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ETHICS INSTRUCTION AND CULTURAL DIFFERENCES IN AN MBA MANAGEMENT ACCOUNTING COURSE

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ABSTRACT

This article discusses a study designed to yield improvements in student moral reasoning when specific instructional strategies and materials for teaching ethical decision making were utilized in a non-ethics MBA management accounting course taught by an instructor who was not formally trained in business ethics. The study reported in this article was conducted in a graduate management accounting course with domestic and foreign students. The specific intervention strategies and instructional materials utilized were developed through several iterations of developmental research that were carried out over a four-year period at a mid-sized Midwestern university. The measurement of moral reasoning used in all of the research was the revised version of the Defining Issues Test, the DIT-2 (Rest, Narvaez, Bebeau & Thoma, 1999). This research was originally funded by a grant from the Lilly Endowment.

Keywords: accounting, accounting education, business schools, business ethics, ethical reasoning, teaching, moral development, decision-making model, designing a course, integrated curriculum, Defining Issues Test, graduate students, MBA

INTRODUCTION

This article discusses a study designed to yield improvements in student moral reasoning when specific instructional strategies and materials for teaching ethical decision making were utilized in a non-ethics MBA management accounting course taught by an instructor who was not formally trained in business ethics. The study reported in this article was conducted in a graduate management accounting course with domestic and foreign students. The specific intervention strategies and instructional materials utilized were developed through several iterations of developmental research that were carried out over a four-year period at a mid-sized Midwestern university. The measurement of moral reasoning used in all of the research was the revised version of the Defining Issues Test, the DIT-2 (Rest, Narvaez, Bebeau & Thoma, 1999). This research was originally funded by a grant from the Lilly Endowment.

Need for the Study

While business schools accredited by the Association to Advance Collegiate Schools of Business (AACSB) must meet ethics training expectations delineated by Assurance of Learning Standard 15: Management of Curricula (“Eligibility Procedures,” 2007), AACSB does not specify any courses or program template for delivering ethics and corporate social responsibility training to students. However, AACSB does proffer the notion that it is business faculty – not faculty from outside the business school, who should teach these concepts to undergraduate and MBA students. As stated in the AACSB study document, *Ethics Education in Business Schools* (AACSB International, 2004):

Faculty involvement is an important indicator of the salience of issues in academic environments. Relegation of ethical issues to a small fraction of the faculty or to those perceived as having low status vitiates the power of the educational experience. Also, in an environment where concern over ethical issues has risen sharply, lack of business school faculty involvement may indicate a disconnection between the academic experience and the real world. If ethics content is taught primarily by faculty from outside the business school, questions should be raised as to what is done to convey the relevance of ethics in business practice. (p. 19).

Since “business ethics” and “corporate social responsibility” are not business disciplines in the traditional sense, and since many business professors do not feel themselves sufficiently trained to teach such courses (see Bok, 1988; Klein, 1998; Norman, 2004), business schools are left to grapple with the conundrum of how to teach business ethics to all students by using a large percentage of business school regular faculty. Teaching business ethics throughout the core curriculum in delineated integrative programs has proved problematic for some business schools because the longevity of these programs is limited by faculty turnover and new faculty members’ unwillingness to assume responsibility for teaching outside of their areas of specialization.

The impetus for business schools to teach ethical reasoning to students derives not only from the plethora of ethical scandals that came to light at the beginning of the twenty-first century, but additionally because of the legal and regulatory mandates for businesses to incorporate ethics standards and clearly delineated procedures into organizational structures. Mandates for such policies contained in the Sarbanes-Oxley legislation, the revised Federal Sentencing Guidelines for Organizations, the Securities and Exchange Commission, the New York Stock Exchange, and the NASDAQ call for public (and private) companies to adopt and publish a code of conduct that will help ensure ethical behavior at all levels within an organization. The requirement for employee training is explicitly stated or clearly inferred in the aforementioned mandates. It stands to reason that business schools must also train students in ethical decision-making competency.

The objective of this research has been to identify unobtrusive classroom instructional methods and materials that can be effectively used by business course instructors not formally trained in ethics to positively affect levels of moral reasoning of undergraduate and now graduate business students. Instructional methods

are *unobtrusive* in the sense that the classroom interventions are reasonably easy to integrate into an instructor's course plan without causing a major displacement of the content that is normally taught in the course, nor requiring extensive instructor training in ethical theory.

Moral Development Research

The best-known model of moral judgment is Kohlberg's (1969, 1981) model, which primarily addresses the formal structures (stages) of ethical development in the cognitive developmental process. Kohlberg focused on ethics in relation to society (i.e., laws, roles, institutions, and general practices) instead of personal, face-to-face relationships that occur in particular, everyday dealings with people—that is, on macro morality instead of micro morality (Rest et al., 1999). Kohlberg's emphasis was on “right” as a concept of “justice” rather than “good” based on individual standards of personal perfection, virtue, or theology. Kohlberg's six stages of moral development can be characterized as follows (Jeffrey 1993, p. 87):

1. Punishment and obedience orientation.
2. Naïve instrumental hedonism.
3. Good-boy or good-girl morality of maintaining good relations, approval of others.
4. Authority maintaining morality.
5. Morality of contract, of individual rights, and democratically accepted law.
6. Morality of individual principles of conscience.

James Rest's (1979) theory of cognitive moral development recognizes Kohlberg's developmental levels as more akin to schemata than to stages. Rest's schema theory conceptualizes cognitive moral developmental reasoning as encompassing concept driven ways of thinking based on experience. Cognitive moral development will increase the number of available schemata available for use in solving a dilemma while at the same time increasing the level at which each successive schema is developed, but the newer, more advanced schema doesn't necessarily usurp all previous lower-level schemata. Given the right set of circumstances, an individual may utilize a previous schema to process a dilemma (Rest et al., 1999).

Moral reasoning is only one part of a model of ethical behavior that Rest called the Four-Component Model (Rest & Narvaez, 1979). The basic idea behind the four component model is that four inner psychological processes together give rise to outwardly observable behavior. Moral *sensitivity* involves the ability to interpret a situation, imagining cause-effect chains of event, and awareness that there is a moral problem when it exists. Moral *judgment* has to do with an individual's capabilities for judging which action would be most justifiable in a moral sense. Moral *motivation* involves the individual's commitment and willingness to take the morally correct course of action, to value moral values over other values, and to take personal responsibility for the moral outcomes of their decision. Moral *character* involves persisting in a moral

task, having courage to consistently adhere to the morally correct decisions, overcoming fatigue and temptations, and implementing subroutines that serve a moral goal (Rest et al., 1999).

Moral Development Assessment

James Rest devised a paper-and-pencil instrument to measure moral reasoning, the Defining Issues Test (DIT). The DIT is the most widely used instrument for this purpose and the best documented in terms of reliability and validity (Rest, 1986). Based on the notion that moral judgment involves distinctive ways of defining social moral dilemmas and evaluating crucial issues in them (Rest & Narvaez, 1979), the DIT presents participants with moral dilemmas. Each dilemma is followed by items for the participant to consider in solving the dilemma. The participant rates and ranks the importance of each item and chooses a course of action to resolve the dilemma. Ratings and rankings are used to derive a participant's score. The most used index of the DIT has been the principled reasoning or P score. Rest believed that the P score is a reliable index of moral development across the six theoretical stages (Rest & Narvaez, 1979).

The new version of the DIT, known as the DIT-2 (Rest et al., 1999), reflects several improvements. The DIT-2 contains moral dilemmas that are more up to date, whereas the original DIT contained dilemmas related to the war in Vietnam and culturally antiquated terms such as "Oriental" to refer to individuals of Asian descent. The DIT-2 is also shorter, consisting of five dilemmas instead of six. Instructions for completing the DIT-2 have been improved, and the instrument purges fewer subjects for bogus data. The new N2 index score has a slightly better Cronbach alpha internal reliability, and the DIT-2 is slightly more powerful on validity criteria. Based on a 1995 composite sample (n = 932), the Cronbach alpha for the P index was 0.78, whereas for the N2 Index it was 0.83 (Rest et al., 1999). The present study reports both the post-conventional (P) index and the N2 index; both are measures of moral reasoning.

While moral behavior is not dictated by one's sensitivity to a moral dilemma or even by one's choice of the correct moral decision, moral behavior has been shown to correspond closely to moral judgment. A significant number of research studies relating to moral behavior based on Kohlberg's and Rest's methods of assessment (Blasi, 1980; Rest, 1986) found that moral behavior was closely correlated to moral decision making. As reported by Rest (1986), "[S]ince we observe a consistent pattern of significant relationships between DIT scores and the behavior measures, it seems safe to conclude that generally there is a link between moral judgment and behavior" (p. 135).

METHODOLOGY

The sample in this study consisted of a class of MBA management accounting students ($n = 30$) taught at a Midwestern university. The sample contained both domestic (19) and foreign (11) students. An accounting professor who had used the ethical decision-making instructional materials in previous developmental stages of this research volunteered to follow the most recent refinement of the instructional protocol by incorporating the instructional procedures and materials into his MBA management accounting course.

A pretest – posttest quasi-experimental design was employed. The revised version of the Defining Issues Test, the DIT-2 (Rest et al. 1999), was the instrument used to measure student moral reasoning. The DIT-2 was administered on the first day of class. The instruction in ethical decision making (intervention protocol) consisted of reading assignments, testing, and case analyses as will be discussed. Two essays prepared by the primary researcher to explicate Western ethical theory and the ethical decision-making framework were assigned for study. Each essay was subsequently discussed in class for approximately 35 minutes. A 20-question quiz designed for this research was administered after the classroom discussion of the ethical decision-making framework, and counted for 40 points out of 1,000 course grade points.

During the course of regular management accounting instruction, the students were also assigned four cases containing ethical dilemmas and were informed that they would have to prepare a written reflective analysis for each case using the steps delineated in the ethical decision-making framework. The instructor selected four single-page ethics cases from the Carnegie Mellon Tepper School of Business Arthur Andersen Case Studies in Business Ethics website. Three ethics cases were assigned in three contiguous weeks (weeks 6, 7 and 8) and a fourth ethics case in week 12. Each case matched the material being discussed during the week. For example when the class discussed standards and variance the case's ethical dilemma was about the proper setting of standards.

All cases were discussed briefly in class with the instructor before students began their written reflections. While students identified several ethical dilemmas in some cases, to help students focus their analyses, a single ethical dilemma was chosen in each case to serve as the focal point of the decision-making analysis. During the class in which the reflective case analyses were turned in, each case was discussed in more detail and solutions were evaluated. The discussions followed the steps outlined in the ethical decision-making framework essay provided to the students. The instructor emphasized that students were not to be graded on the rightness or wrongness of their decisions, but on how well they followed the steps delineated in the decision-making framework and the logic and strength of their arguments. Their final decision did not impact their grade; just how well they supported their decision using the framework. Each of the four cases was worth 40 points. A quiz over the assigned essays and ethics case analyses equaled 20% of each student's final grade. The DIT-2 posttest was administered on the last day of class.

FINDINGS

While there were slight increases in the posttest scores in the MBA management accounting class as a whole for both the P score (posttest $\bar{x} = 38.0667$) and the N2 score (posttest $\bar{x} = 39.5435$), the paired-samples t-test results showed that these increases were not statistically significant.

DIT scoring data were then analyzed by sample groupings based on whether the MBA students were from the United States ($n = 19$) or a foreign country ($n = 11$). Recognizing that the small sample size for the international student grouping was somewhat problematic as far as its statistical strength, the differences found in both the pretest scores and the posttest scores were still quite pronounced. Countries of origin were not taken into consideration because of the small numbers of students in the sub-sample which would have weakened the strength of any analysis beyond *domestic* and *international* groupings.

The domestic students' pretest mean P score was 38.4211 compared to the international students' pretest mean P score of 31.2727. The pretest mean N2 score for the domestic group was 39.9682 compared to the international groups pretest mean N2 score of 33.1911. A paired-samples t-test showed that the differences in the pretest P and N2 scores were not statistically significant.

After the intervention protocol, the domestic students' posttest mean P score increased from 38.4211 to 43.6842. The posttest mean N2 score also increased; from 33.1911 to 45.9781. While the increases did not reach statistical significance, the domestic students did seem to improve their levels of moral reasoning.

On the other hand, the posttest scores for the international students actually decreased from the pretest levels. The posttest P score decreased from 31.2727 to 28.3636, and the posttest N2 score decreased from 33.1911 to 28.4294. While increases in moral reasoning that do not reach statistical significance are not uncommon in DIT research studies that utilize ethical decision-making interventions, *decreases* in moral reasoning are.

Next, an independent samples t-test comparing the posttest results of the domestic students to the international students found that these differences were statistically significant between the two groups.

The independent samples t-test results and effect size calculations showed a statistically significant difference in the posttest P scores with a medium effect size: domestic posttest P score $\bar{x} = 43.6842$, international posttest P score $\bar{x} = 28.3636$, $t(28) = 2.516$, $p < .05$, two-tailed, $r = 0.429410$. Additionally, the posttest differences between the two groups on the N2 score were also statistically significant and showed medium effect size: domestic posttest N2 score $\bar{x} = 45.9781$, international posttest N2 score $\bar{x} = 28.4294$, $t(28) = 3.204$, $p < .05$, two-tailed, $r = 0.517950$.

Anecdotal observations by the course instructor found that the MBA students did in fact relate strongly to the ethics instruction in the accounting course. When asked, several students commented that they could relate to the cases and that they had seen similar situations in firms they have worked for. This was different from the undergraduates in previous studies who could not relate to some of the same cases since they had little or no work experience upon which to reflect.

CONCLUSIONS

There are two important conclusions from this study: First, the instructional methodology and materials developed during this research for teaching ethical reasoning in non-ethics business courses do have a positive effect on increasing some U.S. MBA students' moral reasoning. Second, a person's country of origin and their cultural heritage are likely to greatly affect how students make decisions involving ethically-charged situations in business. While the second conclusion might seem like a foregone conclusion, in ethical decision-making research this finding serves as a catalyst for refocusing future research in ethical decision making in business on the identification and analysis of the specific cultural constructs that come into play in moral decision making.

Additional research should focus on which cultures use similar ethical belief structures as those in the United States, and which use significantly different belief structures. Furthermore, future research should try to identify those constructs that underpin these belief structures. The research should attempt to identify those cognitive and affective constructs in particular non-Western cultures that are different from those constructs used in business decision making by individuals educated and living in the United States.

Identification of these similarities and differences can have a profound effect on how colleges of business teach ethical decision making in business situations. Because of the large number of foreign students attending business schools in the United States and the global nature of businesses in today's economy, identification of these variables and developing instructional protocols that take them into account is of great import. That is the direction that this research will go in the future, i.e., identification of ethical decision-making belief constructs that differ from those commonly manifest in United States culture, commonly referred to as Western culture.

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