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## Main article

# Preparing accounting students for ethical decision making: Developing individual codes of conduct based on personal values<sup>☆</sup>



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## ABSTRACT

Ethical failures in business have led many to question the role and efficacy of ethics training in business schools. Some scholars (e.g., Gosenpud & Werner, 2009; Lund Dean & Beggs, 2006; Taft & White, 2007) argue that instructing accounting students to behave ethically has a minimal effect on their future professional behavior. So instead of lecturing accounting students on ethical behavior, this exercise asks accounting students to clarify their values and then write individual codes of conduct that are intended to instruct their future professional selves to behave ethically. The exercise provides undergraduate and master's level accounting students an introduction to the importance of values on ethical behavior and has also been used as a preface to applying the Giving Voice to Values framework (Gentile, 2010). The exercise is effective in the eyes of the students surveyed, as 97% of students ( $n = 110$ ) recommended that instructors at other universities adopt this exercise. When asked to provide reasons why they would recommend the exercise, students reported that they found the exercise a reflective way to discover their values and develop value-based codes of conduct.

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## 1. Introduction

With numerous ethical collapses in corporations such as Enron, HealthSouth, WorldCom, Countrywide Financial, and, more recently, Barclays Bank and SNC-Lavalin, the first years of the third

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millennium may forever be known as the decade of accounting and business scandals. In response to these scandals, there have been repeated calls in the popular and academic press to increase the ethical decision making skills of business students (Alsop, 2006; Canales, Massey, & Wrzesniewski, 2010; Cant & Kulik, 2010; Cavico & Mujtaba, 2009; Cornelius, Wallace, & Tassabehji, 2007; Di Meglio, 2009; *Financial Post*, 2009; Gentile, 2009; Giacalone, 2007; Moosmayer, 2012; Nelson, Poms, & Wolf, 2012; O'Leary & Pangemanan, 2007; Sims & Felton, 2006). The increased public scrutiny of business education led to a significant increase in the amount of ethical instruction provided to accounting students in the past 30 years (Madison & Schmidt, 2006). Although there is still some debate regarding the efficacy of ethics training (e.g., Lund Dean & Beggs, 2006; Taft & White, 2007), recent evidence is encouraging. For example, studies by Lau (2010), Klimek and Wenell (2011), and Thomas (2012) found significant differences in the ethical reasoning abilities of undergraduate business students exposed to ethical training.

While the majority of accounting programs either offer a stand-alone ethics course or integrate ethics training across their curricula, there is significant variation in the pedagogies used to deliver ethical training (e.g., Jennings, 2004; Sims & Felton, 2006; Thomas, 2004). Many academics argue that solely lecturing on ethics is not the most effective instructional pedagogy (Blanthorne, Kovar, & Fisher, 2007; Gosenpud & Werner, 2009; Lund Dean & Beggs, 2006; McNair & Milan, 1993; Taft & White, 2007), instead asserting that role plays or instructional cases are more effective approaches (e.g., Falkenberg & Woiceshyn, 2008; Glass & Bonnici, 1997; James & Smith, 2007; LeClair & Ferrell, 2000).

Although most instructors generally believe that ethics are internally-based and value driven, most instructors still teach ethics using an externally-based, compliance approach (Lund Dean & Beggs, 2006). Unfortunately, Cant and Kulik (2010) note that while compliance-based ethics education may reduce an employee's propensity to commit *illegal*, unethical acts, this type of ethics training does not reduce an employee's propensity to commit *legal*, unethical acts. Given this, some accounting programs have moved beyond teaching ethics as compliance; however, there is conflicting evidence as to which ethical training pedagogies are the most effective. We sought to address these divergent perspectives by developing an experiential ethical training activity that is anchored on the students' personal values.

### 1.1. Rationale for the exercise

Hannah, Avolio, and May (2011) developed a comprehensive theory of moral cognition and action. We based the exercise on this model because it builds upon well-established theories of ethical reasoning by Kohlberg (1981) as well as Rest and colleagues (Rest, Narvaez, Bebeau, & Thomas, 1999). The model integrates research from a variety of academic domains, such as social psychology, neuroscience, and organizational behavior, and is thus broadly applicable beyond the realm of any specific discipline.

As displayed in Fig. 1, the framework specifies the situational and psychological factors that influence moral behavior. The bottom four boxes of the model reflect Rest et al.'s (1999) framework of ethical decision-making. Moral sensitivity refers to being aware of ethical problems and able to identify some potential solutions to the problem. Moral judgment refers to deciding which of the solutions are most

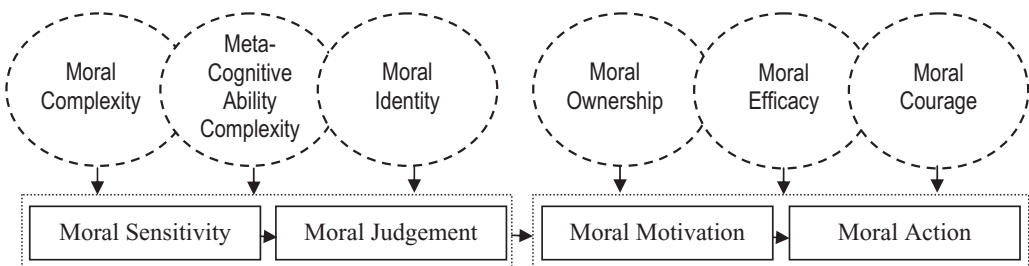


Fig. 1. Hannah et al.'s (2011) Model of ethical decision making.

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