, age, and work experience. The mean age of the MBAs was 30 years, with 32 percent female. The mean age of MPAs was 35, with 41 percent female. Ninety percent of the MPAs were employed at the time of the study, 89 percent of them in the public sector. Ninety-four percent of the MBAs were employed, 65 percent in the private sector. Informal conversations with MBA students working in the public sector suggested they considered the MBA degree a broader credential than the MPA, leaving them with more job choices. Some were actively considering a career move to the private sector and were enrolled in the MBA rather than MPA program because of it.

Ethical Judgment Instrument

The scenario-based instrument used here was developed and validated by Harris (1990) to measure *ethical judgment* in five domains labeled coercion, deceit, fraud, influence dealing, and self interest. The 15 scenarios, briefly described in Figure 2, take the multidimensional nature and situational variability of ethics into account by incorporating a wide variety of business situations involving different ethical domains, issues, and consequences. Harris chose scenarios that reflected the kinds of questionable behaviors frequently encountered in the business world, extensively pretested his instrument, used a panel of judges to establish face validity, and validated the factor structure using confirmatory factor analysis. The instrument has been used to examine the *ethical judgments* of both students and business professionals (Harris, 1990, 1991; Harris and Guffey, 1991; Harris and Sutton, 1995; Richards and Harris, 1999; Richards, 1999), and can be completed relatively quickly. Subjects in the current study were able to complete it, the brief one-response principles instrument, and questions on their age, gender, and work experience in approximately 20 minutes. This was helpful in getting instructors to consent to the participation of their classes.

Hypotheses

Our primary research question is whether MBA students are less critical of questionable business practices than MPA students. Our hypothesis is that they are, at least when MBAs are drawn from programs that have not added a major ethics component. If the hypothesis is true, Hunt and Vitell's (1986) model and associated research suggests it may result from the impacts of differences in organizational and educational factors on MBAs

- 1 Call from major customer leads to hiring of unqualified relative (**coercion**)
- 2 High pressure automobile sales techniques (**coercion**)
- 3 Firm threatens to withdraw advertising if unfavorable news story published (**coercion**)
- 4 Deceitful Advertising (**deceit**)
- 5 Increasing Pollution to Cut Costs (**deceit**)
- 6 Dumping dangerous goods banned in U.S. in foreign markets (**deceit**)
- 7 Padding Expense Account (**fraud**)
- 8 Purchaser announces his decision can be swayed by “appropriate” gift (**fraud**)
- 9 Salesman determined to violate company policy and offer purchaser gifts in order to make sales (**fraud**)
- 10 Advertiser refuses to exert influence to tone down sex and violence on TV series (**influence dealing**)
- 11 Refusal to comply with community leaders request to open store in inner-city (due to higher costs) (**influence dealing**)
- 12 Lobbying by the American tobacco industry (**influence dealing**)
- 13 Pricing patented new product at 45 times cost: value-based vs. cost-based pricing (**self-interest**)
- 14 Hiring competitor’s key employee to acquire competitor information on new product (**self-interest**)
- 15 Vacation awards to big customers increase price of product (**self-interest**)

Figure 2. Brief Description of Scenarios.

and MPAs’ *ethical perceptions* and *principles*. MBAs are proposed to rely more heavily than MPAs on egoism, a principle previous research suggests is associated with less *ethical judgment* (McCabe et al., 1991; Barnett et al., 1998; Wittmer, 2000). MBAs and MPAs are also expected to perceive the business scenarios differently, and these perceptions are expected to contribute further to the judgment differences. Although *ethical perceptions* are not measured in the current study because of the subject time required to do so, the ANOVA model allows for the control of effects associated with the *principles* subjects reportedly emphasized. We expect significant program differences in *ethical judgment* will remain when

principle-related effects are controlled because of differences in *ethical perception*. We also expect MBA egoists and non-egoists alike to be less critical of the questionable business practices than their MPA counterparts.

Hypotheses concerning the *principles* and *judgments* of MBAs and MPAs are based in part on the expected effects of a business education proposed to place heavy emphasis on profit considerations while paying scant attention to ethical concerns. The imbalance is expected to affect *ethical principles* by increasing the perceived legitimacy of egoism and encouraging its use. MBAs working in the private sector are likely to find further encouragement for egoism in the short-term profit orientation of their organizations' goals and reward systems. The emphasis on profits by business firms and educational institutions is also expected to affect *ethical perceptions* by increasing the salience of profit consequences and decreasing the salience of negative consequences borne by outside stakeholders. Public institutions and public administration schools, in contrast, are expected to encourage utilitarianism and increase the salience of outside stakeholders by their emphasis on social goals.

DISCUSSION OF RESULTS

Results were consistent with our primary hypothesis that MBAs are less critical of potentially questionable business practices than MPAs. They were less critical on all 15 scenarios described to them. One-tailed t-tests indicated significant judgment differences at or beyond the 0.05 level on 10 of the scenarios, across all scenarios combined, and in each of the five ethical domains. However, some of this difference in *ethical judgment* may result from differences in the age and gender distributions of the two groups. MPAs were older and more likely to be female, two characteristics associated in some previous research with more ethical decision making (Collins, 2000). An ANOVA model was therefore used to test for the significance of program differences while controlling for the confounding effects of age and gender. Although there were significant age and gender effects in the predicted directions, program effects were still significant when controlling for them in all but the fraud domain. No interaction effects were significant at the 0.05 level.

Program Effects on Ethical Judgment

The ANOVA analysis is useful in judging the statistical significance of differences in *ethical judgment* between the two programs while controlling for age and gender effects, but it is probably not sufficient

to judge the practical significance of these differences. Nor is it useful in comparing the differences found to the likely effects of more ethics education. Is the gap large enough to worry about? Is it small enough to be effectively removed, or at least substantially reduced, with the addition of a major ethics component? The *effect size* statistic is useful in examining the latter question because it can be adapted to compare the size of program effects in the current study to the size of effects found from some ethics-oriented courses and interventions. *Effect sizes* for this study are computed by dividing differences in adjusted means from the ANOVA analyses by the pooled standard deviations. Results are compared to *effect sizes* found in ethics education studies that divided differences in pretest and posttest scores by pretest standard deviations.

Table I displays results from both ANOVA and *effect size* analyses. Significance levels shown for F statistics assume two-tailed tests, and thus understate the significance of findings since a priori hypotheses predicted the direction of differences. However, we left them as displayed to reflect degree of confidence in rejecting the null hypothesis in the absence of our a priori predictions. Significant differences ranged from 0.05 to well beyond the 0.01 level. *Effect sizes* calculated on these differences ranged from 0.34 to 0.45, all in the "moderate" range according to standards cited by Abdolmohammadi and Reeves (2000) and comparable to *effect sizes* found in various studies of ethics education. The *effect size* for *judgments* across all scenarios was 0.43, close to the average *effect size* of 0.41 found in 23 studies of the use of Kohlberg's dilemma discussion method, and above the average *effect size* of 0.36 found in 38 studies of psychological development programs having a major moral development component (Rest and Thoma, 1985) and the 0.35 *effect size* Abdolmohammadi and Reeves (2000) found from a business ethics course.

Taken together, ANOVA and *effect size* analyses shown in Table I suggest highly significant judgment differences of moderate size comparable to effects found from a number of ethics courses and interventions. The differences appear to be of practical significance, but this determination requires a subjective judgment that additional information should facilitate. Table II provides some information of this type, displaying the percentages of MBAs and MPAs above and below selected cut points on the four constructs with significant differences, and on all scenarios combined. One cut point is standard-deviation based, comparing the percentage of MBAs and MPAs more than one standard deviation below the adjusted MPA mean. The other cut points are based on different definitions or scales for approval and disapproval of the described behaviors. Scale 1 defines approval as any score below the midpoint (a construct score

TABLE I
Effects of program on judgments: Anova and effect size analyses

Constructs	Adjusted Means ¹		F	Sign. Level	Effect Size
	MBA	MPA			
Coercion	10.64	11.56	4.00	0.047	0.34
Deceit	12.66	13.34	3.91	0.050	0.34
Fraud	12.85	12.85	0.00	—	—
Influence Dealing	8.13	9.14	4.34	0.039	0.35
Self-Interest	7.39	8.86	7.02	0.009	0.45
Across All Scenarios	51.67	55.76	7.15	0.002	0.43

¹Adjusted for age and gender effects. Construct means can range from a high of 15 (most disapproving) to a low of 3. Mean scores exceeding 9 therefore indicate some degree of disapproval over the construct's three scenarios, and mean scores exceeding 45 indicate some degree of disapproval over the 15 scenarios.

of less than nine, or a total score of less than 45), and disapproval as any score above the midpoint. Scale 2 compares moderate to high approval and disapproval percentages, with approval defined as a construct score of less than eight or a total score of less than 40, and disapproval defined as a construct score of more than ten or a total score of more than 50.

Examination of Table II reveals that MBAs were two to three times more likely than MPAs to be more than one standard deviation below adjusted MPA means. Differences between MBAs and MPAs were smaller on the approval/disapproval scales, but still sizable on the coercion, influence dealing, and self-interest constructs, and on all scenarios combined. Differences shown on the deceit construct were surprisingly small because a very high percentage of both MBAs and MPAs showed moderate or greater disapproval of the behaviors. However, when those showing high levels of disapproval (determined by a rating of 12 or more) are compared, the differences are substantial: 89 percent of MPAs compared to 69 percent of MBAs.

Egoism's Use and Effects

MBAs were expected to be less critical than MPAs partly because of greater emphasis on egoism and less emphasis on utilitarianism. Table III suggests that MBAs and MPAs did rely upon these *ethical principles* differently as predicted. Chi-square tests found differences in reported emphasis on egoism and utilitarianism between the two groups significant beyond the 0.01 level. As expected, this apparently contributed to the

TABLE II
Effects of program on judgments: Additional distribution comparisons

Constructs	Percentage > Std. Dev.		Percentage Approval and Disapproval							
	Below MPA Mean		Scale 1 ¹			Scale 2 ²				
	MBA	MPA	Approve	Disapprove	Approve	Disapprove	MBA	MPA		
Coercion	23%	8%	24%	8%	69%	89%	16%	6%	53%	71%
Deceit	33%	11%	6%	2%	90%	94%	2%	2%	82%	90%
Influence Dealing	37%	10%	64%	32%	30%	44%	52%	22%	22%	30%
Self-Interest	37%	16%	65%	46%	24%	40%	54%	37%	8%	32%
Across All Scenarios	34%	11%	30%	6%	66%	86%	12%	2%	49%	78%

¹Scale 1 defines approval as any score below the midpoint of nine on constructs and 45 across all scenarios. Disapproval is defined as any score above the midpoint.

²Scale 2 defines approval as a construct score below 8, or total score across all scenarios below 40. Disapproval is defined by a construct score above 10, or a total score above 50.

TABLE III
Comparison of ethical principles emphasized

	Egoism	Golden Rule	Utilitarianism	Categorical Imperative
MBA	30.3%	18.2%	15.2%	36.4%
MPA	12.7%	23.8%	31.7%	31.7%

less critical judgments of MBAs. Professed egoists were significantly less critical (at the 0.01 level) in the coercion, deceit, influence dealing and self-interest domains. They were significantly more tolerant of the behaviors described in the fraud domain at the 0.05 level.

Other Variables Suggested

Hunt and Vitell's (1986) model suggests differences in *ethical judgment* may result from differences in *ethical perceptions* as well as differences in *ethical principles*. We have suggested that MBA perceptions of potentially questionable business practices will differ from those of MPAs in ways that will contribute to the *judgment* gap between the two groups. ANOVA analyses were therefore conducted to examine program effects while controlling for the effects of reported egoism (as well as age and gender). These analyses found MBAs still significantly less critical of the practices overall and in the deceit, influence dealing, and self-interest domains at the 0.05 level or beyond. Differences in the coercion domain dropped below the 0.05 level to a 0.08 level of significance. Separate examination of MBA egoists and non-egoists revealed both groups were significantly less critical than their MPA counterparts across all scenarios combined at the 0.05 level. Comparisons of MBAs and MPAs reporting emphasis on each of the principles revealed greater tolerance among MBAs professing to be egoists, utilitarians, and Kantians in all ethical domains, and greater tolerance among MBAs reporting emphasis on the golden rule in all but the fraud domain. These results are consistent with previous research and theory in suggesting *ethical judgment* is affected by *ethical perceptions* as well as *principles*. They also suggest that a change in the *ethical principles* emphasized by MBAs would not completely remove significant *judgment* differences between them and MPAs.

Organizational factors differentiating public and private-sector organizations are expected to contribute to the gap between MBA and MPA *judgments*. Examining this proposition requires the separation of program

effects from the effects of public versus private-sector employment. No meaningful comparison between MPAs in the public and private sector was possible because there were so few of the latter, but there were 34 MBAs working in the public sector. They were less critical than MPAs, but more critical than the MBAs working in the private sector, although the differences were significant across all scenarios at the 0.10 level only (for a one-tailed test). These results provide weak evidence that educational and organizational factors both impacted the MBA students.

CONCLUSIONS AND IMPLICATIONS

Wittmer (2000) calls for more theory development to account for the differences he found between public administration and business administration students if the differences show up elsewhere. They have here. The *ethical judgments* of MBA and MPA students differed significantly across a wide variety of business practices involving coercive, deceitful, influence-dealing, and other self-interest-oriented behaviors, with the size of differences in the moderate range and comparable to the size of effects produced by a number of ethics education courses and interventions. Previous research suggests the rudiments of a theory to explain these differences that proposes organizational and educational effects on the *ethical perceptions* and *principles* of the students. Organizational and educational environments that emphasize profit goals and considerations at the expense of ethical ones are proposed to affect MBAs' *ethical principles* by encouraging egoism, and affect their *ethical perceptions* by increasing the salience of self-interest and profit consequences while decreasing the salience of negative consequences to outside stakeholders. Many public-sector organizations, in contrast, are proposed to encourage utilitarianism and increase perceptions of the negative consequences of unethical behavior by emphasizing social goals and developing strong rules-oriented ethical climates. Public administration programs are also proposed to encourage utilitarianism by emphasizing the importance of social goals.

The above propositions suggest certain changes in *ethical perceptions* and *principles* would likely close the ethics gap found between MBAs and MPAs. But is this gap a legitimate cause of concern? The size of it suggests an affirmative answer if MPA *judgments* can be considered reasonable and appropriate standards for MBAs. We believe they can. MPAs' *ethical perceptions* are likely to be relatively accurate, given their organizational experience and education, and their *judgments* are likely to be reasonable by non-egoistic criteria. Closing the gap through ethics education therefore

appears appropriate if there is a reasonable expectation of success. *Effect size* statistics suggest success is a reasonable expectation in the program studied, as the *effect sizes of judgment* differences found between programs is similar to the *effect sizes* found from some ethics education efforts. Not addressing differences between MBA and MPA *judgments* risks significant negative consequences. An ethics gap between MBAs and MPAs portends future conflicts between business actions and the expectations of a knowledgeable segment of the public likely to be upwardly mobile and increasingly influential. Practical ramifications can be expected in the form of damaged business reputations, and perhaps reduced societal support for the business community as a whole.

Generalizing Results

The variety of scenarios involved and the strength of results in this study suggest that a similar pattern of differences would have occurred if other varied sets of scenarios had been used. The issue of generalizing results to other institutions is another question. Certainly we would expect MBA curricula that require a business and society or ethics course to produce different results. Relatively extensive integration of ethics into other curriculum courses may have similar effects.

Although results here support the need for ethics assessment in at least those MBA programs that have not added significantly to their ethical content, differences in the demographic and background characteristics of entering MBA students is likely to affect what is found in that assessment. This study and previous research suggests females, older students, and those with non-business undergraduate degrees and work experience may need less ethics education. These and other moderating variables may impact both the size of *ethical judgment* differences, and the range or pervasiveness of the differences. Some programs that discover significant gaps may therefore find them limited to actions affecting certain stakeholders, or to those involving only certain types of behavior or ethical domains. Such programs may want to focus ethics education more narrowly on only those types of issues which elicit major *judgment* differences.

Implications for Ethics Education Objectives and Content

Results suggest that closing the ethics gap found here may require the accomplishment of objectives oriented at both improving *ethical perception* and changing *ethical principles*. The prevalence of egoism among the MBAs, coupled with the association found between the *principle* and less ethical decision making in this and previous research, indicates that

the ethics education provided the MBAs should include discussion of the dangers of egoism and the negative consequences which can befall those who engage in unethical behavior. If convincing, this should impact the *ethical judgment* of MBA egoists by changing their *perceptions* of the possible negative self-interest outcomes of unethical behavior. Kraft and Singhapakdi's (1991) discovery that business students are skeptical of the connection between self-interest and ethical behavior reinforces the need to change these perceptions.

Educating MBA students in the negative self-interest consequences of egoism is likely to change *ethical perceptions*, if effective, and probably result in a more cautious application of egoism, but the principle itself would not necessarily be discouraged. If a change in *ethical principles* away from egoism is desired, care must be taken to assure that students don't misinterpret the negative-consequences message and conclude from it that self-interest is the only reason to be ethical. Emphasizing the responsibilities of organizations to multiple external as well as internal stakeholders should discourage such a conclusion. Students who adopt this perspective would then presumably be less likely to judge with egoism, and more likely to judge with utilitarianism. That change in principles should lead to more *ethical judgment*.

We also recommend ethics education include discussion of the consequences of a variety of both ethical and unethical behaviors on multiple stakeholder consequences. The primary expected effect would be to influence *ethical perception*, but enhancing knowledge of the adverse consequences to the victims of unethical behaviors may also affect *ethical principles* by discouraging egoism and encouraging utilitarianism, and do so without directly arguing the moral superiority of one over the other. Students should also be introduced to a range of deontological and teleological *ethical principles*, and given practice evaluating business practices for consistency with them. Those who are adept at applying multiple *ethical principles to judgment* are likely to behave more ethically.

Need Assessment Methodology

The two primary components in the assessment methodology used here are the use of a scenario-based instrument to measure *ethical judgment*, and a comparison group (MPAs) to set standards. Other aspects of the methodology include the use of a brief ethical-principles instrument, the collection of certain demographic information, and the timing of information collection.

Measurement of Ethical Judgment. We chose to measure *ethical judgment* because it is one of the two stages of ethical decision making empha-

sized in ethics education, and because it can be measured over a variety of scenarios without requiring excessive subject time. This is not true of *ethical perception*, the other emphasized ethical decision making stage. The situational variability of ethics suggests variety needs to be incorporated into any instrument used to measure ethical decision making. The instrument used here does that, presenting subjects with a variety of scenarios involving different ethical domains or types of practices (deceitful, coercive, fraudulent, influence dealing, and other self-interest behaviors), different sized consequences, and different stakeholders affected. Yet subjects were able to complete this *judgment* instrument and the other items presented to them in approximately 20 minutes.

Although a number of scenario-based instruments that incorporate a variety of potentially questionable business practices are available (e.g., see Fritzsche and Becker, 1983; Barnett, 1994; Milner et al., 1999), some may want to develop their own, perhaps soliciting input from faculty teaching in the MBA program to be assessed. If so, it is important to incorporate variety along situational dimensions likely to introduce variability. The scenarios should of course also cover the kinds of potentially questionable behaviors MBAs are expected to encounter in the business world.

Comparison Group. We suggest use of an organizationally knowledgeable comparison group, preferably of a similar educational level, to establish reasonable comparative standards. MPAs fit these criteria, but there are only 240 universities across the continental U.S. that offer the degree, so they clearly won't be available for all MBA program assessments. Some appropriate comparison group needs to be found, however, in order to establish reasonable standards. The use of comparative rather than absolute standards should make the response biases that plague all "as if" methodologies common to ethical decision-making research less of a problem. The response biases are less likely to change the magnitude of differences between groups than to inflate judgment scores.

Measurement of *Ethical Principles*. An understanding of the *ethical principles* emphasized by subjects when making their *judgments* clearly provides additional insight into their ethical decision making process. However, the available instruments that provide reliable and relatively detailed information on principle use, such as the Ethics Position Questionnaire (Forsyth, 1980), require significant subject time, and therefore are generally used only with a limited few scenarios (e.g., see Barnett et al., 1996, 1998). We do not suggest that sacrifice, and did not make it ourselves. However, some examination of the use of egoism among MBAs appears appropriate since it has been clearly associated with less ethical

decision making. The basic approach used in the current study was time efficient for subjects, and sensitive enough in its measurement of egoism to yield results that are consistent with previous research on the principle's effects and with predictions on its relative use by MBAs and MPAs.

The principles instrument used here identified expected differences in the use of egoism and utilitarianism among MBA and MPAs, and showed a strong relationship between the egoism measured and less critical judgments. However, other instruments will have to be used if more detailed information about *principle* use is desired. Selection of an instrument should be based on intended purposes as well as the subject time available. The Ethical Position Questionnaire is a good choice if the added subject time required for its administration is available, and the assessor wants to separate and measure both the idealism and relativism dimensions differentiating *ethical principles*. Egoism combines the two dimensions (low idealism with high relativism), but since both appear to impact *ethical judgment* (Barnett et al., 1994, 1996, 1998), some may want to identify and separate the extent of low idealism and high relativism so they can prioritize and direct the appropriate amount of efforts toward changing each. Others may want to modify the instrument used here and measure the *ethical principles* on a continuum so they can identify more moderate use of egoism and perhaps the other principles. The current measure is likely to be sensitive to high levels only, and thus may result in underestimating the impact of the egoism principle on the *judgment* of both MBAs and MPAs.

Collection of Demographic Information. The impacts of key demographic characteristics likely to affect ethical decision making should be statistically controlled and examined whenever possible. Subjects in the current study were asked to provide information on gender, age, and work experience. We controlled for the effects of age and gender, thereby eliminating the effects of the MBA programs' younger students and higher percentage of males. Others who find a high percentage of males in their MBA program may not want to consider this when determining comparative standards for the MBAs because it in essence accepts lower standards because of the number of males.

Although we statistically controlled for age and gender effects, we did not enter work experience into the ANOVA model. That would have adjusted comparative *judgment* standards downward for MBAs because of their heavy employment in the private sector. We did not consider it appropriate to remove the effects of sector employment from the assessment of the need for ethics education. However, MBAs working in the public sector were compared to those working in the private sector and found to be more

critical, as expected, suggesting the MBA's need for ethics education is likely to vary with his or her public or private sector employment.

Timing of Information Collection. Subjects completed the instruments during a class session of their organization theory course. Although the course is typically taken late in the respective programs, it may be better when assessing graduating students' ethics to examine the *ethical judgment* of MBAs and MPAs in the capstone course of each program. It also may be useful to examine the ethics of both incoming MBA students and exiting graduates to gauge curriculum needs and effects, and to do so on a recurrent basis.

Placement of Ethics Education

Ethics education can be incorporated into an MBA curriculum through either an ethics-oriented course or through relatively extensive integration of ethics topics into other courses. Business students appear to favor the latter approach (Stewart et al., 1997). The accounting curriculum at many business schools provides a model of ethics integration with some apparent success in increasing students' ethical standards (Richards and Harris, 1999). McNair and Milam (1993) have empirically identified the major components of this model. They include widespread integration of ethics education into courses in all specialty areas, use of lectures in combination with a variety of active learning approaches, and the involvement of professional associations in developing ethics materials and in training professors in their use. Other authors have provided extended discussions of one or more of these components (e.g., Lampe and Finn, 1994; Shaub, 1994). Authors outside the accounting area have also provided helpful recommendations for incorporating ethics education into business curricula (e.g., Bishop, 1992; Gautschi and Jones, 1998). Gilbert (1992) emphasizes the need for faculty training when following the integration approach, a need McNair and Milam (1993) found was being widely addressed by various professional accounting associations.

The Role of Business Organizations

Although results of the current study are most relevant to MBA educators, the large number of MBAs working in the private sector suggests implications for corporate practice as well. Certainly companies that employ significant numbers of recently graduated MBAs should take note of the *ethical principles* and *judgments* exhibited by the MBA students in this study. Companies that find these results disturbing should consider implementing ethics assessment within their own organizations. We would again recommend that such assessment include the use of scenarios and a care-

fully chosen comparison group. We also recommend at least some scenarios be customized to incorporate relevant company position, strategy, and industry factors. If assessment suggests the need for improvement, introducing ethics education into the corporate setting is an alternative that appears to have met with some success (Delaney and Sockell, 1992). Corporate trainers pursuing this alternative should find relevance in the content suggestions made by the current authors and those cited.

Recent research suggests businesses can also affect the ethical decision making of their employees by their organizational goals, structures, and ethical climates. An alternative explanation for the associations found between organizational and ethical variables, however, is that they may at least partially result from attraction rather than modification mechanisms. In other words, organizations may attract and retain certain types of ethical decision makers rather than modify ethical decision-making processes. Either way, their employees' ethics are ultimately impacted by their organization designs. And either way, MBA programs will likely affect the ethics of the graduates they send into these organizations. To the extent that organization-modification hypotheses are valid, however, the effects of any ethics education provided may be either reinforced, or counteracted and ultimately undone, by the businesses employing the graduates.

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