

## INVESTIGATING THE EFFICACY OF INTERACTIVE ETHICS EDUCATION: A DIFFERENCE IN PEDAGOGICAL EMPHASIS

G. Martin Izzo, Barry E. Langford, and Scott Vitell

This study employs an experimental design to investigate the efficacy of a new approach to ethics training—"interactive" ethics education. After random assignment to groups of 135 real estate licensees from four different firms, the treatment group received specialized, interactive ethics instruction, while the control group did not. The two groups were tested in terms of both their general level of cognitive moral development using Rest's defining issues test (DIT) and their industry-specific level of moral development using the real estate survey (RES). Although a pretest indicated that there was no significant difference in levels of cognitive moral development between the control and treatment groups, there was a significant difference between the two groups in terms of both DIT and RES after the completion of the interactive training session.

Marketing activities involving personal selling have long been a target of much criticism from a broad array of consumers, regulators, and industry representatives. A variety of explanations have been offered for why many people question the ethics of those engaged in sales activities. Some criticisms focus on a salesperson's fluctuating parameters of ethical consensus, his or her boundary-spanning role within the organization, and the high functional visibility of selling activities. Other critics argue that straight-commission-compensation arrangements (the more you sell, the more you and the firm earn) represent conflicts of interest, as the salesperson's goals and actions align with those of his or her self-interest and employer's interests, to the potential detriment of the client's needs (Kurland 1996; Poser 1988).

Management's efforts to improve the ethical quality of business decisions have intensified over the past several years, especially in the real estate industry. It is difficult to

find a real estate firm that has not employed some method of ethics training within the past five years. The number of business ethics courses, workshops, and symposia has increased across all business management disciplines, despite serious disagreement on how to teach ethics, appropriate goals for the courses, and the relative effectiveness of different methods (Carlson and Burke 1998).

While research generally indicates that ethics training can be more effective than simple moral imperatives to "do the right thing" (Goolsby and Hunt 1992, p. 65), training programs designed to help salespeople reason through challenging ethical situations and raising social consciousness have revealed two basic concerns. The first concern deals with the choice of pedagogical method. Passively absorbing facts related to complex ethical decisions by reading, self-study, or lecture/demonstration is cumbersome at best. Several cognitive theorists have suggested that "it is very difficult to become ethically knowledgeable in a passive manner. Actively experiencing the decision is considerably more valuable than having it described" (Shank and Childes 1988, p. 9). Thus, an active, participative approach to ethics training is likely to produce a greater effect on students' thinking processes and outcomes.

The second concern relates to the basic approach of the course. Should the course focus on students' decision-making skills or their moral values systems? Drawing definite lines between right and wrong can be ambiguous, and al-

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**G. Martin Izzo** (Ph.D., University of Mississippi), Associate Professor of Marketing, Department of Business Administration, North Georgia College and State University, Dahlonega, GA, gmizzo@ngcsu.edu.

**Barry E. Langford** (DBA, Mississippi State University), Associate Professor of Marketing, Director of the Institute for E-Business, Director of the Institute for Advances in Marketing, Lutgert College of Business, Florida Gulf Coast University, Fort Myers, FL, blangfor@fgcu.edu.

**Scott Vitell** (Ph.D., Texas Tech University), Phil B. Hardin Chair of Marketing, School of Business Administration, University, MS, vitell@bus.olemiss.edu.

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lows students to quickly reject views that do not match their current beliefs. Rather than attempting to change students' value systems, it may be more instructive to design courses to get students to see differing points of view and to think deeply about issues not previously considered (Kostyu 1990). These views do not suggest that popular moral values education is ineffective, but they do suggest there may be a better method of instruction to stimulate moral awareness that can improve ethical decision making.

Conceptually, it may be difficult for someone with a particular point of view to read challenging material and come away with a different point of view without the benefit of an interactive discussion. This is especially true where the material concerns moral reasoning and ethical behavior (Blasi 1980). Thus, the current study investigates an interactive pedagogical approach to ethics training based on building cognitive reasoning skills, without trying to instill a specific set of ethical values as is common in more traditional training programs.

### PURPOSE OF THE STUDY

Kohlberg (1969) introduced a three-level, six-stage model of cognitive moral development (CMD) (see Appendix A). Kohlberg proposed that moral development advances invariantly in stages based on cognitive development. He theorized that as people mature morally, they cognitively move to higher levels of moral development. Kohlberg argued that comprehension of moral reasoning is developmental, progressive, and cumulative. For example, a person who understands stage 6, principled reasoning, also understands the lower stages 1–5 (Rest 1973; Rest, Turiel, and Kohlberg 1969). For additional information on this model, see Goolsby and Hunt (1992) or Weber (1990).

The overall objective of the present study is to apply Kohlberg's theory of cognitive moral development in a test of the efficacy of interactive ethical training using comparative measures of ethical reasoning ability. For a description of the CMD construct, see Kohlberg (1969; 1984). Specifically, we test the efficacy of one interactive approach to ethics education that is based on building logical reasoning skills. This study extends the stream of research on ethical decision making in organizational settings by empirically examining the effect of an interactive approach to ethics education and on CMD based on two measures described in the "Measures" section below. We hope this research provides information useful to practitioners, policy makers, and educators seeking to establish or improve ethics education in business, government, and academe.

### LITERATURE REVIEW

This research is based on the seminal work of the late Lawrence Kohlberg (1927–1988) in the field of CMD. Kohlberg's work was heavily grounded in the pioneering work of Jean Piaget. Piaget's theory postulated that moral development, the cognitive structural transformations between self and society, occurs in distinct stages. Generally, advocates of cognitive learning theory assume that moral development occurs in successive stages of reasoning where the individual takes on increasingly more differentiated roles in societal situations. Further, all cognitive developmental psychology theorists share the assumption that social behavior and learning, including moral development, can be categorized in sequential stages, which develop in varying degrees based on interactions with one's environment (Rest 1973; Rest, Turiel, and Kohlberg 1969).

In complex moral situations requiring logical analysis of the elements and alternatives presented, Kohlberg argued that limits in reasoning ability and experience (low CMD) attenuate one's ability to engage productively in moral thinking. Thus, in decisions with moral overtones, people with poorly developed logical reasoning skills would be unable to recognize all of the potential contingencies and consequences that might occur from a particular course of action. Further, people with low CMD may experience difficulty in recognizing and dealing effectively with the rightful needs of all constituencies. However, Kohlberg suggested that increases in CMD could occur from repeated exposure to and interaction with increasingly sophisticated and complex situations.

### Studies Involving Ethics Education

Schaeffli, Rest, and Thoma (1986) conducted a meta-analysis of 55 studies that used Rest's (1979) defining issues test (DIT). They found significant results in 25 studies, suggesting education-induced changes in moral development were likely to reflect accelerated moral maturity gains of three to five years compared to gains expected from natural progression. These studies support Kohlberg's suggestion noted above.

It is noted that many of these studies suffered from a variety of methodological shortcomings. For example, only nine studies used fully randomized, experimental designs, and 18 lacked most control features of quasi-experimental designs. Notwithstanding these limitations, these studies are generally interpretable and collectively provide theoretical and practical implications for cumulative gains in measures of moral reasoning through interpretation of real-life situations.

Nelson and Obremski (1990) conducted an empirical study of moral development within a classroom setting through intragroup participation and interaction, using the DIT measurement instrument. Although their focus was on the effects of group leaders, the results tended to confirm earlier findings that students are able to comprehend moral judgments one stage above their own when presented with situations bearing moral overtones. Further, students prefer to reason at this higher stage of moral development.

Goolsby and Hunt (1992) used a CMD approach and the DIT measure to evaluate the moral reasoning of marketing executives who were members of the American Marketing Association (AMA). Their findings indicate that, when educational background factors were controlled for, professional marketing practitioners compared favorably with other social groups in terms of their CMD. The present research follows Goolsby and Hunt's suggestion that future research should use an interactive approach to CMD.

As pointed out by Thorne-LeClair and Ferrell (2000), ethics training should allow for communication, reflection, and evaluation, especially for adults. Specifically, they advocate a behavioral simulation as an ethics training technique using an interactive approach to the evaluation of alternatives, outcomes, and consequences. Also, Thorne-LeClair et al. (1999) succinctly address some of the disadvantages of the traditional, more passive methods of ethics training such as lectures, case analysis, and videos that provide little, if any, interactions that can capitalize on the learning aspects of group dynamics.

Based on both the findings of the studies reported above and the resurgence of ethical education in response to a heightened corporate awareness of the need for appropriate value systems, the current study addresses the need to investigate the theoretical and practical implications of advancing moral development using educational methods incorporating real-life business settings. In particular, this study focuses on the efficacy of the interactive approach to ethics education for salespeople in the real estate sales profession using a true experimental design, experienced teachers, and a large sample size.

### Research Hypotheses

We test the overall research hypothesis that an interactive approach to ethics training directly increases CMD. An experimental design was used to compare treatment and control group results in terms of changes in CMD over a short time period. The primary reason for using measurements over a short time span was to avoid the potential effects of the many confounding variables that could, over

time, occur in participants' lives that could affect their scores on posttests. Thus, the results should better represent the direct effects of the training program. Because there are two measures employed (DIT and real estate survey [RES]) (Izzo 2000), the two research hypotheses are:

*Hypothesis 1: The change in the DIT score for the treatment group is significantly higher than the change in the DIT score for the control group.*

*Hypothesis 2: The change in the RES score for the treatment group is significantly higher than the change in the RES score for the control group.*

If one or both hypotheses are supported, and there also are no significant differences between the two groups' pretest scores, we can conclude this interactive training method advanced participants' CMD.

## METHODOLOGY

### Experimental Design and Treatment

An experimental design was employed consisting of a two-group analysis. Only the treatment group received specialized, interactive ethics instruction prior to the posttest. The control group received no ethics instruction prior to the posttest. Subjects were randomly assigned to each group by an independent person, rather than by one of the researchers, and both pretest and posttest protocols were conducted to provide before and after measures for statistical analysis. All surveys were administered by specially trained independent individuals, and the researchers' only contact with subjects was during the training and debriefing sessions employing self-study with or without lectures.

One hundred thirty-five real estate licensees from four different Florida real estate firms participated in the study. The subjects were all residential real estate practitioners with Realtor or Realtor-Associate designations that can only be earned by members of the National Association of Realtors. The four firms were based in three cities and were chosen because they committed to a compulsory ethics intervention, which means that at least 90 percent of their realtors agreed to and did participate in the entire study regardless of their position and demographics. Intervention was used to avoid selection biases. Table 1 displays participants' demographics, which compare favorably with national benchmarks shown by Izzo (2000).

All subjects were initially pretested using standardized (DIT) and industry-specific (RES) surveys, each consisting of three ethical dilemmas, to determine existing levels of moral reasoning. The real estate sales ethical dilemmas and

**Table 1**  
**Descriptive Statistics**

Variables	Percentage
Gender	
Male	35.6
Female	64.4
Age	
29 or under	5.2
30–39	16.3
40–49	28.9
50–59	35.6
60 or over	14.1
Years of Business Experience	
3 or Under	20.7
4–5	11.9
6–10	15.6
11–15	20.7
16–20	14.8
21 or Over	16.3
Education	
High School Graduate	10.4
Some College	37.0
College Graduate	42.2
Postgraduate	10.4
Income	
\$20,999 or Under	18.5
\$21,000–\$50,999	28.1
\$51,000–\$80,999	19.3
\$81,000–\$110,999	11.1
\$111,000 or Over	23.0

opinion questions of the RES survey are shown in Appendix B, which mirrors measurements in the DIT instrument, developed by Rest (1979), based on Kohlberg's (1969) moral judgment interview and popularized in numerous studies (e.g., Goolsby and Hunt 1992; Izzo 1997; Weber 1990). Pretesting was followed by a short, unstructured, interactive group discussion within the treatment group only about each of the three dilemmas. The pretesting and discussion session took approximately two hours to complete.

Two to three weeks following the initial administration of the pretest protocols, the treatment group assembled with the moderator for interactive group discussions. This training phase lasted approximately 4.5 hours and culminated with administration of the posttest. In this phase, a moderator first led interactive discussions among group members (4–5 per group) on normative ethics and decision-making tactics. Discussions then commenced to reach group resolutions to ethical dilemmas. Subjects read ethical dilemmas and completed assigned questions according to structured procedures.

In the first procedure, half of each group listed any underlying assumptions that were felt to be germane to the ethical decision. The other half listed all the stakeholders

affected by the outcome of the decision. Following this exercise, subjects were asked to discuss their individual decisions, while the moderator listed the decision criteria and stakeholders involved. Within-group interactive discussions were then allowed for 15–20 minutes, followed by between-group discussions that ultimately produced a consensus decision.

In the second ethical dilemma, the roles of the group members were reversed. Moreover, group members were assigned to challenge the decisions, supported by the underlying assumptions the other half of the group felt to be pertinent to the ethical decision at hand. Dialectical inquiry, a group decision approach found to be superior to other approaches, such as devil's advocacy (Schweiger and Sandberg 1989), was explained to the group and used to resolve within-group decisions. In this approach, one subgroup makes a decision with supporting assumptions, while the second subgroup develops plausible assumptions that negate those of the first. The two subgroups then debate their positions and continue until both subgroups agree to a set of assumptions, whereupon they unite to develop a shared decision. Between-group discussions followed, after which the moderator led a discussion that centered on Kohlberg's (1984) principled level of ethical decision making to help participants move to the top level of decision making in the final procedure.

The final procedure was preceded by a 20-minute refreshment break. In this last segment, all groups were required to put it all together by applying ethical theory, stakeholder analysis, and dialectical inquiry to the third ethical dilemma. Following the same series of discussions described above, all members of the treatment group were administered the DIT and RES posttests.

For the control group, the only substantive difference was that the posttesting commenced immediately *before* the interactive sessions. Thus, all participants in both groups benefited from the interactive sessions, while the impact of the interactive training could still be measured. As a manipulation check, control group respondents were asked how they felt about the seminar. Over 85 percent responded that they felt the interactive sessions should have preceded the second taking of the surveys. At the end of all of the sessions and testing, all participants were debriefed on the nature of the study.

## Measures

Two measures were used in this study. The DIT (Rest 1979) uses a set of three hypothetical, standardized scenarios as the protocol to measure subjects' moral reasoning and

development. Although Rest (1986) argues that the DIT is a useful instrument for measuring moral reasoning in general, he encouraged development of profession-specific ethical measures. Further, Rest and Narvaez (1994) suggested that higher levels of moral reasoning ability may occur at all ages and in all learning environments, including the workplace. Those engaged in the practice of real estate sales must deal with simultaneous responsibilities to clients, their employers, the public at large, and the profession, as well as their personal economic needs. The real estate sales environment requires practitioners to develop skills to reason through many potential ethical conflicts.

Appendix B displays the second moral development protocol that measures the level of industry-specific ethical reasoning via scores on the RES (Izzo 1997; 2000). Although designed to generally capture the same dimensions as the DIT, the RES is comprised of three real-life scenarios of industry-specific (real estate sales) issues of ethical concern.

Both DIT and RES require subjects to determine a course of action they believe is appropriate for the central character in each of three scenarios. Using a modified five-point Likert-type scale (1 = "no importance" to 5 = "great importance"), respondents indicated why their chosen course of action is desirable. Several moral reasoning scores are computed. From the combined responses to all three dilemmas on the DIT, a stage score is computed for each item based on Kohlberg's six stages of moral development, followed by calculating the overall score by summing the points for items that represent *principled* (top level) ethical thinking. The total possible score on the DIT ranges from 0 to 95, where higher scores are associated with higher levels of CMD.

Similar to the DIT, the RES requires subjects, using the same scale, to determine a course of action for the central character in each scenario and indicate why that course of action is desirable. From the combined responses to the three real estate dilemmas, a comparative general measure of industry-specific ethical reasoning is computed. On the RES, the combined responses to the three real estate dilemmas produce an ethical reasoning score. Scores on the RES can range from 0 to 99.9. The scoring of the comparative general measure on the RES follows the same method as that which is used in the scoring process for the DIT.

## RESULTS

The major research proposition investigated was that of testing the efficacy of interactive ethics training. Using two-group analysis (control and treatment), group means were calculated. The between- and within-group means were

compared using *t*-tests. The comparisons were made on the following variables: the DIT (the general measure of ethical reasoning) and the RES (the industry-specific measure of ethical reasoning). The results are presented in Table 2.

The first comparisons were made between groups on the pretest scores on both DIT and RES. There were no significant differences between the control and treatment groups on either of the pretest scores. On DIT, the sample means were 42.55 for the control group and 41.41 for the treatment group. The control group mean for the RES was 42.03, and the treatment group mean was 42.63.

In contrast, significant posttest differences were found between the control and treatment group means. Treatment group members outscored their control group counterparts by an average of 13.5 points on the DIT. Similarly, on the RES treatment group, members outscored control group members by an average of 21 points. These findings provide evidence of the efficacy of interactive moral values education.

To rule out the potential effects of control group test-retest gain in scores, pretest and posttest scores were compared on both measures. The control group DIT means were 42.55 on the pretest and 41.31 on the posttest, and the small difference was not significant. The differences in the control group mean RES scores also were small and not significant (pretest = 42.03; posttest = 43.66). The combined results of these three comparisons support both H1 and H2.

Finally, because there were no covariates, multivariate analysis of variance (MANOVA) was used to simultaneously test both groups' test score "changes" for significant differences. Table 3 displays the results. On the DIT, the pre- and posttest change in mean scores was flat (-1.25) for the control group, but the change in mean scores for the treatment group increased 13.38. MANOVA produced an *F*-value of 50.213, significant at 0.000, for the change in DIT scores. Similar results were obtained on the changes in the mean scores on the RES. The RES control group mean score increased 1.63, while the mean score increased 22.24 for the treatment group. MANOVA on the change in RES scores produced an *F*-value of 85.229 that was significant at 0.000. These results show strong support for both H1 and H2, suggesting that interactive moral values education positively affects CMD as measured by both DIT and RES.

## CONCLUSIONS AND DISCUSSION

This study explored the existence of a positive relationship between interactive ethics education and two measures of CMD. In terms of ethics education, these results suggest that participation in interactive ethics education may contribute significantly to increases in the cognitive moral reasoning

**Table 2**  
**t-Tests**

Variable	N	Mean	Standard Deviation	Mean Difference	t-Value	Significance
Pretest Measure DIT						
Control Group	64	42.55	13.25			
Treatment Group	71	41.41	11.93	1.14	0.53	0.60
Pretest Measure RES						
Control Group	64	42.03	10.89			
Treatment Group	71	42.63	11.01	0.60	0.32	0.75
Posttest Measure DIT: H1						
Control Group	64	41.31	12.38			
Treatment Group	71	54.79	11.39	13.48	6.59	0.00
Posttest Measure RES: H2						
Control Group	64	43.66	10.55			
Treatment Group	71	64.87	11.43	21.21	11.16	0.00
Within-Group Measure DIT						
Control Group Pre-DIT	64	42.55	13.25			
Control Group Post-DIT	64	41.31	12.38	1.24	0.54	0.58
Within-Group Measure RES						
Control Group Pre-RES	64	42.03	10.89			
Control Group Post-RES	64	43.66	10.55	-1.63	-0.62	0.71

**Table 3**  
**Descriptives and MANOVA**

Descriptives	Test Value	F-Value	Significance	Mean	Standard Deviation	N
Change in DIT—Control Group				-1.25	8.43	64
Change in DIT—Treatment Group				13.38	14.44	71
Change in RES—Control Group				1.63	9.96	64
Change in RES—Treatment Group				22.24	15.16	71
Dependent Variables						
Change in DIT		50.213	0.000			
Change in RES		85.229	0.000			
Statistical Test						
Hotelling's Trace*	1.031	68.060	0.000			

\* F-value and significance were identical for Pillai's trace, Wilks's lambda, and Roy's largest root.

of real estate practitioners as measured by both general and industry-specific measures. These results also add support to previous studies showing a positive relationship between an interactive approach and gains in moral reasoning as measured by DIT (Goolsby and Hunt 1992; Kohlberg 1984; Nelson and Obremski 1990; Schaefli, Rest, and Thoma 1986). In addition, these results advance the research stream through a successful test of a second, industry-specific measure of gains in moral reasoning—the RES.

These results do not suggest that interactive education is superior to other, more passive ethics education methods, because that comparison was not made here. However, such comparisons may be a good and useful next step in this

research stream. For instance, a third group could be added, consisting of subjects completing an online self-study that recently has become a popular choice for ethics education for real estate practitioners.

As previously discussed, the marketing of real estate involves several conflicting issues and decisions that may contribute to unethical practices by salespeople. While these results suggest that professional education through interactive techniques can provide a learning experience that motivates salespeople to ascribe to higher ethical values, it is not known if, or how much, this cognitive improvement leads to improvement in ethical behaviors. Future studies may address this issue, possibly through time-series research

investigating self-reports by interactive ethics education graduates concerning pretraining decisions/actions versus posttraining decisions/actions; or concerning variables considered during decision making. This may be difficult research, but the results may be worth the effort.

Ethics education with a decision-making focus cannot turn an immoral individual into a moral one. However, immoral actions or decisions made by an otherwise moral individual due to poorly developed ethical decision skills may be avoided through proper training. This study focused on an interactive approach with an emphasis on ethical decision making and demonstrated that even a short seminar can have a positive effect on individuals' decision-making skills concerning ethical behavior. We believe this training approach could be modified and incorporated as a module within a longer course on a topical area of marketing and other business disciplines, such as accounting and finance.

Real estate sales managers can improve sales force ethics and organizational results by encouraging existing salespeople and experienced new hires to subscribe to one of the accrediting organizations that sponsor professional designations that require periodic ethics training. The professional education these salespeople receive can help create a learning environment in the firm that promotes career enhancement (higher self-efficacy), as well as sound ethical practices.

It is noted that this exploratory study is subject to some common limitations of experimental procedures (Cook and Campbell 1979). First, the generalizability of the results outside the profession of real estate sales may be limited to salespeople governed by similar laws-of-agency, such as insurance and investment brokers (Leland and Pyle 1977). Second, the study was limited to practitioners who are realtors—real estate salespeople who are members of the National Association of Realtors. This group collectively represents only about 40–50 percent of all real estate licenses. Moreover, all study participants were salespeople engaged in the residential real estate market. It is possible this group may systematically differ in some manner from salespeople involved in other real estate specialties, such as commercial and industrial sales and leasing.

Nevertheless, in contrast to many studies employing training and surveys, self-selection bias is not a concern due to the intervention requirement as described. In addition, the purpose of the research was not revealed to participants before posttesting was completed, random assignments to groups were employed, established tests and methodology were used, and the project was based on a sound theoretical foundation. Thus, we are confident the results are valid

and believe interactive training can produce positive ethical outcomes in practice.

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Great	Much	Some	Little	None
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_____	_____	_____	_____	_____
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1. Hasn't the associate paid his or her debt to society?
2. If the associate leaves the company, would any good be served?
3. Is the associate's "helping behavior" an important consideration?
4. Does the associate's current eight-year employment history reflect his or her true self?
5. Can concealment of information from the organization be good?
6. Is the associate "getting away" with something?
7. Would it matter if the associate was a deacon of a local church?
8. Is the confrontation worth losing your top salesperson?
9. Whether office policies are going to be strictly enforced?
10. Do ex-convicts have a right to prosper in privacy?

Is there a question of ethics involved?  Yes  No  
 Why? (Please explain)

**Real Estate Vignette 2**

A sales associate in your office has an "all cash contract with no contingencies" pending on a home in a country club with a panoramic view of the golf course. The customer, an out-of-town developer and an avid golfer, has also agreed to purchase a 50-acre tract that you, the broker, own and have been trying to sell for the past three years. Although contracts have been signed, this deal is contingent upon financing that should be approved in a day or two.

A week before the closing on the house, you become privy to reliable, but unconfirmed, information that the country club is nearing financial "straits" and all homeowners will potentially get an assessment for \$20,000. The sales associate is unaware of what you know. Moreover, the buyer has, at this late stage in the transaction, no certain recourse. If you inform the sales associate with instructions to notify the customer immediately, it may "sour" your deal. Should you wait and see if the financing goes through on the 50-acre tract in the next day or so?

Would you say anything about the potential problem regarding the sale of the house?  Yes  No

If so, who would you notify first, second, third?  Buyer  Associate  Seller

Great	Much	Some	Little	None
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_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____

1. Is the value of the information an important consideration?
2. Will waiting a few days to say anything make any difference?
3. What recourse does the buyer have?
4. Waiting just to see whether the financing gets approved on the sale of your 50-acre deal?
5. Is it good to spread rumors?
6. Even if no law is broken, are there times when it is just the principle that matters?
7. Does "caveat emptor" (let the buyer beware) apply?
8. Does society have a right to expect certain treatment?
9. Should information that cannot be substantiated beyond a reasonable doubt be ignored?
10. Is there a principal/agent duty involved here?



Is there a question of ethics involved? \_\_\_\_ Yes \_\_\_\_ No

Why? (Please explain)

**Real Estate Vignette 3**

On a slow Friday afternoon, while working as a sales associate, you decide to take a canvassing trip to New Valley, an area predicted to be a “hot” new development in the near future. After several unsuccessful calls, you happen across an old farmer who indicates that he is considering selling his 400-acre farm because his wife, who handled all of the paperwork, passed away last year. While the old man is reluctant to sign your listing, he tells you that he will take \$800 an acre, net, for the whole property. You shake hands with the old man, thank him for his time, tell him you will see what you can do for him and head home.

The next day, while polishing the teak trim on your boat, you meet the Havbucks, a couple in the building and development business. After some impressive conversation about their previous ventures, Mrs. Havbucks mentions that they have been looking for a large tract to begin developing in New Valley, and are ready, able, and willing to make a purchase. Mr. Havbucks adds that “smart money” should be grabbing up all the property that can be had for \$1,200–\$1,400 per acre, and that it will likely double over the next two years as soon as things get “cooking.”

Armed with this new information from the Havbucks, you begin to think of the old man’s property on the way home. On one hand, based on what the Havbucks would be willing to pay, you quickly calculate that you could earn about \$25,000, based on your current commission split arrangement. On the other hand, because you really do not have a listing and the old man is willing to take \$800 per acre, you could just offer the old man a purchase contract and then wheel it in a deal directly to the Havbucks, without involving your broker, and make almost \$150,000.

Would you, the associate, purchase the property with the intention of immediately reselling it to the Havbucks? \_\_\_\_ Yes \_\_\_\_ No

Great	Much	Some	Little	None
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
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1. Does the associate have the legal right to make his or her own decisions or not?
2. Whether a parole (verbal) contract or oral listing is binding?
3. Is it right to profit from others’ naiveté?
4. Self-preservation is the first law of nature?
5. Does the seller of property have a right to expect “fair” treatment?
6. Isn’t the determination of “fair market value” just a seller’s personal decision?
7. Did the seller commit himself to sell the property for \$800 an acre?
8. Whether informing the seller of a potentially higher market value and ignoring his or her own need is the salesperson’s best decision?
9. Will the broker support the associate’s actions?
10. As long as you do not strictly break any laws, it is okay to take advantage of profitable circumstances?

Is there a question of ethics involved? \_\_\_\_ Yes \_\_\_\_ No

Why? (Please explain)

