

## BUSINESS ETHICS: FUTURE MANAGERS' ETHICAL THINKING PROFILE\*\*

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### *Abstract:*

Since today's business students are expected to be tomorrow's public and private sector managers, a survey that shows their ethical standards may give an idea about tomorrow's business ethics climate. In this paper 795 undergraduate and master's students of business administration in Ankara, Turkey were surveyed about their views on moral and ethical issues.

### *Özet:*

### **İşletme Etiği: Geleceğin Yöneticilerinin Etik Düşünme Profili**

Bugünün işletme öğrencilerinin gelecekte gerek kamu, gerekse özel sektör işletmelerinde yönetici olmaları beklendiğine göre, bu öğrencilerin etik standartlarına ilişkin bir çalışmanın, gelecekteki örgütlerin işletme etiği iklimine ilişkin bir fikir verebileceği düşünülmüştür. Bu çalışmada Ankara'daki Üniversitelerin işletme bölümlerinde okuyan 795 lisans ve yüksek lisans öğrencisine ahlak ve etik konularındaki görüşleri sorulmuştur.

\* Statistical analysis were done in the Department of Statistics at Hacettepe University under the supervision of Prof.Hüseyin Tatlıdil.

+ This paper was submitted in the International Seminar on Political and Administrative Corruption, Ankara, 15-17 October 1997.

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**Anahtar Sözcükler:** İşletme Etiği, İşletme Öğrencileri, İşletme Eğitimi.

**Keywords:** Business Ethics, Business Students, Business Curriculum.

Business ethics are applied ethics. More specifically business ethics are what is perceived as appropriate in the organizational setting (Ralston, et al., 1994). Increasing interest in this area shows that business ethics is playing a growing part in the concern of management. The reason for this might be the popular opinion of the general public about the decline in ethical behavior of people in Turkey today. Actually everybody has a sense of right and wrong. On the other hand, a human being has a survival instinct and naturally behave according to its own self-interest. This sense of right and wrong and the concern for basic self interest comes from individual's personal understanding of person and the quality of life appropriate for the human being. In this case judgments of right and wrong or self interest and other's interest depend on the quality of life comparison criterion: "How valuable is my quality of life compared to the others' resulting from this particular decision?"

In fact when we look at some cases related to business ethics we see that the actors are non-malevolent, just ordinary people in the management positions who usually act within a corporate hierarchy. The act itself is the result of managers, doing essentially what they were taught to do.

It ought to be realized that some of the under sirable social situations seem to be caused by people acting in accord with principles they have learned. Usually these principles are perceived as promoting "the good". The critical point is, that the criticized business ethics cases are consistent with the major ideas of capitalism. Those ideas are given at the beginning of the economics courses in every business school. Then come the other courses where students learn how to compute "bottom-line". After such training students learn how to maximize their own self-interest. On the other hand, real-world competitive and institutional pressures lead even well-intentioned managers off the right path. In addition, there is no business ethics course in most of the business schools, even as an elective.

Since today's business students are expected tomorrow's public and private sector managers, a survey which would show their ethical standards may give an idea about tomorrow's business ethics climate.

The objective of this paper is first to investigate the views of business students on moral and ethical issues since no research has empirically tested this matter in Turkey, and secondly to determine the importance of ethics in business education.

### **The Issue of Business Ethics**

Although it seems that everyone knows what is meant by ethics, defining what is ethical is somewhat problematic (Brenner and Molander, 1977). Scholars have proposed a number of definitions of business ethics. In one of them ethics is considered as moral formulas of right and wrong that serve to guide conduct (Jayaraman and Min, 1993). In this case the distinction between morals and ethics ought to be mentioned. According to Hosmer, morals refer to the standards of behavior of an individual. Ethics, on the other hand, refers to the system of beliefs that justify particular moral standards of behavior (Jayaraman and Min, 1993).

### **Impact of Self-Interest on Decision Making in Business**

The social role of the business world is accepted as an economic role, as if "the business world" was a separate universe of values and goals distinct from the society. However, business can not be considered apart from the society. It is the activity of society as a whole (Evans, 1991). Business often creates the physical environment that the society lives in. And always influences this environment by shaping the intensity of people's demands with resulting changes in life style within the society.

The emphasis on the the economic role of business comes from the economic self-interest motive which is quite powerful. Self-interest concept is the first of economic laws. "If all are left free to pursue their own self-interest, they will be led as if by an invisible hand to promote the welfare of all". Thus it seems that the moral obligation of an individual to the society is met by maximizing his own welfare (Wolfe, 1993). In another way, "the other" cannot be part of the scenario of rational economic theory. "Business schools not only accept this concept, they promote it as the legitimate end of business" as O'Neil and Pienta (1994) say. And it is legitimized by the profit maximization model.

Profit is considered like breathing. So it is accepted that business have to be profitable, because only profitable businesses can obtain the necessary resources at competitive prices and in sufficient quantities. According to Swanson (1992), this intellectual justification for profit maximization provides a rational for business decision-making that ignores moral considerations.

Every business school student knows the importance of the numbers because of the emphasis on the bottom-line. They learn that executives' decisions are "good" only if they raise the bottom-line. This means that when managers make a decision that needs a value choice and apply some moral standards, they must find a "business interest" defense for their moral based decision. In this case "good" may not necessarily be linked to the consideration of right and wrong.

### **Business Ethics and Managers**

Ethics, with its concern for the common good of all people and the attempt at the analysis of how this can be obtained, cannot allow business to define itself in purely economic terms and ignore the ethical implications. Business ethics then, has to be considered as a tool to help people to determine and achieve both the good (for the self) and the right (from the others' perspective) in economic transactions (O'Neil and Pienta, 1994).

Managers with predominant ethical concern are usually sensitive to the impact of their decisions on others. The company may also gain some economic and noneconomic rewards from this caring style of it's managers, since ethics emphasizes the primacy of people and their life quality over things (Werner, 1992). This transforming leader style of management is expected to shape the ethical values in the organization. Those values must be based on moral duty (Mellema, 1994) that everybody in the organization is to perform good acts beyond the call of duty.

### **Business Ethics in Business Curriculum**

Business students' concern for the environment and ethics have not been emphasized much until the 1990s (Peterson et al., 1991). But since

then business educators have recognized the need to insert a discussion of ethical issues into the curriculum (Randall, 1994). Some business school professors have gone so far as to state that through business ethics courses moral maximization must replace profit maximization as a mission in the organizations, whether they are public or private, profit or non profit, small or large (Sikula and Costa, 1994).

“Moral Maximization” is defined as:

Behaviors, actions and decisions which result in the greatest enhancement of individual and collective human rights, freedoms, equity and development (Sikula and Costa, p:860).

It is also stressed that discussion of ethics must be an essential component of business education. If the ethics course is designated as an elective course, students may be predisposed to view the subject matter as “interesting”, but not “essential”. A required course symbolically conveys the importance of business ethics to students. Other wise students may not be able to realize the future value of an ethics course (Randall, 1994).

### **Purposes of This Study**

The purposes of this study are:

1. To determine the business students' attitudes toward moral issues.
2. To determine the business students' perception of ethical issues in business practices.
3. To determine the business students' perception toward the effectiveness of the business ethics course included in the business curriculum.
4. To determine the effect of the business ethics knowledge on the students' sensitivity toward ethical issues.

### **Methods**

The study was conducted in a field setting using survey methodology. The sample consisted of 850 business administration

As a general result, it seems that business administration students are aware of the standards of right behavior.

Another purpose of this study was to determine the business students' perception of ethical issues in business practices. MANOVA analysis indicated a significant effect for differences among freshmen, seniors and MBA students' perception of ethical issues ( $\lambda = .92158$ ,  $p < 0.001$ ). According to the result of this analysis freshmen perceive ethical issues quite different than the seniors and MBA students.

Again because the multivariate effect was significant for the ethical issue concern of students, univariate ANOVAs were used to determine on which of the questions there were differences. Below given Table II shows those results.

**Table II**  
**Analysis of Variance Outcomes of Students' Opinions about Moral Issues (Variable Class III)**

Variable	Hypoth.SS	Error SS	Hypoth MS	Error MS	F	Sig.of F
III 1	3.54763	731.41943	1.77382	.96749	1.83343	.161
III 10	2.08648	1278.24554	1.04324	1.69080	.61701	.540
III 11	15.72769	1297.75321	7.86384	1.72660	4.58104	.011*
III 12	1.67354	1150.74016	.83677	1.52214	.54993	.577
III 2	13.45468	840.84572	6.72734	1.11223	6.04852	.002*
III 3	1.83213	1166.42347	.91607	1.54289	.59373	.553
III 4	20.00171	916.08525	10.00085	1.21175	8.25321	.000*
III 5	10.10461	1016.25112	5.05231	1.34425	3.75846	.024*
III 6	.73603	443.14965	.36801	.58600	.62778	.534
III 7	12.84360	752.55034	6.42180	.99544	6.45123	.002*
III 8	.62794	204.79499	.31397	1.59364	.19701	.831
III 9	16.33995	1057.51776	8.16997	1.39883	5.84056	.003*

\*Significance level of F close to 0

According to this table, freshmen found unacceptable to give bribes to achieve personal goals (variable III 2), sidestep the legal obligations (variable III 4), use bad language in communication with coworkers (variable III 5), modify the corporate accounts for such purposes as tax breaks, shareholders' satisfaction etc. (variable III 7), pressure others to obtain information and/or money for business purposes (variable III 9), associate with individuals with whom one have a professional conflict or interest (variable III 11). On the other hand, seniors and MBA students found those statements as acceptable.

The statements about cheating to achieve personal goals (variable III 1), cheating to succeed in business, if there is no alternative (variable III 3), receiving kickbacks from clients (variable III 6), offering political contribution in exchange for future assistance and achieving business goals in foreign countries by offering financial or/and nonfinancial contribution found as unacceptable by all students.

Third purpose of this study was to determine whether the inclusion of a business ethics course to the business curriculum is to be perceived as effective by business students. As shown in Table III, 84.7% of the 788 business students think that a business ethics course will have a positive impact on their future professions.

**Table III**  
**Opinion on the Contribution of Business Ethics Course to Future Business Professions**

Value	Frequency	Percent	Valid Percent	Cum. Percent
I agree	673	84.7	85.4	85.4
I disagree	115	14.5	14.6	100.0
0	7	9	Missing	
<b>Total</b>	<b>795</b>	<b>100.0</b>	<b>100.0</b>	

Frequency table that has been prepared to see the the students' views on the desire for the inclusion of business ethics as a required course in the business curriculum is given below:

**Table IV**  
**Opinion on the Inclusion of Business Ethics Course into the Curriculum**

Value	Frequency	Percent	Valid Percent	Cum. Percent
I agree	534	67.2	68.3	68.3
I disagree	248	31.2	31.7	100
0	13	1.6	Missing	
<b>Total</b>	<b>795</b>	<b>100.0</b>	<b>100.0</b>	

According to Table IV, of the 67.2% of students who answered this question believe that the business ethics course included to the curriculum ought to be a required one. Although this percentage is quite high, the number of the students who do not agree with this statement is also noteworthy.

The last purpose of this study was to determine the impact of business ethics knowledge of the students on their sensitivity toward the ethical issues.

There is an elective business ethics course at Middle East Technical University and also at Bilkent University. On the other hand, since the medium of instruction is English in Hacettepe University's Business Administration Department foreign textbooks are followed. So there was always a chapter on ethics in the new editions of those management and organization textbooks.

A MANOVA analysis indicated that there existed a significant effect for differences between the students who are familiar with the business ethics concept and those who are not. Wilks' lambda appeared to be as high as 0.94259.

Since multivariate effect was significant for the students' sensitivity on the ethical issues who have different knowledge levels about business ethics, univariate ANOVAs were used to ascertain for which of the

questions about ethical issues there were differences. Table V shows the result:

**Table V**  
**Analysis of Variance Results on Ethical Sensitivity of Students**  
**According to their Previous Education about Business Ethics**

Variable	Hypoth. SS	Error SS	Hypoth. MS	Error MS	F	Sig. of F
III 1	4.71048	725.90819	4.71048	.97047	4.85384	.028*
III 10	.22573	1263.64093	.22573	1.68936	.3362	.715
III 11	25.18515	1276.02685	25.18515	1.70592	14.76340	.000*
III 12	5.00886	1122.48581	5.00886	1.50065	3.33779	.068
III 2	.76234	848.89232	.76234	1.13488	.67174	.413
III 3	1.57260	1156.24207	1.57260	1.54578	1.01735	.313
III 4	3.42997	926.03803	3.42997	1.23803	2.77053	.096
III 5	2.02051	1013.17415	2.02051	1.35451	1.49169	.222
III 6	1.79160	438.12306	1.79160	.58573	3.05877	.081
III 7	1.070018	759.94448	1.07018	1.01597	1.05336	.305
III 8	.03608	1184.93059	.03608	1.58413	.02277	.880
III 9	27.42609	1033.54058	27.42609	1.38174	19.84897	.000*

\*Significance level of F close to 0.

From the empirical findings we can conclude that those students who are familiar with business ethics think that cheating to achieve personal goals (variable III 1), pressuring others to obtain information and/or money for business purposes (variable III 9), associating with individuals with whom one has a professional conflict or interests (variable III 11), are not acceptable.

## Conclusion

The results demonstrate that there are differences among the students' attitudes toward moral issues, perceptions of ethical issues in business practices and sensitivities toward ethical issues. In addition students think that a required business ethics course ought to be included in the business curriculum.

It is quite noteworthy that the students who are familiar with the business ethics are more sensitive than the unfamiliar students toward ethical issues. This may show the effect of business curriculum on shaping the ethical views of the students.

The study also concludes that MBA students' moral sensitivity is higher than the freshmen and seniors. But their ethical sensitivities are not as high as the freshmen's. Thus, those people who are mature enough to distinguish right and wrong, and know what is ethically right, seem to behave in such a way that their surroundings dictate what is right and wrong.

As a result, a business ethics course is suggested. And the purposes of this course can be considered as:

1-helping students to evaluate their decision alternatives and trade-offs in a more systematic and reflective manner, incorporating economics and ethics.

2- helping students to approach strategy as a problem-solving process involving coordination of vision, power, and understanding, to advance corporate interests effectively and harmoniously.

3- helping students to engage in institution-building, based on universal values of truth, beauty, and the good for all.

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