

**ETHICAL DIFFERENCES AMONG BUSINESS STUDENTS:  
DO THE DIFFERENCES REALLY EXIST?**

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**ABSTRACT**

The paper investigates the predisposition of future business practitioners by comparing two groups of business students whose professions seem to be at the forefront of many ethical lapses. The study was designed to elicit responses from business students in multiple majors with regard to their perceptions of various items in the Maccoby's Head/Heart Trait scale. The study did not find any significant differences in the perceptions of the Head/Heart traits among quantitatively oriented (Accounting and Finance) students and qualitatively oriented (Management and Marketing) students. Given the frequency of real world ethics scandals and influenced by Association to Advance Collegiate Schools of Business (AACSB) recommendations, many business schools have included ethics as part of their core curriculums. This study undermines the generally held belief that given the nature of their curriculum, Accounting and Finance students tend to be different from Management and Marketing students with regard to their ethical orientation. Of course, more studies are required to answer lingering questions about teachability of ethical decision making in business schools.

*Keywords:* Ethics, Business, Curriculum, Traits, Accounting, Marketing

**Introduction**

The last decade has seen a number of financial scandals that have often dominated the front pages of newspapers and the start of television news shows; the "Wall Street bail-out" with its alphabet soup of acronyms, the Madoff Ponzi Scheme, Enron/Arthur Anderson, Galleon Hedge Fund, AIG, and Parmalat Sp.A. are just some of the names that have been thrust into the limelight. A common denominator for each of these scandals is ethical misconduct by people working in the field of finance. These people are often bright, energetic, well trained, and hard working. They are almost always the product of business school training and they also engaged in what was clearly unethical behavior.

Revelations of massive ethical misdeeds in business often result in self-reflection by society and calls for Business Schools to make changes to prevent future abuses. This creates problems for the principle Business School accrediting body (the Association to Advance Collegiate Schools of Business) and individual school curriculum committees. These are the units required to make sure that business education at a macro and micro level are meeting the needs of stakeholders.

Quite often, the reaction by Business Schools is to increase the dose of ethics training and education at various levels of the curriculum. Yet, ethical lapses continue to happen with alarming frequency. Therefore, it is logical to conclude that lapses in ethical conduct are not for the want of exposure to ethical concepts and we should look elsewhere for the reasons for ethical misconduct.

Two possible alternatives can be offered:

- 1) Even though ethical *concepts* can be taught, ethical *behavior* cannot be *taught* but can only be *learned* through real-time and on-the-job experience. Can you teach business ethics to students who do not yet know business?; and
- 2) The reason why the finance industries have repeated scandals is because the people who major in those subjects are pre-disposed to less ethical behavior whatever courses they take.

The following paper evaluates these two particular questions in detail through a review of the extant literature. Additionally, the second question is then tested using data from a survey of business students. The final sections of the paper consider the results of the survey and develop suggestions for new pathways for future research.

The contribution of the paper is to test two widely held and popular views and identify the extent to which they are supported by evidence. If future ethical problems are to be avoided it is essential to discern supported fact from populist fiction. There are two business school 'constituents' that may gain from the current research; these are a) accrediting bodies and b) curriculum committees in schools/colleges of business. These constituents of the business environment are responsible for establishing and executing standards of business education. Based on the recent past, it is clear that business education is not meeting the standards demanded by society as a whole. Therefore, changes are needed and these constituents are the catalysts of change.

### **Literature Review**

There is a common perception that leaders in business do not share the same ethical values as the rest of the population. While this seems like a raw generalization, a 2010 Harris Interactive survey indicated that 70 percent of the respondents disagreed with the statement, 'people on Wall Street are as honest and as moral as other people' (USA Today 2010 [1]). Most people believe that unethical practices undermine the fabric of U.S. business environment (Egodiqwe, John, Long, and Warfield, 2003) and that bankers, accountants, and finance managers seem to be more likely to behave unethically.

### **Student Behavior and Business Behavior**

Studies have shown that students who cheat at the university level are more likely to demonstrate professional misconduct in their future (Atmeh and Al-Khadash 2008; Harding, Carpenter, Finelli, and Passow 2004). This is an important point because it justifies the use of

students in quantitative studies to determine whether specific aspects of student behavior are linked to cheating and, by extension, the likelihood of future unethical behavior (Menon and Sharland 2011; Sautter, et al. 2008; Elias 2009). Variables such as Machiavellianism and Narcissism have been the focus of several such studies.

This finding can only be reinforced by recent student behavior in business schools. ABC News reported an instance of mass-scale cheating in a senior level business course at the University of Florida (ABC News, 2010). The report indicated that fully one-third of the students in the class of 600 cheated on the mid-term. Perhaps it is the pursuit of financial success that is the driving force for unethical behavior.

Yet, before we jump to apparently obvious conclusions, we should evaluate some other evidence. A recent survey of 220,000 first-time, full-time freshman from 297 four-year universities over a four-year period reveals that most (78.1%) of them rated being financially well-off as being the most important objective in life. This factor trumped raising a family (74.7%) and helping others in difficulty (69.1%) (USA Today 2010 [2]). According to the author of the study, concern for money permeated everything, yet fewer students in the study were reporting “business” as a major of interest. This would seem to indicate that the desire for personal financial success is not unique to business school students and that most students from all academic areas are similarly inclined.

### **The Business School Response**

During the past decades, there have been calls for an increased focus on ‘ethics’ and ‘values’ in business education. In 1987-88, the Association to Advance Collegiate Schools of Business (AACSB) called for the inclusion of ethics in the business curriculum. Indeed, one of the most significant trends in the past decades is the inclusion of ethics in the curriculum in U.S. colleges of business (Kochunny, Rogers, Ogbuehi 1992). This tradition has continued into the new millennium with a slew of newer formats for ethics courses and programs ranging from the usual case studies to simulations and immersion exercises. Despite these additions to the education of business students, ethical scandals persist.

When AACSB started calling for the inclusion of ethical content in the curriculum, there were those who questioned the value of such an approach. Their reasoning was that ethical behavior is guided by higher order reasoning and is based on experience and understanding. Teaching students ethical concepts in course work does not, and will not, guide their future behavior because they have no context in which to base their knowledge or their future behaviors (Henderson 1988).

Since then, a number of studies have found mixed results for the success of teaching ethics (Bloodgood, Turnley, and Mudrack 2010, Lawson 2004) both in the USA and in other countries (Arzova and Kidwell 2004; Krambia-Karpades and Zopiatis 2008). It is possible that the recurrence of ethical scandals in the finance industry is because it is very difficult to teach people to behave

ethically even when they have been trained in understanding ethical concepts. The available literature is not conclusive on this issue and probably merits closer inspection.

### **The Ethics of Banking, Accounting, & Finance Students**

There have been studies that found accounting students exhibit lower levels of ethical reasoning compared to other business disciplines (Jeffrey 1993; Ponemon and Glazer 1990). Another study found that CPA's from smaller firms tended to exhibit lower Moral Reasoning Abilities compared to other similarly situated professionals (Eynon, Hill, and Stevens 1997). Given the recent scandals in the finance-related industries (such as Madoff, Parmalat, Enron, and Galleon Hedge Fund) it is possible that students who choose to go into the finance industry, especially finance and accounting majors, are more predisposed to unethical behavior than students from other majors.

There are yet more studies that come to different conclusions. A study by Davis and Welton (1991) found that business courses do not influence ethical behavior, and the integration of ethics into accounting courses seemed to improve reliance on ethical standards among accounting students (Hiltebeitel and Jones 1992). Enyon, Hill, and Stevens (1997) found that an ethics course seemed to have a significant impact on attitudes toward ethical issues. In another study of accounting majors, the authors found that requiring an ethics course does make an immediate, but short-term, difference in ethical decision making and in assessing potential ethical/unethical behavior (Rogers and Smith 2008). Despite the negative findings in some research, there is a considerable body of evidence that seems to confirm the effectiveness of ethics programs or courses on accounting students (Dellaportas 2006).

The evidence seems to be mixed on the subject. The question still seems to be unanswered and provides the basis for the following research hypothesis:

*H<sub>1</sub> - Accounting and Finance students are more likely to engage in unethical behavior than are students from other majors.*

The following study is directed at establishing whether this research hypothesis is supported by more recent data.

### **Research Study**

Many researchers have tried to examine the relationship between business students and unethical business practices and scandals (Kidwell et al 2005; Lawson 2004). One recurring approach is to examine business student values and then determine whether there are differences in those values from others in society. These values are usually measured using the Maccoby Head Heart Trait framework (Maccoby 1976). Some evidence suggests there is little difference between students of business majors and those in other majors (USA Today, 2010 [2]). So the focal point of this study is to discern differences (if they exist) between students within the business school.

### **Head Heart Traits**

Some of the earliest studies using Maccoby's Head-Heart Traits scale were in the 1980s (Krietner and Rier, 1980; Stevens, 1985) and most of them involved one business major or the other. One study in particular that compared the differences between Accounting and Marketing students found that Marketing students are no less ethically inclined than their Accounting counterparts (Kochunny, et al 1992). The Head/Heart Trait framework is still widely used and accepted (e.g. Krambia-Karpades and Zopiatis 2008).

The items for this study are replicated from the prior Kochunny et al (1992) study. That is, nineteen items focusing on the Head/Heart concepts were included in a self-administered survey format. In the study, demographic data was included at the end of the survey identifying age, gender, major, and job aspirations in terms of size of employer. The responses to the Head/Heart items were "Very Important", "Somewhat Important", and "Not Important" (see Appendix). The study authors recognize that with this response format there are limitations to statistical tests, even when such tests are used for establishing patterns in the data. In particular, the data format is not in a 'continuous' format making an intensive use of the General Linear Model statistics inappropriate.

The respondents were all participants in the Management Strategy capstone course at a medium-sized university in the Southeastern United States. This course is required for all business students in the College of Business and, therefore, has the greatest diversity of majors in all business upper-division courses. Multiple sections of the same course were involved in the study. The surveys were not administered by any of the study authors. The purpose of the study was explained to the respondents, any questions were answered by the survey administrator, and then students were given the survey to complete. No students were hurried to complete the items so they could consider their responses in their own time.

The responses were collected and collated. The data was coded and subjected to a preliminary analysis to test for differences across the different sections. The tests indicate that there are no significant differences across the sections and the data were combined. A total of 314 usable responses were included in the data analysis reported below.

### **Results**

The responses came from 162 Males and 153 Females and 1 Unidentified. Table 1 depicts the distribution by gender and major. The distributions are similar to those found in other years at this institution.

Table 1.

*Cross Tabs, Major by Gender*

	Accounting	Economics/ Finance	Management	Marketing	General Business
<b>Male</b>	31	22	60	35	14
<b>Female</b>	46	17	44	34	10

Table 2 reports the results of the study. Students were assigned to the Quantitative or Non-Quantitative category on the basis of their major. While there are quantitative elements in the Marketing or Management curricula, in general the Accounting, Finance, and Economics majors are required to take courses with a much higher quantitative content; hence the label.

Table 2.

Quantitative Student Rankings vs Non-Quantitative' Student Rankings

<i>Heart items</i>	Quantitative Student (116)		Non-Quantitative Student (198)	
	Rankings	Very or Somewhat Important	Rankings	Very or Somewhat Important
Honesty (279)	1	94.8%	2	85.3%
Loyalty (214)	8	70.0%	10	67.7%
Friendliness (183)	12	56.9%	13	59.1%
Openness (180)	16	44.0%	11	65.1%
Independence (177)	10	62.9%	14	52.5%
Idealism (130)	15	46.5%	17	38.4%
Sense of Humor (118)	19	32.7%	15	40.4%
Generosity (116)	17	37.0%	18	36.7%
Critical Attitude (112)	13	52.6%	12	64.6%
Compassion (110)	18	35.3%	19	34.8%
<i>Head items</i>				
Self Confidence (270)	2	90.5%	3	83.3%
Initiative (263)	5	80.1%	1	85.8%
Cooperative	3	81.9%	4	79.8%
Pride (247)	5	80.1%	5	77.8%
Coolness (239)	4	81.0%	7	73.2%
Flexibility (231)	7	73.3%	6	73.7%
Pleasure (something new) (219)	9	68.9%	9	70.2%
Open Minded (212)	11	58.6%	8	72.7%
Satisfaction (135)	14	50.0%	16	38.9%

Table 2 sorts the items into the "Head" and "Heart" categories rather than a specific rank ordering for easier comparison. The percentage of students who considered the item to be

“Very Important” or “Somewhat Important” is shown along with the ranking of the item in this table.

The top five traits are almost identical across both student groups. Honesty, Self Confidence, Taking the Initiative, and Pride in Performance are ranked highly by all majors. There are some differences in terms of Importance rating, but at least 75% of all students rated these “Important”.

Similarly, at the other end of the spectrum we find that Idealism, Sense of Humor, Generosity, and Compassion are all rated very low, with none of them scoring above 48% in terms of importance in any major. Between these clusters is a group of traits that are apparently of intermediate “importance” across the majors. This group includes Flexibility (63% - 74%), Pleasure in Creating Something New (65%-74%), Open Mindedness (54%-75%), and Loyalty (58%-79%).

#### *Summary of Results*

The data suggest that there is very little difference between how these business students rank the Head-Heart Traits. This further reinforces the point that business students are very similar whatever their program of study. As a generalization, the Head dominates over the Heart. The first hypothesis is stated that *Accounting and Finance students are more likely to engage in unethical behavior than are students from other majors*. If we accept the Maccoby Head-Heart Trait framework for approximating student predisposition to behaving unethically, then the results of the study do not support Hypothesis 1.

#### **Conclusions & Implications**

The sample used in the paper is not small for an individual study. However, it is small in the context of the overall student population. Therefore, generalizing the results of the paper should only be done cautiously. The following observations are made within the limitations of the study.

As noted above, Hypothesis 1 is not supported by the data from the current study. It is possible that this was an unusual group and the result is asymptomatic of students elsewhere. However, that would not be consistent with the results of other studies; for example, Kochunny et al (1992) and the ABC News (2010) report. Therefore, it is logical to conclude that there is no self-selection involved in students choosing a major. That is, the hypothesis that students with a predisposition to behave unethically choose finance industry-related majors is not supported. This conclusion removes one easy answer to the problem of ethics scandals. We are going to have to look elsewhere for solutions to ethics problems. Thus, the first conclusion from this study is that additional studies need to be conducted to replicate these results.

Provided that the results are replicated in other locations, we can safely exclude the 'inherent greed and selfishness' of accounting/finance students as a reason for unethical behavior. The results reported here indicate that these students are no different from other business majors, and we have already observed that business students are not very different from students in other schools/colleges. Therefore, we must seek other explanations for the recurrence of ethical scandals.

Turning to the other research question discussed above the literature review seems to indicate that there are serious concerns related to this issue. There is almost no quantitative analysis available to address the issue because it requires pre- and post-measurement of the understanding of ethical transgressors. Unless we repeatedly measure a large group of people (possibly many thousands per year) we are unlikely to have definitive "proof" of the effectiveness (or not) of teaching ethics as a mechanism for preventing unethical behavior. A more intriguing approach would be to examine how ethics is taught and look for flaws in the delivery process.

The recurrence of ethical scandals is a serious issue and the calls for Colleges of Business to "do something about it" are unlikely to subside. If teaching ethics in classes is not working, what will? This is a subject that has to be investigated in much greater detail, and future studies must identify new and novel ways in which to approach the dilemma.

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Appendix

Survey of Career Traits

Consider your chosen career. How important are the following traits to your performance as a professional? Please indicate by circling the appropriate response.

Trait	Very Important	Somewhat Important	Not Important
1. Generosity	VI	SI	NI
2. Satisfaction in creating something new	VI	SI	NI
3. Sense of humor	VI	SI	NI
4. Idealism	VI	SI	NI
5. Ability to take the initiative	VI	SI	NI
6. Compassion	VI	SI	NI
7. Openness, spontaneity	VI	SI	NI
8. Flexibility	VI	SI	NI
9. Pleasure in learning something new	VI	SI	NI
10. Coolness under stress	VI	SI	NI
11. Self-confidence	VI	SI	NI
12. Open-mindedness	VI	SI	NI
13. Critical and questioning attitude toward authority	VI	SI	NI
14. Friendliness	VI	SI	NI
15. Loyalty to fellow students/workers	VI	SI	NI
16. Honesty	VI	SI	NI
17. Independence (vs. Dependence)	VI	SI	NI
18. Cooperativeness	VI	SI	NI
19. Pride in performance	VI	SI	NI

20. Are these traits being reinforced in your business education? Circle the numbers of the traits being reinforced.

**Classification Items:**

Age: \_\_\_\_\_

Gender: \_\_\_\_\_ Female \_\_\_\_\_ Male

College Classification: \_\_\_\_\_ Sophomore \_\_\_\_\_ Junior \_\_\_\_\_ Senior

Degree Major/Concentration: \_\_\_\_\_

Preferred Size of Future Employer: \_\_\_\_\_ Small \_\_\_\_\_ Medium \_\_\_\_\_ Large  
(number of employees) (1-100) (101-300) (over 300)

THANK YOU FOR YOUR TIME AND CONSIDERATION

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