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Reflective Ethical Decision: A Model for Ethics in Accounting Education

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Abstract

This conceptual paper describes a Reflective Ethical Decision Model (REDM), which uses the underpinnings of philosophical humanism in collaboration with self-directed learning to help students determine and design their own personal model construct of ethical values. This model analyzes the necessary ingredients for applying ethics in accounting and business education and offers a hands-on pedagogical approach to the ethics curriculum. It is an illustration students can use to reflect on personal orientations toward ethical behavior and lifelong values. The rationale for proffering such an approach is the notion that the operational orientations that guide human behavior are not fully developed until early adulthood. This concept is also applicable in professional training and development as a move toward improving ethical decision-making constructs in organizations. The idea is to evoke the personal ethics each of us has, not to promote additional avenues to extend the fallacy surrounding business ethics. The designer, and author, hopes this model concept will encourage future research about ethical decision-making as a result of any critique that may arise from this endeavor.

Key words: Ethics, philosophy, self-directed learning, reflective decision model

Introduction and Background

Albrecht and Sack (2000) in their study, *Accounting Education: Charting the Course through a Perilous Future*, concluded, among other issues, that students are not being exposed in the right ways to the highly relevant concepts of ethics in accounting content and curricula. Accordingly, this paper outlines the development of a Reflective Ethical Decision Model (REDM; see Figure 1) as an approach to ethics education. This model uses the underpinnings of philosophical humanism in collaboration with self-directed learning to help students determine and design their own personal model construct of ethical values, coined as a Personal Ethical Contract Code (PECC; Figure 3). Creating such a code is a hands-on approach that students and teachers can use to reflect on personal orientations to ethical behavior and lifelong values. The rationale used in designing this model and developing this approach is the notion that operational values and orientations which guide human behavior are not fully developed until early adulthood (Wain, 1987).

Moreover, the concepts posed in this paper are applicable to all areas of curriculum design and development in higher education, as well as human resources training and development. Using these principles, anyone can design a personal code of ethical conduct to guide his or her life. This model demonstrates we can all evoke the personal ethics we already possess by reflecting on, identifying, and articulating them. Accordingly, the author believes that students of all ages must be encouraged to develop their own personal ethics code of conduct even from an early age, and more importantly before they join a business or organization, because these skills cannot be taught when they arrive (Haidt, 2014; Sparks, n.d.).

Ethics are defined by various entities and people who often ask cynical questions, such as, “What are ethics?” and, “Why do we need them?” These questions assume ethics are not really definable without revealing a narrow, dogmatic, and personal philosophy. This perception of personal dogma has been extended to include many issues and or variations of ethics. Ethics are sub-divided into many forms, for example (a) foundational ethics, (b) situational ethics, (c) moral ethics, and (d) relative ethics (Anscombe, 1958; Fletcher, 1966; May, 2006; Velasquez, Andre, Thomas Shanks, & Meyer, 1992). Regardless of the various forms of ethical underpinnings, business schools must be mindful that today’s business students are tomorrow’s business staff, management, and leadership. Hence, students must have a solid basis for sound ethical values.

The recent demise of major corporations, for example Enron, WorldCom, AOL, etc., due to unethical accounting and financial practices, has resulted in much attention to the issue of ethics. In August 2015, an article entitled *Whistleblower Takes Big Risks* (Verschoor), explained some of the improvements made to detect fraudulent behavior in the financial industry, but noted that in spite of the progress, more needs to be done. The article further stated that, “Unethical behavior continues to persist in this highly visible industry that was responsible for an epic financial crisis only seven years ago” (Verschoor, 2015, pg. 18). Moreover, the problem of academic dishonesty is rampant in higher education, and business schools seem to be leading the pack (Levy & Rakovski, 2006). This crisis has business school faculty, administrators, and related organizations searching for a method of including moral and/or ethical perspectives in their curricula that is transferrable to students’ overall behavior and character (Boyle, 2004; Brady & Hart, 2007).

Major Ethical Dilemmas in Business

During the past decade, the number of businesses and major organizations that have collapsed due to their inability to pursue profits and increase shareholder values, in an honorable manner, has been astounding. This dilemma has raised immense cause for concern as organizations not only exert enormous power and influence but have often become central institutions in all modern societies (Deetz, 1992). At the beginning of the last decade, several large organizations filed bankruptcy or were sanctioned by the Securities and Exchange Commission (SEC) for fraudulent behavior. These fraudulent activities, scandals, and resulting losses of billions of dollars in retirement and other personal losses to individuals and to society as a whole, may have been avoided if ethical practices had been followed and upheld. Moreover, some of these cases were aided by the accounting and audit firms they employed.

The executive summary of a study commissioned by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) entitled, *Fraudulent Financial Reporting: 1998-2007* noted the following:

- There were 347 alleged cases of public company fraudulent financial reporting from 1998 to 2007.
- The majority of these fraudulent cases, 89%, were as a result of collusion between the company’s CEO and CFO.
- Consistent with the high-profile frauds at Enron, WorldCom, etc., the dollar magnitude of fraudulent financial reporting soared in the last decade, with total cumulative misstatement or misappropriation of nearly \$120 billion across 300 fraud cases with available information (mean of nearly \$400 million per case).
- The median fraud of \$12.05 million in the 2010 study was nearly three times larger than the median fraud of \$4.1 million in the 1999 COSO study (Beasley, Carcello, Hermanson & Neal, 2010, pg. iii).

Table 1 depicts a listing of some of the organizations involved in the *scandals of the ages* in the United States. Some of the most egregious were Enron, WorldCom, Madoff Investment, Tyco, American Insurance Group (AIG), and Freddie Mac.

In December 2001, Enron, one of the largest energy companies in the world, based in Houston, Texas, filed for the biggest bankruptcy in United States’ history. This resulted in the loss of 20,000 jobs and the life savings of many employees. The demise of Enron was a direct result of unethical, fraudulent behavior, and conspiracy on the part of

its leaders. Enron became the model for accounting conspiracy, and the epitome of organizational ethical scandals (Fox, 2003; Fusaro & Miller, 2002; McLean & Elkind, 2003). This scandal led to a major overhaul of accounting and auditing practices and rules, and to the passage of the Sarbanes-Oxley Act of 2002 (American Institute of CPAs, 2002). It also led to the demise of Arthur Andersen, the *Big Five* accounting and audit firm Enron employed, which was also indicted in the scandal.

WorldCom purchased several smaller companies, in the process becoming the second largest telecommunications company in the US. Beginning in mid-year 1999 and continuing through May, 2002, the company, under the direction of its leadership, used fraudulent accounting methods to cover up declining earnings. It presented a false picture of financial growth and profitability to elevate the price of its stock. On July 21, 2002, the company filed for bankruptcy, leading to the largest proceeding in the history of the US, as of that date (Jeter, 2003).

In March 2009, Bernard Madoff pleaded guilty to 11 felonies and admitted to turning his wealth management business into the largest Ponzi scheme in history. Madoff's accountant, Freiling, was also arrested in the case. Madoff—himself a proponent of *business ethics*—acknowledged that he began the Ponzi scheme he used to defraud thousands of innocent investors of billions of dollars in the early 1990s (Henriques, 2009; SEC, 2009). However, federal investigators believe the fraud began as early as the 1980s, and the investment operation may never have been legitimate to begin with (Hays, 2009; SEC, 2009). This scheme is expected to have a negative impact for many years in the future (Levisohn, 2009). More troubling is the fact that the SEC acknowledged it was reprimanded by Congress for gross incompetence in investigating this huge fraud, despite the fact suspicious activity had been brought to their attention, and the presence of red flags (SEC, 2009, p. 21).

The Reflective Ethical Decision Model

Accountants play a very important role in organizations and are bound by specific codes of ethical conduct. However, all of the major scandals referred to above implicate an audit firm or an accountant as conspirators; the most notable being Arthur Andersen's conduct during the Enron scandal. This bridge between accountants and unethical behavior is being addressed in business school ethics and curricula and through various research (Brady & Hart, 2007; Giacalone, 2004; Kolodinsky Madden, Zik, & Henkel, 2010). Nonetheless, it is argued here that the foundation for ethical decision-making does not begin with a business school curriculum, but with fundamental philosophical beliefs, already intrinsic in our human construct. Therefore, ethics curricula must begin with students' understanding of their value laden philosophical beliefs, which faculty can help them to evoke. Each ethics course must have the objective of change, that is, a means for helping students recognize and practice positive, moral, and ethical dimensions as a fundamental part of human character. Giacalone and Thompson (2006) referred to this as a human-centered approach.

Although some could argue that Enron, WorldCom, and Madoff all involved sociopaths, making ethical awareness moot, several business and corporate analysts link these cases of bankruptcy and fraud directly to a breakdown in ethical and moral values. For example, a recent article by Ken Silverstein of Forbes Business News, summarizes the opinions of various ethicists, and noted that top executives at Enron, the crown jewel of corporate prosecutions, WorldCom, and other companies involved in corporate scandals, were proven guilty and indicted. He summarizes, "Unethical companies will eventually get exposed: Witness Enron" (Silverstein, 2013 para, 13). He further noted:

Punishment serves as a deterrent. But a clear-cut mission and a corporate code of ethics is crucial. It's the foundation to which boards, managers and workers rely when they reach a fork in the road. It's the principles they use when deciding whether to emphasize short-term gain or long-term stability. (Silverstein, 2013, para 8)

Silverstein, (2013) included a quote by Mary Driscoll, an analyst with Standard & Poor's, who stated,

So, even if you can't really regulate ethics, the fact that more people are more closely scrutinizing board behavior encourages directors to be more responsible...But, there is no panacea, and I think we will continue to see abuses and excesses — but hopefully fewer. (para 11).

Although changes have been made since these three egregious cases, the stage is being set for perhaps greater and bigger organizational scandals if something is not done to preclude this from happening. Moreover, Verschoor (2015) notes the following:

Corporate frauds and ethics scandals aren't limited to companies in the United States. Over the last two decades, for instance, Japan has experienced its share of large financial reporting scandals that have occurred despite laws designed to protect investors and the public. This year, Toshiba Corporation became the latest example. (p. 18)

The discussions above underscore the direct correlation between ethical dimensions and corporate fraud and scandals. The likelihood that such ethical dilemmas will continue is the basis for designing this *Reflective Ethical Decision Model* (see Figure 1). This model focuses on the ideals of ethical decision-making and their importance in mitigating such devastating behavior. The hope is that students will use this REDM conceptual framework to help develop a personal *code* of ethics, which they can use in making future ethical decisions when confronted with such issues in their life and organizations. This REDM builds on the concept of Ethical Decision-Making originally offered by Brockett and Hiemstra (2004). It applies a perspective of self-directed learning philosophy to understanding and enhancing ethical decision making skills. It also illustrates a comprehensive continuum approach to developing, refining, and maintaining ethical principles. The continuum begins with philosophical epistemologies as a basis for ethical principles to encourage reflection on ethical dilemmas, followed by effective implementation of ethical solutions, and refining and maintaining such ethical principles. The section entitled Directives and Results When Executing the Model in a Course outlines an example of how the REDM is implemented in ethics courses.

Conceptual Framework and Literature Review

The conceptual framework is derived from the foundation of various ethical beliefs, ethical philosophy, ethical decision making, and self-direction in education. In addition, a review of the literature on ethics in business education is presented.

Ethical Variations and Beliefs

Foundational Ethics, often referred to as the universal principle of ethics, require commitment to a core set of universal principles that are common to all religious and or secular moral philosophy. A proper foundation of ethics requires a standard of value to which all goals and actions can be compared. One example is the age-old adage or principle which constitutes the *Golden rule*, the notion of doing unto others as you would want them to do unto you. Moreover, foundational ethics are applicable to organizational settings where management applies a set of rules that the organization must follow (May, 2006; Stephen, 2004). Examples of these rules include honesty in behavior, respect for peers, or simply in the way others are treated at work.

Situational Ethics deal with the manner in which right or wrong is construed, given the situation at hand. This form of ethical behavior became popular during the 1960s when Joseph Fletcher, an Episcopal Priest, attempted to define ethics based on the law of love. In theory, situation ethics have an absolute norm or standard that calls for the selection or acknowledgment of an absolute, non-legalistic, flexible application of the standard to each individual situation. Situational ethics seek to interpret actions based on the outcome that would best be described as a *loving* reaction to a given situation. It proffers that the guiding principles should not be based on law, but on situational norms like love, power, or any higher moral principles that may adequately fit the situation at hand (Fletcher, 1966; Titus, Smith, & Nolan, 1995).

Moral Ethics are based on a belief in one universal truth, that is on the realities of a supreme being—God—and knowing and accepting His ways of truth. This notion is grounded on the principle of treating people in a manner that would be acceptable to God. The belief is that when ethics are built on *the truth*, they reflect values found in the Word of God, *The Bible*. The notion is that everyone will acknowledge that people are children of God and that they should be loved just as God loves them (All About Truth, n.d.; Anscombe, 1958; Forsyth, 1992; Singhapakdi, Vitell, & Franke, 1999).

Relative Ethics are based on the idea of relativism, where it is believed that each person has a right to decide what is right or wrong, given their culture or society's norms. Relativism theorizes that truth is different for different people and that various practices are right or wrong relative to the culture in which they are practiced. The same action may be wrong in one culture, but right and acceptable in another (Velasquez, Andre, Thomas Shanks, & Meyer, 1992). It also posits that morality evolves over time and depends on changes in societal norms, technology, and advances in knowledge and understanding. Accordingly, this theory suggests that people develop their thinking concerning morality over time. They do so as a result of interactions with individuals and social institutions. In different societies, each with their own culture, there are diverse ideas concerning how humans are to behave. Different societies and cultures have different rules, norms, laws, and moral ideas.

If situational, moral, and/or relative ethics are correct, can there be common or cross cultural frameworks for resolving moral disputes or for reaching agreements on ethical matters among members of different societies? Regardless of how one personally defines ethics, the ethics with which accounting faculty and students should be concerned are fundamental and vital to the notion of right or wrong, and doing one's best in academia, organizations, or life in general.

Ethics and Philosophy

Ethics, ethical decision-making, and developing a personal code of ethics are tied to one's personal philosophy—philosophical ethics. Ethics are a requirement for human life. They are our means of deciding a course of action. Ethics, as a theory, is the branch of philosophy that explores the nature of morality and virtue, and that evaluates human actions. The study of ethics deals with the proper course of action, right and wrong, in human endeavors. It answers the question, *What do I do?* At a more fundamental level, it is the method by which we categorize our values and pursue them (Importance of Philosophy, n.d.). This approach to ethics avoids the issues of legality, religion, and subjectivities related to culture. Without it, our actions would be random and aimless (White, 1993). Philosophy has several definitions, including: wisdom, reality, meaning of life, the nature of being human, and life perspectives. The definition adopted for this study is: philosophy puts the nature of the universe, including meaning, people, and relationships, into an understandable or explainable perspective. There are several philosophical systems and models that many of us are familiar with, for example, idealism, realism, progressivism, liberalism, behaviorism, radicalism, and humanism. This paper builds on and extrapolates the assumptions made about the humanistic philosophy as proposed by Maslow (1976) and others (Brubacher, 1969; Elias & Merriam, 1980, Noddings, 2007). It proffers the issues of self-direction in education to complement the teaching and learning attributes of ethics in accounting and business education. The humanistic construct assumes the following:

- (a) Intellect distinguishes humans from animals
- (b) Humans have potential or innate goodness
- (c) Humans can be self-directed
- (d) Integrity and values are the basis for human ethics
- (e) Self-respect and self-esteem are also dependent on ethical values
- (f) Humans can develop good 'personal' ethics
- (g) Educators can encourage and facilitate students' self-direction in pursuing personal-philosophical ethics.

Although the above assumptions highlight the perceived *innate* goodness of humans, in the *real* world in which we study, work, live, and play, behavior is often quite the contrary. Human beings do not always behave in a manner that portrays such innate goodness. This is also true in our business vocations; however, the corporate problem may

be a result of how businesses and organizations are viewed in our socio-economic discourse. Businesses are held to different standards. For example, the idea of *it's nothing personal* or it's the *power of the purse* suggests that whatever happens in the corporation should not be considered as affecting society as a whole. The notion that the goals of corporations are not separate and different from the overall aspirations of society is often overlooked and understated until a major ethical dilemma occurs, such as the Enron or Madoff scandals, and catches our attention.

Some may argue that businesses are supposed to provide and maximize shareholder economic value, regardless of *cost*" This is the notion of *by any means necessary*" For example, the popular business discourse promotes various types of professional related ethics: work ethics, business ethics, and other synonyms, which imply a *separatist approach* to ethics. Hence, various excuses are used when employees and managers, as agents of the organization, act in ways that are questionable. The humanistic construct posits that it is a fallacy that business ethics are separate and apart from other forms of ethics (Brubacher, 1969; Elias & Merriam, 1980, Noddings, 2007).

Ethical Decision-Making

The corporate scandals cited in Table 1 continue to motivate us to say that "something must be done to stop this from happening again." Could ethical decision-making be the answer? The most fundamental ethical value is one that helps us distinguish right from wrong, one that is concerned with respecting others. Therefore, ethical decision-making is always concerned with the effects of actions towards others, within our organizations, and within our societies as a whole. It is concerned with the notion of being faithful to the values we profess. Organizations have become the root of our societies; they are pervasive in our lives. They influence our education, institutions, production of knowledge, news and views, and even our personalities (May, 2006). They are becoming bigger, but not necessarily better, nor even honorable. Accordingly, from an organizational perspective, ethical behavior is not simply a matter of character; it is a matter of decision-making (California Society of CPAs, 1993). Ethics are advanced or violated one decision at a time. Further, it is possible to increase ethical behavior, if one can influence people by consistently considering and placing high value on ethical principles in making decisions which affect others.

Many question that ethics and business are mutually exclusive, that businesses' only concern is to make a profit. For example, Milton Friedman stated, "The only obligation of a business is to make a profit." The Greek poet Horace said, "By right means, if you can, but by any means make money." However, in 1874, Peter Cooper said, "The object of business is to make money in any honorable manner...the object of life is to do good" (as cited in *Professional Ethics for Certified Public Accountants, California Society of CPAs, 1993, p. xiii*). However, some of our modern businesses and organizations may have forgotten the notion of honorable manner, but business ethicists caution against such biased pursuit of earnings. Researchers and practitioners are trying to understand why people in business act ethically and or unethically (Weber & McGiven, 2010). Silverstein (2013) included a quote from Justin Schultz, a corporate psychologist in Denver, who stated, "Just as character matters in people, it matters in organizations" (para 3). Richard Rudden, managing partner at Target Rock Advisors, in New York State explained this so eloquently when he said, "Ethics and integrity are at the core of sustainable long term success without them, no strategy can work and, as Enron has demonstrated, enterprises will fail. That's despite having some of the 'smartest' guys in the room" (quoted in Silverstein, 2013, para, 19).

Much has been written about ethical decision-making, and much research has been done in an effort to understand such actions. The issue of morality and its link to corporate social responsibility has been extensively researched (Colby & Kohlberg, 1987; Kolodinsky et al., 2010; Rest, 1986; Trevino, 1992; Vitell, Ramos, & Nishihara, 2010). Further, Giacalone (2004) suggests that educators provide students a balanced view of the financial aspects of effectiveness with morality and ethics. The popular approach is to get students to understand the role of business in society, the role of the manager, the results of managerial and leadership conduct, and the personal effects of unethical behavior. However, Albrecht and Sack (2000) indicate that this approach stops short of helping students understand they have a very important role to play in reversing the effects of such behavior; that it begins with each of us. This paper offers a self-directed philosophical approach to helping students build an affinity for ethical-decision making.

Self-Direction in Education

There are several views of self-direction in education, for example, self-directed learning, self-teaching, and autonomous learning. However, the approach used here focusses on self-directed learning from a lifelong learning perspective. Self-directed learning (SDL) has its roots in adult education and the theory of Andragogy as espoused by Knowles (1975). He defined SDL as “a process in which individuals take the initiative, with or without the help of others in diagnosing their learning needs, formulating learning goals...choosing and implementing strategies, and evaluating learning outcomes” (p. 18). SDL has several goals, is multifaceted, and has been a focus of research for several decades. SDL is also viewed as a method of teaching or learning (Caffarella, 2000; Merriam & Caffarella, 1991, 1999).

There are several models like Knowles’ (1975) and Tough’s (1979), that describe the process of SDL, which involves the learner, place, and the resources implicated in the method. SDL can also be based on the locus of control for decision-making about the objectives and means of learning, where the student controls the learning independent of the institution. However, this paper focuses on the self-directed learning that is practiced in formal educational settings, that is teacher-facilitated and directed, one that has transformational learning as its goal. SDL allows class discussions to move in a direction based on the characteristics (mood) of the class (Brookfield, 1985; Brockett & Hiemstra, 1985, 1991; Ellinger, 2004). In other words, the learning takes place as the discussions and or activities take shape, taking on its own characteristic. This helps students in accounting and business education to proffer their own predilection toward building a self-directed-philosophical approach to ethical value acquisition and retention. Building such an ethical perspective can provide a solid basis for maintaining social-philosophical ethical characters when students subsequently join an organization. This will ultimately be one of the unwritten, underlying philosophical contracts students bring to the organization.

Ethics in Accounting and Business Literature

The worry about unethical practices in business continues, and the public’s concerns lead to questions of why, what, and how? For example, in 2000 Albrecht and Sacks concluded that accounting curricula are too narrow, often outdated, or irrelevant and do not expose students to relevant concepts, such as ethics, and thus called for accounting educators to focus on ethics. Since then, the literature in accounting and business has increasingly focused on the issues of ethics in accounting theories and practice in higher education and in other organizations. Specifically, the extant literature related to ethics in education and expounded on in the following paragraphs include: (a) program development and compliance, (b) teaching ethics, (c) character building, (d) relationship between ethics and educational development, (e) culture and ethics (f), cheating and dishonesty, and (g) best practice approaches and models for improving ethics and moral reasoning (Bebeau, 1994; Bassett, Houston, & Kidder, 2009; Levy & Rakovski, 2006; Peng & Ling, 2009; Shewon & Hoffman, 2005).

Much has been researched and written about compliance and programs, which are “established and implemented to oversee, manage, and address compliance, ethics, business conduct, or risk management issues and initiatives within a college or university” (Shewon & Hoffman, 2005, p. 251). Mirk (2009) noted that “building ethical, values-driven school communities require school leaders who address those concerns in their daily practice” (p. 19).

Moreover, several studies have focused on teaching ethics and or character building in schools. For example, Bassett, Houston, and Kidder (2009) found that attention to values permeates the private school learning environments at both the adult and student levels. They also found that higher-order thinking skills are emphasized and deliberately linked to the moral realm. Students who are enrolled in these schools where ethics are emphasized develop trust through strong relationships with people committed to honest self-examination. They stated that, “while these findings come from the experiences of independent schools, they speak directly to the needs of all schools” (p. 2).

Others have focused on balancing academic rigor with ethics development. Studies show there is a positive correlation between education and ethics, that those who took courses in educational or professional ethics have a higher moral standard (see for example, Bebeau, 1994; Ofsthun, 1986; Rest, 1986). In addition, Mirk, (2009), in his study on ethics suggested that, “research from the Schools of Integrity Project identified openness, honesty, relationship-building, and constant rigorous reflection as key elements in schools that successfully balance academic rigor with ethical development” (p. 20).

Additional studies focus on the influence of culture, or on the behavior of managers and leaders. Peng & Ling, (2009) offered several hypotheses to study the relationships among education, culture, ethical values, and their impact on environmental growth. They also found that “education has been regarded and included as a critical antecedent of ethical behavior” (p. 205). Husted (1999; 2000; 2005) pursued several empirical studies on the association between cultural values and unethical behaviors such as corruption, software piracy, and environmental sustainability. Through the empirical results of Husted, some propositions about the relationships between cultural values and ethical behaviors have been confirmed. For example, in cultures where there is high power versus distance, centralized top-down control prevails. Similarly, in high avoidance cultures, people are prepared to take more risks.

Numerous studies about academic dishonesty (Levy, & Rakovski, 2006; McCabe, Butterfield, & Trevino, 2001; 2006) have permeated the business and higher education literature following the ethical fiasco portrayed by Enron, Arthur Andersen, and WorldCom. For example, Levy and Rakovski (2006, p. 736) stated that “Cheating in higher education is rampant ... and students of business are among the most dishonest.” McCabe, et al. (2006) report that in a recent study, 56% of graduate students and 47% of undergraduates “admitted to engaging in some form of cheating or questionable behavior” (p. 299).

Applied studies in industry focus on leaders’ decision-making practices and their abilities to learn and in turn educate management and employees about ethical behavior. Additionally, Hoffman, Driscoll, and Rowe, (2005) note that, “Directors should be encouraged to think about important ways to show ethical leadership at a time when the ethical credentials of boards are under intense scrutiny” (p. 3). Further, several regulatory and accrediting bodies like the American Association for Collegiate Schools of Business (AACSB), American Institute of Certified Public Accountants (AICPA), and the Accounting Education Change Commission (AECC) advocate for ethical and honest conduct among business school students.

Over the past several years, various models and suggestions have been offered as best practices for teaching ethics in accounting and higher education and for implementing ethics training in organizations. For example, Carrol and Gannon, (1997) developed a model for understanding culture and education as they relate to the environment. This heterogeneous model illustrates how national modal cultural values and beliefs can be conveyed to managers and subsequently used to evoke ethical behaviors. This is done through primary and secondary transmission mechanisms. The primary transmission system includes: parenting, socialization, education, and religion. The secondary transmission system includes: laws, human resource management systems, and organizational culture. Weber and McGivern (2010) concluded that, “ethics is big business, as indicated by the growth of ethics consultants and ethics training programs” (p. 162). They assert that scholars will continue to research business students’ and business managers’ sense of moral reasoning, and the manner in which their actions and decisions correlate with their moral reasoning. Therefore, they created the Moral Reasoning Inventory (MRI), designed to measure an individuals’ moral reasoning (MR). They imply that the MRI could be a useful analytical tool to help managers enhance ethical decision making and performance in business, as well as for scholars seeking to better assess MR in ethical research projects.

Welton and Guffey (2009), in a longitudinal study, used an established Accounting Defining Issues Test to examine the effectiveness of an ethics intervention administered in a graduate accounting course. They also studied whether observed moral reasoning gains are transitory or persistent. The study provides evidence that appropriately framed ethics interventions may significantly improve the ethical reasoning ability of accounting students. Caldwell (2010) developed a simple ten-step generic model to evoke and integrate the best insights of scholars and practitioners on

the issue of academic dishonesty and ethics. The synopsis of the ten steps include: articulation of a clear purpose and mission; orientation and training of faculty; explanation, clarification, and implementation of current policies and processes for addressing violations; attainment and empowerment of students related to ownership of their actions; refinement of the ethics curriculum; monitoring and documenting enforcement; evaluating outcomes and communicating results to stakeholders. Caldwell (2010) suggested that by using this generic model administrators and business faculties can “create a new model for improving academic integrity within their own schools” (p. 4; also see Kohlberg, 1985; Caldwell & Jean, 2007; Starkey, Hatchuel, & Tempest, 2004; Vega, 2007.

The REDM described in this paper, differs from these prior models in that it is a prototype based on self-directed learning and the underpinnings of philosophical views. This model serves as a conceptual framework for helping students work through a process of analyzing ethical situations they may encounter and determining the optimum response to such issues.

Applying and Executing the Model

The REDM can be implemented in any course which integrates ethics, but it is best suited to senior or masters level courses. The rationale for this is because advanced students are preparing for imminent entry into an organization either in the form of an internship, or a permanent position following graduation. The REDM is unique because it assists students to construct a process rather than simply following the pattern of a technique. The REDM presents the culminating evolution of several years of experimentation and development, which has included: (a) implementation and evaluation of the model with more than 70 students in two senior level accounting courses, (b) feedback on presentations of the evolving model at two conferences, and (c) faculty critique of model implementation at two reputable accounting workshops. Students are directed to follow the steps in the model and use them to develop their own PECC. Following the development of the PECC, students are asked to use the PECC to practice responding to actual ethical situations outlined in cases adopted from Global Ethics Organization, which are used by permission in courses¹. (the section entitled Directives and Results When Executing the Model in a Course outlines an expanded explanation of how this was accomplished in the managerial and intermediate courses. Further, Appendix 1 offers an expanded explanation of these instructions and process, and Appendix 2 outlines responses from two student teams.)

Steps in Applying the REDM

The process begins with an understanding of the underpinnings of various philosophical beliefs. These beliefs share several tenets, for example, they all embrace the common ideology of *meaning making*. In addition, they all have a common view of education, learning, and knowledge acquisition. Instructors would devise a means for helping students evoke an awareness of their personal epistemological beliefs. This can be achieved using a simple philosophical awareness model, as in the humanistic example in Figure 2.

This is then followed by incorporating self-directed learning practices, an underpinning of the humanistic philosophy, and a methodology in teaching and learning to determine and combine inputs and influences that guides students in developing their PECC. In this regard, students practice reflective learning using the process of *praxis*. Praxis incorporates actions based on reflection, and a commitment to human wellbeing, and the search for truth, and respect for others. It is the action of people who are free, who are able to act for themselves. It requires that a person “makes a wise and prudent practical judgement about how to act when confronted with a situation” (Carr & Kemmis, 1986, p. 190). This is referred to as questioning-responding-reflecting-questioning. It espouses the opportunity to reflect on experience, so that formal study is informed by some appreciation of reality. This process involves questions based on morality, culture, the law, or religious beliefs. This means students must outline how they view issues of right or wrong, by asking themselves the following questions: *Do I see things as right sometimes, but wrong other times? Do I see things as right, but my response will depend on what was the right thing to do at the time? How will I act if given a choice?* Next, students use these inputs to produce their individual self-

¹ <http://www.globalethics.org/dilemmas/>

directed values contract—a personal code of ethics that they can use to guide their lives. The code can be refined, revised, and maintained depending on major life changes and events. However, any revisions should be based on the original imbedded contract they created. An example of this PECC is depicted in Figure 3; it is a radial showing how the various steps of the REDM are followed and the inputs used in the process.

Following is the summary of the steps (A-E) in the REDM:

- A. Decide on your Philosophical Belief: Humanistic Philosophy or Progressive Philosophy, etc. (You may need to do some research here for various types of philosophies to see which you identify with).
- B. Once you have identified your Philosophical Belief, familiarize yourself with the nuances of your philosophical belief system by asking yourself the following questions:
 - What is the Nature of my reality?
 - What is the Nature of my being Human?
 - What is the Nature of my meaning making?
 - How does my intellect differ from other life forms?
 - How do I facilitate and encourage self-direction?
- C. Identify and select the inputs used to guide personal ethical code development process:
 - Choose your personal values components
 - Choose your moderator (self-directed learning) component
 - Choose your personal ethical orientations
- D. Develop your Personal Ethical Code Contract (PECC), using the selected inputs
- E. Practice using the PECC to respond to ethical dilemma and situations (expanded directives are listed below)

Directives and Results When Executing the Model in a Course

Students are directed to use the REDM to decide on a course of action they would take when exposed to an ethical dilemma or situation. Students are given opportunities to work individually or in teams. In the two courses, in which this model was implemented, all 77 students were first directed to part A of the steps as outlined above. They researched various philosophical beliefs and decided on one which they believed identified who they are. They decided to team up with those who shared similar philosophical orientations. For these two classes there was a maximum of five students per team. That resulted in eight teams in the advanced managerial class, and ten in the intermediate class. Two cases were randomly assigned to each team, using a *count-off* approach identifying the combination of team and case by a variable, X-Y with Y representing the team number, and X the related case number. The teams continued with the remaining steps (B-E) in the process, using the expanded directives and guidance outlined in Appendix 1. Students noted that once they began engaging the praxis approach (Carr & Kemmis, 1986), and questioning and reflecting, they realized that they had somewhat differing beliefs as a result of their socio-cultural, moral, faith, or personal up-bringing. They noted further, that these differences were not overarching and would not deter them from creating a PECC and using that to arrive at a solution to the ethical dilemma. The teams wrote their responses and presented them orally to the entire class.

The teams used various philosophical underpinnings including the Humanistic, Deontology, Utilitarian, and Progressive orientations. They designed PECCs such as “the Golden Rule,” “Following the Rules,” “Doing what is Right,” “Guided by Faith and Morality,” “Use Introspection,” “Create the most Benefit for Everyone,” and “Peace in the World.” Some of the decisions chosen and courses of action suggested were surprising, but when they explained their choices during oral presentations, their decisions made perfect sense based on their PECCs.

Appendix 2 outlines excerpts from two team's written reports, one of which used the Humanistic philosophy with the PECC designed as "*wanting to be as moral as possible*," and the other the Utilitarian philosophy with a PECC designed as "*Create the most Benefit for Everyone*."

Conclusions and Implications

The main argument developed in this paper is that although business schools and society often try to *teach ethics* as a separate philosophy that exists somewhere in the netherworld between work ethics, business ethics, and personal ethical values, the three are neither mutually exclusive, nor divisible. People cannot proffer something they do not have, and pretenses are often short lived. People's own orientations to ethical values will prevail when they are committed to such values and ethical conduct. Therefore, the prevailing ethics paradigm extant in our curricula needs to shift. The discussions in the conceptual framework of this paper outline the direct correlation between ethical dimensions and some of the worst corporate fraud and scandals of our time. Implicit in these scandals are leaders who, until then, pretended to be operating with ethical business guidelines in their quest to maintain shareholder values; some were also aided by the audit firms they hired. However, the unethical decisions and the eventual demise of many of these corporations and their accountants and audit firms, have obligated society to ponder how ethical underpinnings can be developed to preclude repetition of similar issues.

Further, the literature on education and ethics identifies a correlation between lack of ethical practices and business education, and those students in business courses are not predisposed to ethics education in an effective manner. Hence, there is much written on the need for new pedagogical approaches to business school, organizational ethics education, and morality (Brady & Hart, 2007; Caldwell, 2010; Payne, 2000; Giacalone, 2006). Business schools are struggling to train their graduates to be both ethical and competent, and faculty are seeking to instill a moral perspective into their students.

Accordingly, this paper outlines an REDM and discusses how it can be implemented in upper level accounting and business courses to evoke students' understanding and development of their own PECC. This PECC can be used to respond to ethical dilemmas they will face both in life and in their professions. The humanist philosophy notes that humans are of a higher order intellect, than other animal species. Hence, we have the capacity to modify and change our behavior as long as we have an opportunity to reflect and make value judgments. Faculty should always remind students that consequences are the result of the choices made, and that we all have options!

Several students provided feedback on the model and process. They commented that they learned much about ethics and were able to make decisions on various ethical scenarios following the model, choosing to do what they felt was the best course of action for the situation presented. In this regard, the model works for the purposes of class-room simulations. It is a step to achieving the objective of increasing students' ethics as faculty use it in courses. Nevertheless, all ethical frameworks or model are attempts to increase awareness of ethical issues both at the institutional and personal levels. Yet they all are limited in what they can do, given the subjective nature of ethics. For example, Caldwell (2010) developed a simple ten-step generic model as a guide for administrators and business faculties to in turn use to create their own model for improving academic integrity within their own schools. Moreover, Welton and Guffey (2009) in their longitudinal study of the effectiveness of ethics intervention administered in a graduate accounting course concluded that ethics interventions and the resulting gains in moral reasoning ability do not predict how an individual will respond to a given situation. Nevertheless, they acknowledged that such interventions are important socialization tools for the accounting profession, which is concerned about its public image and its commitment to uphold the public interest and trust. In this regard, future academic and applied studies could be used to test and extend the REDM as a training tool in industry, by obtaining feedback from accounting practitioners on the applicability of this approach in an organizational setting.

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Appendices
 Figure 1
 Reflective Ethical Decision Model (REDM)

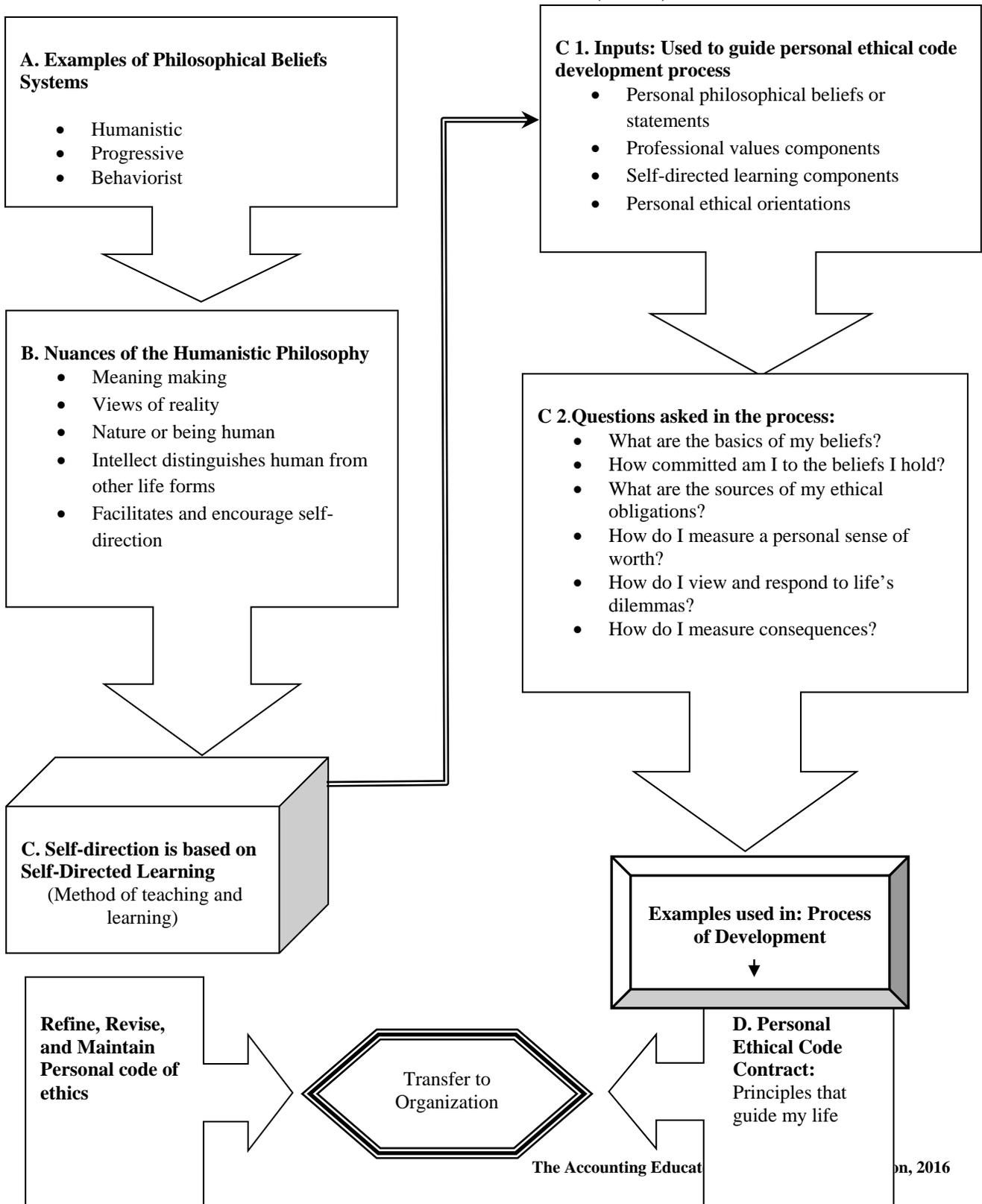
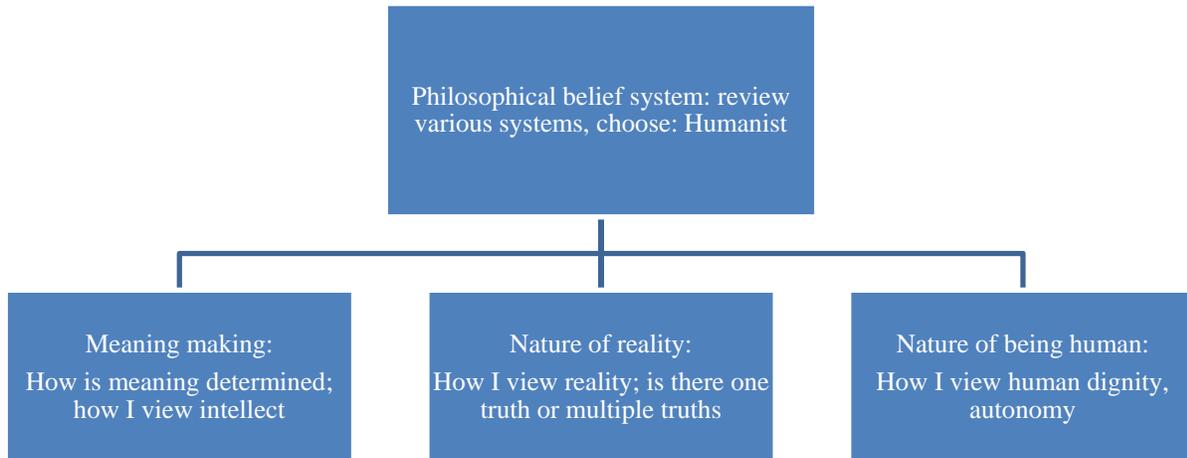


Figure 2**Determining a personal philosophical awareness belief system (PPAS).²**

² Figure2 represents the components of the humanist philosophical belief.

Figure 3
Example of My Personal Ethical Life Code Process



Tables

Table 1
Example of major “Ethical” Scandals³ of the 2000 Decade in the United States

YEAR	ORGANIZATIONS	AUDIT FIRM IMPLICATED	UNETHICAL ACTS
2000	Xerox	KPMG	Falsifying financial results impact \$1.5 B
2001	Enron	Arthur Andersen	Gross fraud and conspiracy. Shareholders loss \$74 B
2002	Tyco		CEO & CFO stole \$150 M; Inflated income by \$500 M
2002	WorldCom	Arthur Andersen	Overstated assets by \$11 B
2003	Health South	Ernst & Young	\$1.4 B accounting fraud
2003	Freddie Mac		Misstated earnings \$500 M
2005	AIG		Massive fraud rigging an stock price overstated \$3.9 B
2008	Bernard Madoff Investment Securities	Friehling & Horowitz	\$50 B Ponzi Scheme, aided by Friehling

³ <http://www.accounting-degree.org/scandals/>

Table 2
Inputs: Used to Guide Personal Ethical Code Development Process

PROFESSIONAL VALUES ORIENTATIONS	SELF-DIRECTED LEARNING MODERATORS	PERSONAL VALUES ORIENTATIONS
<ul style="list-style-type: none"> • Thinking: critical; moral reasoning; divergent or creative • Feeling: cherish self; awareness of one’s feelings; feeling good • Choice: from alternatives; free; considering consequences; achievement planning • Communicating: sending clear message; empathy; conflict resolution • Acting: skillful competence; consistent 	<ul style="list-style-type: none"> • Stating and identifying issues • Using foundational knowledge • Elaborating statements with explanations, reasons, or evidence • Stipulating claims or definitions • Recognizing values or value conflict • Arguing by analogy • Reflecting on the 5 W’s of narratology, what, why, when, who, and “Wow” • Leveraging the “Aha” moment 	<ul style="list-style-type: none"> • Personal values orientation: morality; religiosity; culture; legality • Personal process orientation: justice; caring; right/wrong; right/right; integrity • Personal responsibility orientation: learning; achievement; success; the enlightened self • Personal navigation orientation: compass; sense of presence or future; professional practice values

Directives to Students: “Executing the REDM Model”

Overview, Objectives and Instructions:

At the beginning of this decade, our world ebbed and weaved as several large organizations filed for bankruptcy or were prosecuted by the Securities and Exchange Commission (SEC) for accounting and or financial fraudulent behavior. These failures may have been avoided if ethical practices were followed and upheld. Ethics is a big part of the current discourse in accounting and the discussions surrounding ethical behavior in the financial industry. Each of our accounting, financial, and related professions and society, as a whole, expects us to act in an ethical manner throughout our life experiences, and especially in our work environments. Attached is a “model” I have created to illustrate how students can reflect on personal orientations to ethical behavior and lifelong values. This model will be used along with case examples to help students identify and develop the personal philosophical values and other ethical dimensions they can use to navigate ethical situations; they will encounter in their life’s experiences. This process is also used to further students’ understanding of the issues of ethical dilemma, which professionals and specifically decision makers face in their professions every day.

1. The *Reflective Ethical Dimension Model (REDM)* can be used to help students develop a Personal Ethical Code Contract (PECC). This PECC is used to respond to the ethical situations and or dilemma. (Figure 3 illustrates my PECC; “guided by my conscience” and shows the steps of the REDM used to make this determination.

2. Follow the outline of the steps in the Model and the questions noted to help you develop the ethical acumen to respond to the ethical situation(s) you encounter.

3. Following the steps in the model you will:

- F. Decide on your Philosophical Belief: Humanistic Philosophy or Progressive Philosophy, etc. (You may need to do some research here for various types of philosophies to see which you identify with).
- G. Once you have decided your Philosophical Belief, familiarize yourself with the nuances of your philosophical belief system by asking yourself the following questions:
 - What is the Nature of my reality?
 - What is the Nature of my being Human?
 - What is the Nature of my meaning making?
 - How does my intellect differ from other life forms?
 - How do I facilitate and encourage self-direction?
- C. Identify and select the inputs used to guide personal ethical code development process:
 - Choose your personal values components
 - Choose your moderator (self-directed learning) component
 - Choose your personal ethical orientations
- D. Develop your Personal Ethical Code Contract (PECC), using the selected inputs
- E. Practice using the PECC to respond to ethical dilemma and situations (see step 2)

2. Ethical Dilemma or Situation Response

Students are directed to respond to an ethical dilemma or situation as follows:

A. Think of a time/situation in your work or educational experience when your ethical values were challenged (**or use the case examples assigned**). Use your personal PECC (developed in instruction#1) to determine how you would or should have responded to this situation. Use the following questions as your guide:

- What was the experience or issue? Explain what happened
- What were the specific key facts in the situation or case?

- What are my options, given this situation?
- What benefits may arise as a result of my options?
- What disadvantage may arise as a result of my options?
- Is this the best decision, or best time to make this decision?
- If I were advising a friend, would I have suggested they make this same decision?
- Based on my decision, how will I feel afterwards?
- Based on my decision, how might the people I cherish and value feel about me?

Excerpts of Two Team Reports using the REDM

These two examples are derived from the *excerpts* of students' projects reports, using the REDM to design their Personal Ethical contract code (PECC). They subsequently used the PECC to determine a course of action, based the ethical dilemmas found in assigned cases⁴. I have extracted and organized the information based on the steps in the model, but did not alter any of the context or written text, these are verbatim. Italics are supplied to differentiate the students' words.

Team from: Acct 4050 - Intermediate Accounting 2 Course, fall 2015

A. Decide on your Philosophical Belief: Humanistic Philosophy or Progressive Philosophy, etc. (You may need to do some research here for various types of philosophies to see which you identify with).

After researching the major ethical philosophies, we discovered that ours aligns most closely with the humanist philosophy. Humanism is defined by Merriam-Webster dictionary as "a system of values and beliefs that is based on the idea that people are basically good and that problems can be solved using reason instead of religion."

B. Once you have decided your Philosophical Belief, familiarize yourself with the nuances of your philosophical belief system by asking yourself the following questions:

- What is the Nature of my reality?
- What is the Nature of my being Human?
- What is the Nature of my meaning making?
- How does my intellect different from other life forms?
- How do I facilitate and encourage self-direction?

The nature of our reality is that we are existing right now. Ourselves, and the other people around us, are the most important things. The nature of our humanity is that we exist as humans to help the other humans around us. The nature of our meaning is making the world a better place. If every human acted in the humanist way, the world would get along significantly better.

We facilitate and encourage self-direction by setting goals for ourselves. We like to see where we are going and once we see that, it is easy to make a plan to reach that goal. Facilitating the plan is easy with the use of milestones to measure progress, and the end goal ensures encouragement throughout the process.

C. Identify and select the inputs used to guide personal ethical code development process:

- Choose your personal values components
- Choose your moderator (self-directed learning) component
- Choose your personal ethical orientations

For our personal value components we choose the following three: "Acting: skillful competence; consistent." We chose this one because as people we all enjoy being good at what we do, and doing it well every time. Our second choice was "Communicating: sending clear message; empathy; conflict resolution." We liked this one because communication is the cornerstone of being a human. We must communicate to accomplish our common goals and to understand each other. Our third choice was "Thinking: critical; moral reasoning; divergent or creative." We chose this one because without critical thinking, very little will be accomplished. Our group enjoys moral reasoning and trying to act in the correct manner in as many situations as possible.

Our group chose three moderator components. First, we selected "Elaborating statements with explanations, reasons, or evidence." Using evidence is a major factor in critical thinking, and elaboration helps everyone around us to understand exactly what we are trying to express. Secondly, we chose "Using foundational knowledge." By using this knowledge, we can be sure that the decisions that we make have a basis that has been tried and tested,

⁴ These cases are being used as course projects and can be found at: <http://www.globalethics.org/dilemmas/>

and still holds up. Last, we chose “Recognizing values or value conflict.” Our group recognizes that the values of different entities are going to differ at some point, and knowing how to recognize and move forward is paramount to coming to a successful decision.

Our group chose two personal ethical orientations as well. We started with “Personal process orientation: justice; caring; right/wrong; right/right; integrity.” We chose this one because we realize the importance of making sure that we have our own processes for making decisions that are both ethical and a win for everyone involved. The second one we chose was “Personal values orientation: morality; religiosity; culture; legality.”

D. Develop your Personal Ethical Code Contract (PECC), using the selected inputs

We chose these because we want our decision to choose to be revolved around us wanting to be as moral as possible, and to make decisions that go in line with what is culturally and legally acceptable.

E. Practice using the PECC to respond to ethical dilemma and situations (expanded directives are below)

The ethical case presented to us is Rules of the Game. In the case two essential members of a high school football team, Brad and Mike, have violated the rules required to play in the upcoming semifinals. The coach, Jeff, explicitly stated that no one could be late to any practices, yet they were tardy anyway. According to the team rules, the players in question should be suspended for a full week; however, losing them in the upcoming game would drastically decrease the team's chances of winning in the semifinals. The entire community is looking forward to this game, as the high school has not made it to the semifinals in a long time. Losing this game would disappoint many members of the community who made plans to attend the event. Jeff is now faced with an ethical dilemma: if he lets Brad and Mike play anyway, he is undermining the rules set for the team, setting a poor precedent for future behavior of the team members. However, if he suspends the players as per the rules, he risks disappointing countless members of the community and potentially causing the team to lose the game. Obviously, Jeff's final decision will impact many people. First of all, Brad and Mike will be affected, but the rest of the team will be affected as well. In addition, the community as a whole will most likely be impacted, and this could cause repercussions for Jeff. To decide the best course of action for Jeff, we refer to our Reflective Ethical Decision Model (REDM) and examine each step. First we must look at his options: he can either suspend Brad and Mike or let them play in the semifinals. Each option has advantages and disadvantages which we must examine.

An advantage to letting Brad and Mike play is that the team will probably win the game. This will inspire pride and enthusiasm within the team and the community at large, giving all the players a sense of accomplishment for all their hard work. On the other hand, seeing Brad and Mike get away with rule violations may cause team members to lose respect for the team and for Jeff. This is a primary disadvantage of this decision.

If Jeff suspends Brad and Mike, one advantage is that he will have abided by the rules set in place for the good of the team. Losing the best players and potentially losing a big game may teach all of the teammates a valuable lesson in respect for rules and guidelines. In addition, this decision maintains ethical standards and may encourage other teams to follow suit. A disadvantage of this decision is that the team may lose the game and disappoint the whole community. A loss would be disheartening for everyone and could influence the team not to work as hard in the future.

According to the framework of our REDM and PECC we believe it is best if Jeff suspends Mike and Brad. While this will likely disappoint the team and the community, we refer to our personal ethical orientation to uphold integrity and morality and conclude that the established rules should be upheld in order to make the situation fair. Although this is an unfortunate situation, we believe that the community and the team will respect Jeff's decision.

Team from: ACCT4200 - Advanced Managerial Course

A. Decide on your Philosophical Belief: Humanistic Philosophy or Progressive Philosophy, etc. (You may need to do some research here for various types of philosophies to see which you identify with).

After looking at the belief system that we personally believe in, we realized that the core of our beliefs are similar to the ethics system of utilitarianism. Utilitarianism, at its core, believes the most ethical course of action is the one that creates the most utility. We believe that one should act in a way that creates the most good and stays within the boundaries of any restrictions put on us to a reasonable extent in terms of goodness and lawfulness.

B. Once you have decided your Philosophical Belief, familiarize yourself with the nuances of your philosophical belief system by asking yourself the following questions:

- What is the Nature of my reality?
- What is the Nature of my being Human?
- What is the Nature of my meaning making?
- How does my intellect differ from other life forms?
- How do I facilitate and encourage self-direction?

The first question we need to ask ourselves is what is that nature of our reality? From a utilitarian perspective, one can conclude that reality is how one interacts with the world around them. Without any sort of interaction, the environment one is in is inconsequential. Because of these interactions, one would want to act in a way that ensures that their interactions with others create the most benefit. The second question we must ask ourselves is what is the nature of meaning-making? Another question spout from this question: what is meaning-making? Meaning making is how one copes with a loss or death by attributing some sort of meaning to it. To the utilitarian, this loss could be attributed to one of two occurrences. The question of Being human is years upon years of interacting with other humans, animals, objects, etc. The utilitarian ensures that their interactions create the most benefit for all those affected while minimizing consequences, which can sometimes include death.

C. Identify and select the inputs used to guide personal ethical code development process:

- Choose your personal values components
- Choose your moderator (self-directed learning) component
- Choose your personal ethical orientations

By examining the events that led us to our personal philosophy code, we will be able to understand the philosophy better. A personal input on how we use this belief system could be how we treat the homeless. Without thinking in a utilitarian mindset, one might decide to not give a panhandler any money. One might think that this panhandler will not spend the money wisely and may hurt themselves. While this outlook takes into account the negative consequences of one's actions, it ignores the possible positive benefits.

A professional influence that we have all encountered is whether or not to put in the extra effort while at work. Once again, without the utilitarian mindset one might think that putting in the extra effort is not worth it. When there are multiple employees working, one employee putting the extra effort will not make a difference. If one were to look at the aggregate benefits versus the aggregate consequences, one might begin to think that their added effort does serve a purpose. The benefits of working harder could be more profound than one suspects. They may garner a good reputation with management. They could inspire their colleagues to work harder in the future. Additionally, the negative consequences of their action would be minimal.

By examining these inputs, we have seen personal instances in our lives that may have influenced our philosophical belief. We can learn from these when we are self-directed and examine our actions.

D. Develop your Personal Ethical Code Contract (PECC), using the selected inputs

The first tenet of our belief is to create the most good possible and combines with our desire to stay lawful and reasonable. With this better understanding of our belief system, we are prepared to tackle the issue brought up in our case.

E. Practice using the PECC to respond to ethical dilemma and situations (expanded directives are below)

The ethical case is "Exception or Donation." Highland Electricity (HE) is well-known for supporting community projects, and in recent years has increased its corporate giving. The company has also recently defined its giving strategy, particularly in how it relates to their business objectives. As part of this overall effort, Highland clarifies its giving guidelines. There are four broad funding areas (Job training and economic development, Education, Emergency preparedness, and Environmental stewardship), and grants are ideally awarded to organizations within the company's service area. Requests from organizations are turned down if they are outside the utility's giving guideline. Contributions manager Clarissa Watt has recently received two funding requests from high-level managers within the company. The first is to provide a large (up to \$25,000) grant to an arts center in a small town in the service territory. A chief regulatory official's wife serves on the art center's board. The second request is for a grant to a nonprofit organization outside the service territory, but within the district of a very influential state legislator. Both grants are clearly outside the company's guidelines, but giving these grants could offer benefits for HE. The ethical dilemma is: Should Clarissa stick to the giving guidelines? Or should she make these exceptions for the sake of helping two deserving organizations while boosting her company at the same time?

In order to make the most ethical decision for our case, we must apply our philosophical belief. We must determine the decision that meets our personal ethical code: does the decision create most benefit and least negative consequences for those involved, does the decision fall within the restrictions placed upon, and is the decision reasonable.

The benefits of awarding the two organizations in question are fairly likely to occur and profound. These organizations have already been deemed worthy of the grants in terms of the contributions they will make, so the money would do just as well here as anywhere else. The additional benefit of this course of action would be the gaining the favor of two influential individuals for Highland Electricity. The chief regulatory officer and state legislator would be unofficially in the debt of Highland Electricity and would, ideally, pay the company back in the future. Finally, this course of action could earn Clarissa Watt a good reputation at Highland Electricity which may benefit her in the future. The consequences of this course of action are less likely, but could negate any benefits received. If word gets out that Clarissa Watt and Highland Electricity does not follow the standards they set for themselves, this could negatively affect their reputations and business. The bad reputation of essentially bribing officials in order to gain political favors could be devastating to the company and Clarissa Watt. Ms. Watt might lose her job and find it very difficult to find another well compensating job in the future if potential employers find out what she did. So for the first requirement, does the decision create more benefit than negative consequences, we are basically neutral. The last two criteria will finalize the decision.

We can see that giving the grant to these two organizations does not satisfy our second tenet of our philosophical belief system: does it fall within the restriction placed upon us? We have already discussed how breaking these rules could negatively affect us, but there may be consequences we can't see. These rules may have been put in place to prevent outcomes that we do not know about and have not evaluated, so ignoring the criteria set by the company can now be assumed to be riskier than initially thought. Lastly, we can see that granting these requests is not reasonable.

According to the framework of our Utilitarian philosophy and PECC, Clarissa has more reasonable courses of action to take. She can simply give the grants to those that are qualified for it right now, and work towards changing the rules in the future. Risking the reputation of her company and herself for some political favor in the short run is not the reasonable course of action to take. So in conclusion, Clarissa should not award the grants to these organizations at this time, but should try to change the rules so that she can in the future.