

**Business Ethics: Does It Matter What You Believe,  
Does It Matter What You Are Taught?**

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## **Abstract**

*Schools seeking to seriously enhance their business students' ethical framework will likely need to do more than take the traditional approach of ethics exposure in business law classes. We find that exposure to a traditional business law course using popular textbooks fails to change the average ethical sensitivity of students. We also show that religious commitment, much more so than gender or work experience, influences one's ethical sensitivity. However, even at evangelical universities, students are prone to view ethical standards as relative.*

## **Introduction**

The need for business students -- as our future business leaders -- to develop ethical sensitivity and standards is self-evident. Understanding if and when a person's ethical framework develops is one of the key areas of business ethics research. In this paper we examine experiences both inside and outside of the classroom that may have impact on a person's ethical formation. We also examine the subjectivity of people's ethical frameworks.

The effectiveness of business ethics training in various business courses has been met with mixed results. Some studies conclude that students' degree of ethical sensitivity show marked improvements (Carlson and Burke, 1998), moderate improvements (Glenn, 1992), and no improvements (Wynd and Mager, 1989, and DeMoss and McCann, 1997). Business school graduates generally rank schooling very low on influencing their ethical sensitivity (Arlow and Ulrich, 1985). Many business schools rely on business law courses to be the primary arena for challenging students to

think critically about ethical issues and decision-making. These courses use textbooks that include chapters ostensibly designed to acquaint students with ethical considerations surrounding the legal topics being discussed. An underlying assumption of this approach is that students would be able to identify the existence of an ethical problem—if not prior to taking the course, then certainly after taking the course in question. Here we test the effectiveness of this common approach to ethical pedagogy.

Numerous studies in the past have explored ethical sensitivity with regards to demographic factors, cognitive-personality factors, and work-organizational factors (Collins, 2000). In this paper we examine the three personal traits most commonly debated: work experience, gender, and religious commitment, with particular interest on the latter.

Finally, we explore the firmness of individuals' ethical standards. This seems appropriate given the recent cultural shift toward post-modernity, with its philosophical assumptions of moral relativity. Though recent research indicates that students enrolled in evangelical universities are more ethically inclined than those of secular or Catholic universities (Kennedy and Lawton, 1998), we seek to take the analysis one step further by testing the degree to which students at even evangelical universities have embraced moral relativity within business ethics settings.

### **Research Questions and Hypothesis**

In this study we examined the extent to which the mere exposure of students to traditional business law coursework covering ethical issues would be sufficient to sensitize them to the existence of an ethical dilemma when one is actually encountered.

Given that the textbook chapters appeared to be designed, in part, to accomplish exactly that goal, our primary research hypothesis followed naturally:

*H1. University students exposed to traditional business law coursework covering ethical issues will be equally sensitive to the existence of ethical dilemmas compared to students who have not been exposed to such material.*

Given the nature of the survey questionnaire, secondary hypotheses became apparent.

These secondary hypotheses may be described as follows:

*H2(a). A person's religious commitment has no effect on one's degree of ethical sensitivity.*

*H2(b). A person's gender, has no effect on one's degree of ethical sensitivity.*

*H2(c). A person's work experience has no effect on one's degree of ethical sensitivity.*

*H3. There is no difference between personal ethical standards and corporate ethical standards.*

*H4. There is no difference in ethical standard for doing business domestically versus internationally.*

*H5. Ethical standards are not subjective to the ends justifying the means.*

## **Research Methodology**

The study examined the primary hypothesis by comparing the survey responses of students to a variety of ethical situations presented in identical fashion at the beginning and at the end of a semester of business coursework. In the survey (see Appendix), 59 university students taking business law classes were asked to read and assess six scenarios involving ethical dilemmas that might be encountered by management employees in the real world. Using a five point Likert scale, students were asked to rate (1) the extent to which each scenario would present ethical concerns for him or her personally, and (2) the extent to which each scenario should, in his or her opinion, would raise ethical concerns for the hypothetical organization in question. In addition, students were asked to categorize the extent of their previous work experience, the role of religion in their lives, and their gender.

The statistical significance of differences arising under the primary hypothesis was determined by applying a t-test procedure to compare student survey answers given on scenarios 1 through 12 of the survey at the beginning of the semester with those answers given at the end of the semester. For purposes of answering the second hypotheses, survey data were analyzed using a multiple regression model in which the dependant variable was the student's mean average score on the first twelve scenario questions. Independent variables included students' self-reported reported work experience, extent of religious faith, and gender.

The third, fourth, and fifth hypotheses were tested by applying a t-test procedure to compare student survey answers given on paired business scenarios which had been

slightly amended from the benchmark. By comparing responses of the even and odd numbered scenarios (1,3,5,7,9,11 versus 2,4,6,8,10,12), we are able determine if students differentiate between personal and corporate ethical standards. Comparing responses to survey questions 1 and 2 with questions 3 and 4, we are able to determine if students hold similar ethical standards for other business conducted domestically versus internationally. Finally, students' allowance for the ends to justify the means is examines by comparing responses to survey questions 9 and 10 with questions 11 and 12.

## **Results**

With respect to the primary hypothesis, no statistical significance was noted between student responses on the pre- and post-course surveys. Identical t-values of 0.74 were found for both pooled (equal variances) and Satterthwaite (unequal variances) tests, with probability  $> |t| = 0.46$ . This indicates that the common approach of exposing students to ethics through a business law course using traditional textbooks may not significantly alter their average ethical sensitivity. This supports the pessimistic findings of Arlow and Ulrich, 1988, and Wynd and Mager, 1989). Though the average response did not change due to coursework exposure, we did note, however, that the variability of responses was reduced with the post-course survey. This may suggest that the business law coursework causes students to comprehend the complexity of ethical business issues and acknowledge the "gray areas," (hence more "ethically neutral" responses) rather than see everything as black and white ("highly ethical," or "highly unethical" responses).

Anomalous results were noted for the independent variable relating to students' self-reported religious faith. At the start of the semester, no correlation was noted between student faith and the ethical sensitivity dependent variable in the multiple regression model: F value 0.69; probability  $> F = 0.41$ . At the end of the semester, however, statistical significance was noted at F value 6.94; probability  $> F = 0.01$ . By the end of the semester, students with higher self-reported levels of personal religious faith were more inclined to view questionable scenario behaviors as being less ethical.

As was anticipated by our hypothesis, no statistical difference was noted between male and female respondents in the multiple regression model (F value  $< 1.00$  for both the initial and repeated administration of the survey; probability  $> F = 0.98$  for the first administration, 0.42 for the end-of-semester survey). By comparison to the literature, the majority (but not all) of gender-related ethics research finds women being more ethically sensitive.

Parameter estimates and standard errors for the independent variable relating to the extent of each student's work experience in the multiple regression model resulted in no discernable statistical significance for that variable (F value  $< 1.00$  for both surveys; probability  $> F = 0.87$  for the first administration of the survey, 0.54 for the second). This conclusion ties in with the findings of Stevens (1984), concerning similarity of ethical standards across experience levels (but not necessarily age levels).

Based upon both pooled and Satterthwaite t-tests, statistically significant differences were observed between student ratings of personal versus corporate ethical considerations (the first and second questions after each ethical scenario). The t-values for both methods were 2.29, probability  $> |t| = 0.024$ . Overall, students were more

likely to give business greater ethical latitude, viewing business behavior as more ethical than personal behavior in each scenario.

Highly significant differences were noted between student answers on the domestic versus international scenarios (reflected in survey questions 1 and 2 versus questions 3 and 4) and on the means versus ends scenarios (reflected in survey questions 9 and 10 versus questions 11 and 12). Based upon both pooled and Satterthwaite t-tests, statistically significant differences were observed between student ratings of domestic versus foreign behavior, with questionable behavior on foreign soil being viewed as more ethically acceptable on both the initial and late-semester surveys: t-values  $< -3.80$  on both; probability  $> |t|$  less than 0.001 on both. Statistically significant differences were also observed between student ratings of identical behaviors where consequences were at first left uncertain (questions 9 and 10), then given as resulting in a happy ending (questions 11 and 12). Students were willing to allow ends to justify the means by a statistically significant margin on both the initial and late-semester surveys: t-values  $< 1.76$  on both; probability  $< 0.10$  on both. Giving inappropriate advice to clients appears to be acceptable if end results are successful.

## **Conclusions**

As discussed above, popular methods of exposing students to ethical subject matter in business law courses are based on the assumption that students will be able to identify the existence of an ethical problem—if not prior to taking the course then certainly after taking the course in question. Given the lack of statistical difference we found between the levels of sensitivity to ethical issues reported by students at the

beginning and end of the semester, we believe further consideration should be given to the merits of offering business ethics as a discrete course of study rather than as an ancillary feature of a business law class. At a minimum, a course in business ethics should have as one of its major foci the development of student skills in the identification of situations requiring ethical tools of analysis.

More influential than gender or experience, religious commitment appears to be the dominant personal trait affecting one's view of ethical appropriateness. What one believes really does matter. Yet even given that, students at evangelical universities show a propensity to allow circumstances (geo-political setting) and outcomes (profitability) to dictate ethical acceptability, rather than rules of law. This indicates a pervasiveness of post-modern subjectivity among business students that needs to be thoughtfully addressed.

**Exhibit 1**

<b>Variable</b>	<b>Pre/Post Course</b>	<b>Mean Diff.</b>	<b>Std. Dev. Diff.</b>	<b>Significance</b>
Personal vs. Corporate (diff. of means)	Pre	1.254	3.198	at 0.1
Personal vs. Corporate (diff. of means)	Post	1.949	4.088	at 0.05
Domestic vs. International (diff. of means)	Pre	2.179	1.576	at 0.01
Domestic vs. International (diff. of means)	Post	1.559	1.947	at 0.01
End justifies means (diff. of means)	Pre	1.084	1.912	at 0.01
End justifies means (diff. of means)	Post	1.084	1.912	at 0.01
Exposure to course (diff. of means)	Both	1.046	6.681	N/s
Exposure to course (diff. of variances)	Both	1.046	6.681	at 0.13
<b>Variable</b>	<b>Pre/Post</b>	<b>Parameter est.</b>	<b>t-value</b>	<b>Significance</b>
Experience	Pre	0.029	0.03	N/s
Experience	Post	0.204	0.38	N/s
Religion	Pre	-1.659	0.6	n/s
Religion	Post	-6.237	6.94	0.01
Gender	Pre	-0.059	0.00	n/s
Gender	Post	1.728	0.66	n/s

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## Appendix A

### *Ethics Questionnaire*

*Please take a few minutes to complete this ethics questionnaire as completely as possible. We are seeking to better understand ethical attitudes and opinions of our students. All responses are confidential. Please do not provide your name or other unique information. Thank you for your participation*

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Betty Buyer is responsible for purchasing all merchandise for XYZ Department Store. XYZ's advertised mission is to buy the highest quality merchandise at the lowest possible price so that it can pass these savings along to consumers. In order to get the lowest possible price from the RST Textile Plant, Betty takes their marketing vice president to dinner and secretly offers him a "personal appreciation gift" of \$1,000 cash if he can arrange a special 50% discount on all RST products sold to XYZ.

1. From the standpoint of your own ethical standards, how would you characterize Betty's actions?
  - a. I would consider them to be highly unethical
  - b. I would consider them to be somewhat more unethical than ethical
  - c. I would consider them to be ethically neutral
  - d. I would consider them to be somewhat more ethical than unethical
  - e. I would consider them to be highly ethical
  
2. From the standpoint of XYZ Department Store's top management, which of the following statements is most accurate?
  - a. XYZ's top management should consider Betty's actions to be highly unethical
  - b. XYZ's top management should consider Betty's actions to be more unethical than ethical
  - c. XYZ's top management should consider Betty's actions to be ethically neutral
  - d. XYZ's top management should consider Betty's actions to be more ethical than unethical
  - e. XYZ's top management should consider Betty's actions to be highly ethical

*When Betty is unable to find a decent price for clothing in the United States, she travels to the Kingdom of Elbonia, which is known for the fine quality of its textiles. Betty learns that "personal appreciation gifts" are customary in Elbonia. In order to get the lowest possible price from the Elbonian National Textile Plant, Betty takes their marketing vice president to dinner and secretly offers him a "personal appreciation gift" of \$1,000 cash if he can arrange a special 50% discount on all Elbonian textiles sold to XYZ Department Store.*

3. From the standpoint of your own ethical standards, how would you characterize Betty's actions?
  - a. I would consider them to be highly unethical
  - b. I would consider them to be somewhat more unethical than ethical
  - c. I would consider them to be ethically neutral
  - d. I would consider them to be somewhat more ethical than unethical
  - e. I would consider them to be highly ethical
  
4. From the standpoint of XYZ Department Store's top management, which of the following statements is most accurate?
  - a. XYZ's top management should consider Betty's actions to be highly unethical
  - b. XYZ's top management should consider Betty's actions to be more unethical than ethical
  - c. XYZ's top management should consider Betty's actions to be ethically neutral
  - d. XYZ's top management should consider Betty's actions to be more ethical than unethical
  - e. XYZ's top management should consider Betty's actions to be highly ethical

*Joe is the Director of Marketing for XYZ Department Store. He has just learned that his computer is down and will not be repaired for at least two weeks. Joe sees an offer for a new computer with a 30-day inspection period and money-back guarantee. He has no intention of buying the computer, but decides to take the computer back to his office and use it to create advertisements and marketing flyers for the next 29 days. He then returns the computer on the 30<sup>th</sup> day and receives a full refund of the purchase price.*

5. From the standpoint of your own ethical standards, how would you characterize Joe's actions?
  - a. I would consider them to be highly unethical
  - b. I would consider them to be somewhat more unethical than ethical
  - c. I would consider them to be ethically neutral
  - d. I would consider them to be somewhat more ethical than unethical
  - e. I would consider them to be highly ethical
  
6. From the standpoint of XYZ Department Store's top management, which of the following statements is most accurate?
  - a. XYZ's top management should consider Joe's actions to be highly unethical
  - b. XYZ's top management should consider Joe's actions to be more unethical than ethical
  - c. XYZ's top management should consider Joe's actions to be ethically neutral
  - d. XYZ's top management should consider Joe's actions to be more ethical than unethical
  - e. XYZ's top management should consider Joe's actions to be highly ethical

*Pat, the plant manager of RST's North Carolina textile plant, decides to lay off all 500 workers at the factory and open a new factory in the Kingdom of Elbonia, where the typical factory worker will be happy with a wage of less than one dollar per hour. Pat tells RST's top management that RST will save over \$2 million in wage expenses annually by moving the factory to Elbonia.*

7. From the standpoint of your own ethical standards, how would you characterize Pat's actions?
  - a. I would consider them to be highly unethical
  - b. I would consider them to be somewhat more unethical than ethical
  - c. I would consider them to be ethically neutral
  - d. I would consider them to be somewhat more ethical than unethical
  - e. I would consider them to be highly ethical
  
8. From the standpoint of RST's top management, which of the following statements is most accurate?
  - a. RST's top management should consider Pat's actions to be highly unethical
  - b. RST's top management should consider Pat's actions to be more unethical than ethical
  - c. RST's top management should consider Pat's actions to be ethically neutral
  - d. RST's top management should consider Pat's actions to be more ethical than unethical
  - e. RST's top management should consider Pat's actions to be highly ethical

*Pete works for MNO Investments as a financial manager. He persuades an elderly couple to sell their entire portfolio of treasury bonds--worth \$200,000—and buy shares of speculative stock options. MNO will earn a fee of \$5,000 for the transaction, of which \$2,000 will go to Pete as a sales commission.*

9. From the standpoint of your own ethical standards, how would you characterize Pete's actions?
  - a. I would consider them to be highly unethical
  - b. I would consider them to be somewhat more unethical than ethical
  - c. I would consider them to be ethically neutral
  - d. I would consider them to be somewhat more ethical than unethical
  - e. I would consider them to be highly ethical
  
10. From the standpoint of MNO's top management, which of the following statements is most accurate?
  - a. MNO's top management should consider Pete's actions to be highly unethical
  - b. MNO's top management should consider Pete's actions to be more unethical than ethical
  - c. MNO's top management should consider Pete's actions to be ethically neutral
  - d. MNO's top management should consider Pete's actions to be more ethical than unethical

e. MNO's top management should consider Pete's actions to be highly ethical  
*Suppose that the stock market rises rapidly over the next six months and the elderly couple's speculative investment is now worth over \$300,000, which is quite a bit more than their treasury bonds would have earned.*

11. From the standpoint of your own ethical standards and taking account of the stock market's subsequent activity, how would you now characterize Pete's actions?

- a. I would consider them to be highly unethical
- b. I would consider them to be somewhat more unethical than ethical
- c. I would consider them to be ethically neutral
- d. I would consider them to be somewhat more ethical than unethical
- e. I would consider them to be highly ethical

12. From the standpoint of MNO's top management and taking account of the stock market's subsequent activity, which of the following statements is most accurate?

- a. MNO's top management should consider Pete's actions to be highly unethical
- b. MNO's top management should consider Pete's actions to be more unethical than ethical
- c. MNO's top management should consider Pete's actions to be ethically neutral
- d. MNO's top management should consider Pete's actions to be more ethical than unethical
- e. MNO's top management should consider Pete's actions to be highly ethical

**Personal profile questions**

13. *Which best describes the extent of your full-time professional work experience?*

- a. None
- b. 1-3 years
- c. 3-10 years
- d. More than 10 years

14. Which best describes your religious involvement?

- a. Religious faith plays no role in my daily life.
- b. Religious faith plays an occasional role in my daily life.
- c. Religious faith plays a significant role in my daily life.

15. \_\_\_Male    \_\_\_Female