

## TESTING ETHICS: A RESEARCH REPORT

By Gary B. Kleinman and Gail E. Farrelly

**E**thics is a topic of major concern to accounting practitioners, educators, researchers, and regulators. We gave an ethics "test" to 372 accounting students and 53 accounting faculty from 10 schools in the New York/New Jersey area. The test consisted of two ethical dilemma cases taken from a 1991 study of the ethics of business, law, and medical students conducted by D.L. McCabe, J.M. Dukerich, and J.E. Dutton. The first concerns the willingness of an individual to use and disseminate insider information to trade stocks. The second asks CPA candidates—more specifically, candidates who are anxious to start a two-year assignment with VISTA—whether they would accept copies, summaries, or no part of an advance copy of the exam (if, hypothetically, these materials were illegally available). To expand the range of variance in our analysis, four possible responses were provided. Only one of these was ethically "correct"; the other three were all unethical to varying degrees.

To see whether certain characteristics were associated with higher degrees of ethical choice, we collected data on personality type as well as education history, social background, and career aspirations of the respondents. A standardized personality measure developed by J.L. Holland was used as the measure of personality type. Holland provides a spectrum of six different personality codes to which respondents can be assigned. We chose two of these in our research—"Conventional" and "Enterprising"—the two codes most relevant to the accounting profession. Accountants are assumed to be predominantly Conventional in personality; that is, they tend to be conformist, rule-minded, quick to initiate societal norms and rules, and honest. Enterprising is the secondary code assigned to accountants; enterprising individuals tend to be optimistic, self-confident, sociable, ambitious, and energetic. Extensive research has validated Holland's work. Numerous studies show an inter-relationship between his measures and various personality tests.

## Results

We were surprised and disappointed to find that only 52% of accounting students chose the only totally ethical response in the insider trading case: that is, to follow the letter of the law and not act on the inside information in any way. Only 39% of the students chose the totally ethical response in the CPA exam case; that is, not to look at an advance copy of the exam. The faculty response showed higher levels of ethical choice; with 87% (in the insider trading case) and 92% (in the CPA exam case) choosing the totally ethical response.

Regarding both ethical dilemmas, female respondents were more ethical than males. In fact, the most significant findings are in the area of gender. This finding points toward the probability of higher ethical standards in the future—since an increased number of females are entering, and rising in, the accounting profession.

Personality, tested by the methodology developed by Holland, also emerged as a significant explanatory variable. Those who are more Conventional are more ethical; those who are more Enterprising are less ethical. Perhaps the profession could improve its ethical standing by actively recruiting more members of the Conventional personality type. On the other hand, Enterprising types, though less "ethical," may be more likely to provide the creative force ensuring the constant improvement of GAAP.

Faculty variance (disagreement among faculty in ethical choices made in our test) proved important in the insider trading case. That is, a "mixed" message communicated by faculty was associated with lower ethical scores of students. This suggests that higher value congruence among the faculty may promote a higher ethical stance on the part of students, and universities should concern themselves with promoting value congruence among faculty. Faculty should be more aware of the tremendous responsibility they bear in serving as positive role models for their students. Students who do professional reading in accounting had higher ethical scores. Educators who support and require such reading as a supplement to class work may be fostering activity helpful to build-

ing the ethical values of prospective accountants. This finding also suggests that employers should strongly encourage new recruits to do a lot of professional reading.

The absence of significant relationships should also be noted. The level of accounting education made no difference to the ethical scores. Similarly, work experience and career plans (public vs. management accounting) had no effect.

## More Emphasis on Ethics Is Needed

The ethical stance of the students in our sample was disappointingly low. On the brighter side, we see that the profession is placing a renewed emphasis on ethics. Through the efforts of the Accounting Education Change Commission, ethics topics are receiving more attention in accounting curriculums. They are also emphasized in the new accreditation standards put forth by the AACSB. In 1993, the Center for the Study of Ethics and Behavior in Accounting (CEBA) was opened at Binghamton University of the State University of New York. And, a very recent development available to Internet users—one which includes ethics as a distinct area of study, communication, and research—is ANet, The International Accounting Network, a worldwide computerized information exchange. Among the services provided are a range of e-mail discussion groups and an online information repository.

George Bernard Shaw once said that a profession is nothing more than a conspiracy against the public. Present-day professions cannot survive as conspiracies of this nature. Every profession, in order to really serve the public, must strive toward a high level of ethics among its members. Our study serves as a good vehicle for drawing attention to a subject that is of crucial importance to the accounting profession—namely, ethical values. □

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