



Can Ethics Education Impact Whistleblowing?

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BY NATURE, PEOPLE GENERALLY CHOOSE THE PATH OF LEAST RESISTANCE. WHEN IT COMES TO ROOTING OUT MALFEASANCE AND REPORTING THOSE WHO PLAY FAST AND LOOSE WITH ACCOUNTING RULES, FINANCIAL PROFESSIONALS OFTEN LOOK THE OTHER WAY. THAT IS WHY IT IS SO IMPORTANT TO LAY THE GROUNDWORK FOR ETHICAL BEHAVIOR—IN ACCOUNTING CURRICULA AND IN PRIVATE INDUSTRY—TO ENCOURAGE WHISTLEBLOWERS TO COME FORWARD. HERE IS HOW ONE SMALL UNIVERSITY ON THE EAST COAST IS EDUCATING STUDENTS TO ATTEMPT TO MAKE THAT HAPPEN.

We need more whistleblowers! That cry comes up from the public over and over as more incidents of professional malfeasance come to light. Yes, whistleblowers have helped to root out fraud, often leading to significant settlements, but the fact remains that serious organizational wrongdoing appears to be growing, not diminishing.¹ This has dire implications for many stakeholders.

What can be done to address concerns that organizational wrongdoing is increasing? Can it be discouraged by encouraging ethical behavior and educating people about their options when they see or hear of something that they think ought to be reported?

Not surprisingly, ethical behavior is a function of many factors, including personal values, cultural values, moral development, regulations, and ethics training. This article explores the effectiveness of an ethics training program embedded within a 12-week Advanced Financial Accounting course by testing for changes in attitudes about whistleblowing using an earnings-management case study.

SUPPORT FOR ACCOUNTING ETHICS EDUCATION

The accounting profession believes that the topic of ethics should be included in accounting curricula.² Although most academics agree, there is no consensus

about the content and coverage of ethics within our courses. Scott David Williams and Todd Dewett discussed the view that ethical decision making is a complex system of interactions and that it is an unrealistic goal of any ethics program to prevent any and all unethical behavior.³ Increasing awareness, promoting moral development, and encouraging a student's ability to handle complex ethical issues are more reasonable goals. Stephen E. Loeb describes a comprehensive list of accounting ethics education goals based on suggestions from Daniel Callahan that include:

1. Relate accounting education to moral issues.
2. Recognize issues in accounting that have ethical implications.
3. Develop a "sense of moral obligation" or responsibility.
4. Develop the abilities needed to deal with ethical conflicts or dilemmas.
5. Learn to deal with the uncertainties of the accounting profession.
6. "Set the stage for" a change in ethical behavior.
7. Appreciate and understand the history and composition of all aspects of accounting ethics and their relationship to the general field of ethics.⁴

Loeb suggests that several course components may contribute to meeting these goals. Case analyses, he says, may foster every goal except the sixth one. Participation in class discussions, as well as a research paper and exams, may contribute to goals 1, 2, and 7.⁵ Unfortunately, there are few empirical studies that have attempted to assess teaching effectiveness after students complete an accounting ethics course, or ethics modules integrated within another course, using the goals listed previously.

In 2006, I examined the impact of five common course components (case analyses, participation, textbook readings, a research paper, and exams) to determine the effectiveness of a professional-responsibility course offered to accounting seniors.⁶ I found that cases integrated within the course are effective at meeting goals 1, 2, and 6 and that class discussions help to meet goal 7. Writing a research paper is effective at reaching goal 5. Readings within the course textbook are significant for goals 2 and 4, and exams are effective at meet-

ing goal 3. *All five components examined were effective for at least one ethics education goal in the course.* In 2008, I extended this research to examine the effectiveness of the same course components on a three-week ethics module embedded in an Advanced Financial Accounting course and found that case analyses are significant for goals 3, 4, and 6; exams for goal 5; and a research paper for goal 7.⁷

THE ADVANCED FINANCIAL ACCOUNTING COURSE

My research for this article examines the specific components within an Advanced Financial Accounting course to explore the effectiveness of course goals relating to ethics education at a micro level. As mentioned in the previous section, the Advanced Accounting course has several components, including textbook readings, case analyses, participation in class discussions, a research paper, and exams. The Advanced Accounting textbook is used throughout the course to cover traditional advanced topics, including ethics issues, partnerships, consolidations, and governmental accounting.⁸ The textbook material is supplemented with cases focusing on major earnings scandals to illustrate the impact of ethical dilemmas and application of various theories and professional codes of conduct. Students are expected to identify the ethics issues and alternative actions and provide an evaluation, including the pros and cons of the issues presented in each case. Then they participate in a group discussion of each case. Each student also selects a topic from the textbook and prepares a research paper, then presents the results of his or her research to the class, leaving a period for questions about the project. The course includes four exams that contain multiple-choice, computational problems, short-answer questions, and cases that are similar to the written case analyses. Approximately three weeks, or 7.5 hours of course time, are spent on ethical issues and professional responsibility.

When I reviewed the literature, I did not find any empirical studies assessing the goals for ethics education regarding whistleblowing. Therefore, this article will examine the five common course components (cases, participation, textbook readings, a research paper, and exams) to explore the effectiveness of

teaching ethics modules within an Advanced Financial Accounting course.

Stephen Loeb suggests several possible goals for students studying whistleblowing in a college or university accounting program:

1. Understand whistleblowing and its consequences.
2. Understand the concepts of responsibility, loyalty, and harm, which an individual can use in analyzing a whistleblowing situation.
3. Learn various approaches for dealing with whistleblowing situations.
4. Learn how, if possible, to prevent creating situations in which whistleblowing may possibly occur or to avoid these situations altogether.⁹

Here we will examine the following four hypotheses:

Hypothesis 1: Integrating an ethics module within an Advanced Financial Accounting course is an effective way for students to learn to understand whistleblowing and its consequences.

Hypothesis 2: The five common course components—case analyses, research papers, textbook readings, participation in class discussions, and exams—teach accounting students to understand the key concepts of responsibility, loyalty, and harm.

Hypothesis 3: The five common components teach accounting students about various approaches for dealing with whistleblowing situations.

Hypothesis 4: The five components teach accounting students to, if possible, prevent creating situations in which whistleblowing may possibly occur or avoid them altogether.

STUDY METHODOLOGY

An anonymous survey was administered at a small, private college in northeastern Pennsylvania during the first week of an Advanced Financial Accounting course offered in fall 2009. To begin, each student used a self-selected code to identify himself or herself, reported demographic information and his or her understanding of several basic ethics concepts, and evaluated an earnings-management vignette adapted from Jeffrey R. Cohen and colleagues.¹⁰ Twelve weeks later, at the end of the semester, the same survey was administered with a course evaluation added. Each survey was adminis-

tered during class time with instructions on how to complete each section; students were informed that participation was voluntary. Out of 53 students in the course, 40 completed both the pre- and post-test.

On a seven-point Likert scale ranging from 1 (“high”) to 7 (“low”), each student assessed his or her own understanding of whistleblowing and its consequences, Sarbanes-Oxley Act (SOX) whistleblowing provisions, and how accountants have manipulated information to perpetuate fraud. In the section of the survey containing the earnings-management vignette, each student indicated his or her belief of whether the action was ethical—on a seven-point Likert scale ranging from 1 (“ethical”) to 7 (“unethical”)—and the likelihood he/she would take each action, from 1 (“high”) to 7 (“low”). (Appendix A contains the vignette and the statements to which the students were asked to respond.)

A section of the survey administered only at the end of the semester included course goals that Loeb had suggested.¹¹ Each student assessed the Advanced Accounting course components in relation to each previously discussed goal by providing his or her opinions on a five-point Likert scale ranging from 1 (“no effect”) to 5 (“great effect”). The dependent variables in each model were the summed evaluations of specific course components, including exams, text materials, participation, case analyses, and the research paper. The independent variables in the analyses were the whistleblowing course goals. (Appendix B contains all of the course components and the statements used to evaluate each one.)

WHAT DID THE STUDENTS LEARN?

At the beginning and end of the semester, each student assessed, on a seven-point Likert scale ranging from 1 (“high”) to 7 (“low”), his or her understanding of whistleblowing and its consequences, SOX whistleblowing provisions, and how accountants have manipulated information to perpetuate fraud. Table 1 reports the results of the matched-paired t-tests for the pre- and post-test evaluations to determine if each student felt the course contributed to his/her learning in these areas.

At the beginning of the course, the mean for “rate

Table 1: Learning Assessments

	N	Beg Mean	Beg SD	End Mean	End SD	Sig
Rate your understanding of whistleblowing and its consequences	40	2.900	1.446	2.150	1.145	S
Rate your understanding of Sarbanes-Oxley Act (SOX) whistleblower protections	40	4.725	1.552	2.675	1.185	S
Rate your understanding of how accountants have manipulated information to complete an accounting fraud	40	3.875	1.265	2.150	1.167	S

S = statistically significant p-values > 0.05.

NS = not statistically significant p-values < 0.05.

your understanding of whistleblowing and its consequences” was 2.90 (1.45 standard deviation) and decreased to 2.15 (1.15) at the end of the course. When the semester began, the mean for “rate your understanding of SOX whistleblower protections” was 4.73 (1.56 sd) and dropped to 2.68 (1.19 sd) at the end of the course. Likewise, the initial mean for “rate your understanding of how accountants have manipulated information to complete an accounting fraud” was 3.88 (1.27 sd) and decreased to 2.15 (1.17 sd). A matched-paired t-test confirms that the differences for the pre- and post-test assessments are statistically significant, indicating that the students believe the course increased their understanding of whistleblowing and its consequences, SOX provisions, and how accountants have manipulated information to intentionally deceive. This finding supported the first hypothesis: Integrating an ethics module within an Advanced Financial Accounting course is an effective way for students to learn to understand

whistleblowing and its consequences. Similarly, the students’ responses were found to partially support the second and third hypotheses for at least one of the common course components.

The same could not be said for the fourth hypothesis, however. The responses indicated that none of the five common course components was statistically significant in helping the students learn to prevent or avoid situations where whistleblowing may occur.

On a seven-point Likert scale ranging from 1 (“ethical”) to 7 (“unethical”), each student assessed whether he/she felt the action in the case (details of which appear in Appendix A) was ethical. A matched-pair t-test did not show statistically significant changes in the students’ ethical evaluation of the vignette. In short, students felt this action was unethical at the beginning *and* end of the course; the beginning mean response was 6.46 (0.76 sd), and the ending mean was 6.38 (1.17 sd).

To further explore the impact of ethics education on

Table 2: Course Components

	Exams	Text	Case	Paper	Participation	Adj R2
Develop an understanding about concepts of responsibility, loyalty, and harm, which an individual can utilize in analyzing a whistleblowing situation	NS	NS	S	NS	S	0.683
Learn various approaches for dealing with whistleblowing situations	NS	NS	NS	NS	S	0.561
Learn to prevent the creation of or avoid involvement in situations in which whistleblowing may possibly occur	NS	NS	NS	NS	NS	0.104

S = statistically significant p-values > 0.05.

NS = not statistically significant p-values < 0.05.

Table 3: Reporting Outlets

	N	Beg Mean	Beg SD	End Mean	End SD	Sig
Internal Manager	40	3.125	1.588	2.675	1.639	NS
Internal Auditor	40	2.800	1.285	2.350	1.350	S
Board of Directors	40	3.750	1.481	3.100	1.533	S
Anonymous Hotline	40	3.500	2.298	3.150	1.981	NS
External Auditor	40	3.825	1.708	3.150	1.657	S
SEC	40	4.175	1.678	3.925	1.774	NS
IMA	40	4.425	1.693	4.050	1.825	NS
AICPA	40	4.350	1.718	4.100	1.795	NS
Department of Justice	39	4.615	1.711	4.154	1.885	NS

whistleblowing intentions, students were asked to evaluate, on a seven-point Likert scale ranging from 1 (“high”) to 7 (“low”), how likely it would be that they would report the action. Table 3 reports several matched-pair t-tests relating to nine whistleblowing reporting options, including the Securities & Exchange Commission (SEC) and the Department of Justice. For all reporting options, students were more likely to whistleblow after finishing the course (all responses at the end of the semester are closer to 1). The students, however, reported *statistically significant* changes in their willingness to report this action to internal auditors, the board of directors, and external auditors after completing the coursework.

WHAT THE STUDY CAN TEACH PRACTICING ACCOUNTANTS

The public demands that accountants be ethical as well as understand the fundamentals of their profession. Moreover, the public expects that ethics will be taught in the classroom. Assessing the effectiveness of ethics education is important to academics as we attempt to improve curricula to meet more complicated goals. Professional responsibility is not something that our current accounting students, academics, or practicing financial professionals should take lightly. They must be regularly exposed to ethical dilemmas and the consequences of complicated decision choices such as whistleblowing.

As many accounting curricula are not able to devote an entire semester-long course to professional responsibility, this study is unique in that it is the first to

explore changes in attitudes regarding whistleblowing intentions as a result of an ethics module embedded in an Advanced Financial Accounting course. Because we have limited time in our courses, the results of this study suggest that implementing an ethics module can be effective in providing an understanding of whistleblowing and its consequences. More specifically, case analyses and class discussions are effective at meeting several whistleblowing learning outcomes, including understanding the concepts of responsibility, loyalty, and harm, which can be used in analyzing a possible whistleblowing situation and deciding how best to deal with it.

As we have seen, students are more likely to whistleblow after ethics training. That said, this particular study was limited by a small sample size from one educational institution. Nevertheless, the study provides an important foundation for future research for accounting educators to assess ethics modules in their courses. Future researchers may want to examine a variety of accounting situations and varying course materials to educate individuals to help avoid a situation in which whistleblowing is the only option left to thwart an organization’s unethical behavior.

The results reported in this study can be extended to corporate ethics training. Although educating future management accountants about ethical behavior and whistleblowing options is extremely important, corporations, too, must reinforce the importance of ethical behavior and the availability of whistleblowing as a deterrent to unethical behavior. Corporations could

implement ethics training using case-based analyses and group discussions to help mitigate stakeholder losses, prevent corporate scandals, or, ideally, both. It is certainly commendable if your organization has such a program in place. If it does not, now is the time to re-examine your internal controls, including your ethics policies—before it is too late. ■

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ENDNOTES

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- 3 Scott David Williams and Todd Dewett, "Yes, You Can Teach Business Ethics: A Review and Research Agenda," *Journal of Leadership & Organizational Studies*, Winter 2005, pp. 109-120.
- 4 Stephen E. Loeb, "Teaching Students Accounting Ethics: Some Crucial Issues," *Issues in Accounting Education*, Vol. 3, 1988, pp. 216-239; and Daniel Callahan and Sissela Bok, "Goals in the Teaching of Ethics," in D. Callahan and S. Bok, eds., *Ethics Teaching in Higher Education*, Plenum Press, New York, N.Y., 1980, pp. 61-80.
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- 6 Tara J. Shawver, "An Exploratory Study Assessing the Effectiveness of a Professional Responsibility Course," *Global Perspectives on Accounting Education*, 2006, pp. 49-66.
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- 8 Joe B. Hoyle, Thomas F. Schaefer, and Timothy S. Douppnik, *Fundamentals of Advanced Accounting*, Ed. 3, McGraw-Hill/Irwin, New York, N.Y., 2004.
- 9 Stephen E. Loeb, "The Evaluation of 'Outcomes' of Accounting Ethics Education," *Journal of Business Ethics*, February 1991, pp. 77-84.
- 10 Jeffrey R. Cohen, Laurie W. Pant, and David J. Sharp, "The Effect of Gender and Academic Discipline Diversity on the Ethical Evaluations, Ethical Intentions and Ethical Orientation of Potential Public Accounting Recruits," *Accounting Horizons*, September 1998, pp. 250-270.
- 11 Loeb, 1988 and 1991.

APPENDIX A: ETHICAL EVALUATION

Scenario: The CEO of a company requests that the controller reduce the estimate for bad debts in order to increase reported income, arguing that this is common practice in the industry when times are hard. Historically, the company made very conservative allowances for doubtful accounts, even in bad years. The CEO's request would make it one of the least conservative in the industry.

Action: Because of this information, the controller makes the adjustment.

The action described above is:

Ethical 1 2 3 4 5 6 7 Unethical

Please indicate the likelihood you would disclose this issue to the following individuals or organizations:

Internal manager	High 1 2 3 4 5 6 7 Low
Internal auditor	High 1 2 3 4 5 6 7 Low
Board of directors	High 1 2 3 4 5 6 7 Low
Anonymous hotline	High 1 2 3 4 5 6 7 Low
External auditor	High 1 2 3 4 5 6 7 Low
SEC	High 1 2 3 4 5 6 7 Low
IMA	High 1 2 3 4 5 6 7 Low
AICPA	High 1 2 3 4 5 6 7 Low
Department of Justice	High 1 2 3 4 5 6 7 Low

APPENDIX B: ACCT310 COURSE EVALUATIONS QUESTIONNAIRE

Please circle the most appropriate answer to evaluate the effectiveness of course/course components and coverage of material (1 = "no effect" to 5 = "great effect").

	No effect				Great effect
Advanced Financial Accounting					
1. Relate accounting education to moral issues	1	2	3	4	5
2. Recognize issues in accounting that have ethical implications	1	2	3	4	5
3. Develop a "sense of moral obligation" or responsibility	1	2	3	4	5
4. Develop the abilities needed to deal with ethical conflicts or dilemmas	1	2	3	4	5
5. Learn to deal with the uncertainties of the accounting profession	1	2	3	4	5
6. "Set the stage for" a change in ethical behavior	1	2	3	4	5
7. Appreciate and understand the history and composition of all aspects of accounting ethics and their relationship to the general field of ethics	1	2	3	4	5
8. Overall effectiveness in evaluating accounting ethical issues	1	2	3	4	5
9. Treated as colleagues, with students encouraged to challenge faculty ideas	1	2	3	4	5
10. Environment fostered trust between students and faculty	1	2	3	4	5
11. Encourage the free exchange of ideas	1	2	3	4	5
12. Encourage my ability to analyze moral situations	1	2	3	4	5
13. Overall, Advanced Accounting contributed to my enjoyment of my education	1	2	3	4	5
14. Develop an understanding about concepts of responsibility, loyalty, and harm, which an individual can utilize in analyzing a whistleblowing situation	1	2	3	4	5
15. Learn various approaches for dealing with whistleblowing situations	1	2	3	4	5
16. Learn to prevent the creation of, or avoid involvement in, situations in which whistleblowing may possibly occur	1	2	3	4	5
Examinations					
1. Relate accounting education to moral issues	1	2	3	4	5
2. Recognize issues in accounting that have ethical implications	1	2	3	4	5
3. Develop a "sense of moral obligation" or responsibility	1	2	3	4	5
4. Develop the abilities needed to deal with ethical conflicts or dilemmas	1	2	3	4	5
5. Learn to deal with the uncertainties of the accounting profession	1	2	3	4	5
6. "Set the stage for" a change in ethical behavior	1	2	3	4	5
7. Appreciate and understand the history and composition of all aspects of accounting ethics and their relationship to the general field of ethics	1	2	3	4	5
Text and Chapter Readings					
1. Relate accounting education to moral issues	1	2	3	4	5
2. Recognize issues in accounting that have ethical implications	1	2	3	4	5
3. Develop a "sense of moral obligation" or responsibility	1	2	3	4	5
4. Develop the abilities needed to deal with ethical conflicts or dilemmas	1	2	3	4	5
5. Learn to deal with the uncertainties of the accounting profession	1	2	3	4	5
6. "Set the stage for" a change in ethical behavior	1	2	3	4	5
7. Appreciate and understand the history and composition of all aspects of accounting ethics and their relationship to the general field of ethics	1	2	3	4	5

Homework Cases

- | | | | | | |
|--|---|---|---|---|---|
| 1. Relate accounting education to moral issues | 1 | 2 | 3 | 4 | 5 |
| 2. Recognize issues in accounting that have ethical implications | 1 | 2 | 3 | 4 | 5 |
| 3. Develop a "sense of moral obligation" or responsibility | 1 | 2 | 3 | 4 | 5 |
| 4. Develop the abilities needed to deal with ethical conflicts or dilemmas | 1 | 2 | 3 | 4 | 5 |
| 5. Learn to deal with the uncertainties of the accounting profession | 1 | 2 | 3 | 4 | 5 |
| 6. "Set the stage for" a change in ethical behavior | 1 | 2 | 3 | 4 | 5 |
| 7. Appreciate and understand the history and composition of all aspects of accounting ethics and their relationship to the general field of ethics | 1 | 2 | 3 | 4 | 5 |

Research Paper and Presentation

- | | | | | | |
|--|---|---|---|---|---|
| 1. Relate accounting education to moral issues | 1 | 2 | 3 | 4 | 5 |
| 2. Recognize issues in accounting that have ethical implications | 1 | 2 | 3 | 4 | 5 |
| 3. Develop a "sense of moral obligation" or responsibility | 1 | 2 | 3 | 4 | 5 |
| 4. Develop the abilities needed to deal with ethical conflicts or dilemmas | 1 | 2 | 3 | 4 | 5 |
| 5. Learn to deal with the uncertainties of the accounting profession | 1 | 2 | 3 | 4 | 5 |
| 6. "Set the stage for" a change in ethical behavior | 1 | 2 | 3 | 4 | 5 |
| 7. Appreciate and understand the history and composition of all aspects of accounting ethics and their relationship to the general field of ethics | 1 | 2 | 3 | 4 | 5 |

Participation/Class Interaction

- | | | | | | |
|--|---|---|---|---|---|
| 1. Relate accounting education to moral issues | 1 | 2 | 3 | 4 | 5 |
| 2. Recognize issues in accounting that have ethical implications | 1 | 2 | 3 | 4 | 5 |
| 3. Develop a "sense of moral obligation" or responsibility | 1 | 2 | 3 | 4 | 5 |
| 4. Develop the abilities needed to deal with ethical conflicts or dilemmas | 1 | 2 | 3 | 4 | 5 |
| 5. Learn to deal with the uncertainties of the accounting profession | 1 | 2 | 3 | 4 | 5 |
| 6. "Set the stage for" a change in ethical behavior | 1 | 2 | 3 | 4 | 5 |
| 7. Appreciate and understand the history and composition of all aspects of accounting ethics and their relationship to the general field of ethics | 1 | 2 | 3 | 4 | 5 |

Please provide feedback on the effectiveness of ACCT310 or any other feedback you feel is appropriate.

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