Ethical View

Baylor University’s Hankamer School of Business has a long-standing commitment to promoting and upholding ethics. Recognized as one of BusinessWeek’s top three undergraduate programs in ethics, our students and alumni recognize that ethics is central to our identity as a business school. Annual business ethics forums, Ben Williams distinguished speakers, ethics breakfast discussion groups, faith integration initiatives and faculty development seminars, all complement the ethics identity that infuses the research noted in this issue of Focus.

Research with staying power

Twenty-two years ago, a Baylor professor named Justin Longenecker delved into ethical attitudes using a survey that he created with two colleagues. The first article from their research was published in 1988. Most recently, Tisha Emerson, a young professor who has been at Baylor since 2000 used the Longenecker survey once again. From her data, she and a research partner have published four papers and submitted a fifth for review. A sixth manuscript, not yet finished, has been tentatively accepted as a chapter in a book.

Although Longenecker died in 2005, researchers already have more plans for the data he began gathering more than 20 years ago. The staying power of his original work reveals as much about the man as it does about the topic, his colleagues say.

“He was our first Chavanne professor of business ethics,” said Joe McKinney, the Ben Williams Professor of International Economics. “He was a highly regarded professor and one of great integrity. He was a natural for the first Chavanne.”

A great strength of the survey, which McKinney and Carlos Moore, who recently passed away, helped design, is that it still has legs today. Tisha Emerson, the Baylor professor who most recently used it, said an article she wrote last year contained two vignettes from the original survey: insider trading and using accounting techniques to conceal something from public scrutiny. The survey has 18 vignettes that describe such activities as expense account padding and shorting the IRS, and ask survey takers how they feel about each action. The ratings are “never acceptable, sometimes acceptable and always acceptable.” Beneath that is the question: “Have you ever faced or observed this type of situation?” as well as a space for comments.

McKinney said Longenecker was motivated by his interest in business ethics and by the relationship between ethical attitudes and religious belief. Although the researchers did not find much interest among journals in publishing articles related to the religious aspects of the subject in earlier years, that changed in 2004 when the Journal of Business Ethics signed on.

“There was not much interest (earlier) in the subject, but (Longenecker) kept returning to that,” McKinney said. “It was published before he died.”

Moore noted in an interview before his passing that his friend did not push his personal religious beliefs, but “you could see them.”

Both McKinney and Moore spoke of their longtime friendship with Longenecker, and how he honored them by requesting their participation on the survey. Emerson noted his generosity and kindness to her.

“Some would not be willing to help you, certainly not by giving up the data,” she said. “I didn’t get to know him as well as I’d have liked to, but I do feel fortunate that I got to know him a little bit.”

McKinney signed on to help with the survey even though he had no background in business ethics and no strong interest in research on the subject. “I jumped at the opportunity because I thought so highly of him.”

Moore, the recent Edwin W. Streetman Professor of Marketing, contributed both on the front end, helping to construct the vignettes, and on the back end, by serving as the statistician and putting the data into computer programs.

“It took a while to put together so as not to be biased,” said Moore, who was at Baylor since 1969. “We focused on different areas – marketing, HR...
and finance—to take a broad measure. A lot of the questions are gray. We did that intentionally.”

Moore and McKinney, who came to Baylor in 1976, conducted the survey with Longenecker three different times with eight-year intervals in between. “We had a large database,” McKinney said. “We sent it out to 10,000 business professionals. But because it was a sensitive topic, the response rate was not great. The lowest was about 12 percent and the highest, 19 percent.” They did get more than 1,000 responses, he said. “We can get some good statistical results from that.”

Apparently others can, too. When McKinney presented a paper at a conference in Hong Kong in fall 2006, he noticed that a researcher from Hong Kong Baptist had used part of the survey in her own research. “Some people ask permission to use it and others don’t. It’s out there and people certainly can use it,” McKinney said. “It’s not copyrighted.”

Some of the studies make comparisons. Between 1985 and 2001, the researchers found improvement in the ethical climate, which McKinney believes is cyclical. Other findings: “In the article from the first survey, we noticed that younger respondents took a more permissive attitude than older ones. We wondered if this signaled some kind of decline in ethical standards. More recent surveys found a continued difference between older and younger professionals, but a continued improvement in the ethical climate. Apparently people mature in their outlook of ethical issues. We were encouraged by that;” McKinney added. “We called it wrong. It was not a moral decline but a maturity issue. That will probably be the subject of a new article.”

Moore noted that a recent article focused on the state of ethics at companies with a code of ethics and those that did not. “Those with codes of moral decline but a maturity issue. That will probably be the subject of a new article.”

Although Longenecker’s contributions to the study of ethics are vital, both Moore and McKinney noted that his reputation stretched far beyond ethics. He was a member of the United States Association of Small Business and Entrepreneurship (USASBE) and was president of the International Council of Small Business, which is affiliated with the USASBE. The organization names outstanding people fellows, said Moore, and honored Longenecker by renaming its honorees the Justin Longenecker Fellows. Longenecker’s book, Small Business Management, written with Dr. H.M. Broom, was first published in 1961. Over the years, Longenecker invited others to collaborate. “The 14th edition is out,” said Moore, displaying the copy on his desk, with Moore, William Petty and Les Palich sharing authorship with Longenecker. Interestingly, the second chapter in the original edition offered a discussion of business ethics.

“So social responsibility was integrated into everything he did,” Moore said. Emerson, who like McKinney is an economist, said her study of ethics marked the first time for her to do work in the area of ethics. She did it because she wants to do work consistent with the mission of the business school and the University.

“It was also too good to pass up with Justin, Joe and Carlos here,” she said. Her research, which used both the historical data and new questions, shows that age and gender are always important in ethics. Females tend to find questionable behavior wrong more often than men, as do older people, she said.

And like McKinney, she and Steve Conroy, her research partner, found a cyclical swing in ethical attitudes that seems to depend on what’s occurring at the time the survey is taken.

“We continued to collect data as the ImClone and Martha Stewart stories broke,” Emerson said. “People were less and less accepting of questionable activities.”

Such surveys contribute to the understanding of ethical attitudes, Emerson said. They also help professors prepare students better.

“Once you have a code of ethics, that’s something you revisit often to help us all. We have the opportunity to help students and the way they look at things so we can avoid the next Enron,” McKinney said. He’s found the ethics surveys interesting enough to continue working in that area.

As the leader goes, so goes the company

If a leader is ethical, does that behavior affect his organization? If so, how? And if the leads by serving others first, how are employees affected? And are ethical leadership and servant leadership connected in the behaviors they produce? Mitch Neubert and Dawn Carlson studied those questions as part of research they conducted last summer on ethics and servant leadership. They discovered that ethical leadership does indeed lead to better performance in the workplace and that servant leadership leads to more creative behavior on the part of employees.

Neubert holds the Chavanne Chair of Christian Ethics in Business and his research focuses on leadership and leading change. Carlson, who teaches management of organizational behavior, focuses primarily on work-life balance and work and family issues, but became interested in ethics while an undergraduate at Baylor, which has maintained a long-term emphasis on ethics in business. The two were asked to look at leadership models as a part of a grant that marketing professor Jim Roberts secured.

“He came to Mitch and me because we have the leadership/ethics expertise and we have worked together before,” Carlson said.

The research questions were driven in part by the “common moral core” of servant leadership and ethical leadership, Neubert said. “We wondered if they predict anything different (about workers), or if they had similar influences on the behavior of employees,” he said. He and Carlson surveyed 250 full-time workers over two time periods. “Our focus was usually on the individual level,” Carlson said. “We surveyed the data and asked about leaders to understand how leaders influence individual behavior.”

They discovered that if the leader is ethical, this was associated with people performing their jobs well. The research also showed that although ethical and servant leadership are closely related, servant leadership created within employees “a sense of wanting to grow, wanting to gain, wanting to improve and help others,” Neubert said. “This resulted in them being more creative and helpful on the job."

photo by Robbie Rogers

Servant Leadership

A servant leader is one who serves, as the title implies, but the service is manifested in a high concern for the growth of other people.

“A servant leader may encourage employees to perform better, but also focuses on overall growth and development, and encouraging them to look outside themselves, to their team, or even the community,” Neubert said.

Ethical Leadership

An ethical leader had more of an impact on the employee having a “prevention mindset,” Neubert said. These employees were interested in minimizing risks and losses. Their performance was creative, too, but more focused on compliance with job expectations. They discovered that both ethical and servant leadership were somewhat related to counterproductive behavior in the workplace—that is, counterproductive behavior occurred less often with these types of leaders. But this effect was not as strong as expected.

Next, the two researchers will study contextual factors. Carlson said, such as the culture of an organization and how it plays a role. They will ask “If it’s an ethical culture, are people likely to act more ethically?”

Ethics and Leadership at Baylor

The business school’s emphasis on ethics includes professors coordinating with each other to talk about the ethics of a company in their different classes, said Carlson, who teaches in the graduate program. “Once or twice a semester we find a company example and talk about ethics in our classroom. Last semester we used HP; and this semester, TXU. All the core professors across disciplines will discuss the same ethical case from varying points of view. You get a lot of different perspectives’ perspectives on the same thing,” she said.

In the competitive environment of business schools, ethics is where Baylor can add extra value, she added. “Students will come out of here having a framework, having thought about ethics. Given the world environment regarding ethics, we place a lot more emphasis on it in a classroom.”

Business ethics has long been part of the identity at Baylor, Neubert said. That longevity is focused on the reasons. BusinessWeek ranked Hankamer School of Business third in the nation in ethics in its 2006 rankings of the top 50 undergraduate business schools.

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Sales integrity: First, make the rules

Say you are the sales manager of a large company and have just learned that two of your sales executives, James and Terry, have routinely padded their expense accounts. James is a marginal producer who rarely meets his quota. Terry is a star, constantly exceeding his goals. Your company’s code of ethics clearly addresses this infraction, and you know that employees have previously been dismissed for expense account abuses. Losing James would not hurt the company too much. But you hate to lose a top revenue producer like Terry.

What do you do?

Bill Weeks, professor of marketing, advises that you shouldn’t give Terry a mere slap on the wrist unless you are prepared to do the same for James. If you fire James and reprimand Terry, the message to co-workers is that it doesn’t matter what you do as long as you are helping the company.

“How you treat people is important,” Weeks said. Weeks sees a code of ethics as an important first step for companies who care about honesty and integrity. But a company should do more than display a document and expect everyone to follow a list of rules. Top managers must show they are serious about ethics by acting ethically themselves.

“If you have a well-documented code of ethics and their behavior shows that, they will lead people to conclude that (the workplace) is an ethical climate,” Weeks said. “The perceived ethical climate is based on what top management does.”

But the practice of ethics is as complicated as human behavior. Although managers must display ethical behavior if they want employees to do the same, a managerial style might have an adverse effect on the actions of the salespeople.

Weeks lists four important influences on one’s ethical decision-making process:

1. The values with which he is reared
2. The people he works with
3. The corporate culture
4. The situation itself

“When I first read that, I thought he needs to become a venture capitalist,” Weeks said. “But the practice of ethics is as complicated as human behavior. Although managers must display ethical behavior if they want employees to do the same, a managerial style might have an adverse effect on the actions of the salespeople.”

This demonstrates the importance of fitting the person to the job. While ethical dilemmas are to be expected, a manager’s perception of (his organization’s) ethical climate has a direct impact on his commitment to the company, and that drives up performance among salespeople who treat corporate customers and their commitment to a value-related relationship,” Weeks said.

“Value” in this sense means going beyond providing a traditional product or service. It might mean knowing that a client needs a new director of marketing, realizing you know someone who could do the job, and putting the two together.

“It’s showing the client: more ways to better use what you are selling,” Weeks said. Value also means a salesperson looks for ways to increase his share across company lines because he wants to grow his share of business within the business.

Upsetting behavior among sales force helps combat the negative stereotype of salespeople. Weeks noted, “It is very important for us to develop students so that they can be successful as ethical persons. I want students to make informed decisions. They must live with themselves.”

Charles Wilcox, Stabile Ph.D., Associate Professor of Accounting, and William Weeks, professor of marketing, edit Business Ethics: The Journal of the Council for Business Ethics. Last year’s volume included articles on topics ranging from corporate accountability to the ethics of downsizing.

Focusing on a theme for this year’s volume, the editors say the issue will reflect their view that business ethics is not just an isolated course or subject, but a discipline that should permeate every part of an organization.

“We are providing our readers with a cross-disciplinary perspective that reflects our view that ethics are a part of the philosophy of the organization,” Wilcox said.

This issue’s articles range from the ethics of labor and employment to the ethics of marketing and advertising.

“The Ethics of Employment,” by Reinhard Pucheta, focuses on the ethical boundaries of employment contracts, including non-disclosure agreements.

“Advertising: A Value Proposition?” by William Weeks, asks if advertising is a positive force on society, or a tool for self-deception.

“Employee Loyalty and Corporate Loyalty: A Comparison of the Two Concepts,” by Brian Wansink, explores how employees view their employers, and how that perception affects the employee’s behavior.

“Business Ethics: A Transformative Discourse,” by Charles Wilcox, says, “Business ethics is not about behavior modification, but about the potential for transforming people and organizations.”

This issue and the journal are available through the Council for Business Ethics, 2121 K Street, N.W., Washington, D.C. 20037-3886. For more information, contact the council at 202/872-8767. This issue is sponsored by the SEC’s Office of Chief Accountant.
‘Good ethics, one decision at a time’

Although a healthy economy often means accounting ethics is a back-burner issue, that’s not the case in Baylor classrooms. Through ethics courses, articles and reviews of the actions of Texas CPAs, accounting professors are attempting to ensure corporate business scandals are not repeated.

Bill Thomas, master teacher and holder of the KPMG/Holton Chair and the J.E. Bush Professorship in Accounting, whose research has focused on recent scandals, has written a paper asking the question, “Can Ethics Be Taught?” His answer: yes.

He tells of a speech at Baylor in which a professor of business ethics at Yale listed three types of students to consider. One cannot be persuaded to do wrong, and another cannot be swayed to do right. Neither is a good subject for an ethics class.

“In the middle, there’s hope,” Thomas said. “We expose these people to values, codes, moral judgment and consequences. They can be guided and given a set of tools that will help them make the right decision.”

A veteran of more than 30 years at Baylor, Thomas has never taught a full-blown ethics course. His recent research, however, has focused extensively on the subject. After Enron declared bankruptcy in December 2001, he spent his Christmas holidays researching what had drawn the one-time energy giant into its deep hole. The result was an article titled “The Rise and Fall of Enron,” outlining the attitudes, motives and actions that led to Enron’s downfall. It originally appeared in Today’s CPA and was later reprinted in the Journal of Accountancy: State accounting societies began calling Thomas.

By 2003, the Texas State Board of Public Accountancy decided to require an ethics course for accounting students who wanted to obtain CPA certification.

“We designed a class for accounting majors,” Thomas said. His current ethics research describes the experience of Texas educators in implementing Texas’ new rule. So far, Texas is one of only four states to require formal ethics training for CPA candidates. Other states are considering it.

In the world outside of the university, a strong trust between accountant and client is important. An ethical background helps to establish this relationship, said Charles Stanley, associate professor of Accounting and a member of the Professional Ethics Committee of the Texas Society of Certified Public Accountants.

“Our primary services are fiduciary,” Stanley said. “If we are doing our jobs properly, our clients must trust us.”

Much of his research comes from his committee work, where he reviews the behavior of CPAs to determine how their actions reflect on the profession. A recent article he wrote, published in the Journal of Business Ethics, deals with the ethical attitudes of CPAs.

“Most CPAs are decent, but there are always a few who get blinded by money.” We try to do as much self-regulation as we can,” Stanley said. He notes that CPAs are neither police officers nor legal experts, but professionals who prefer self-regulation to government regulation.

His interest in accounting ethics spans about 20 years, starting with his study of codes of conduct when he was teaching auditing. He began writing papers on the subject and was invited to join the Texas Society of CPAs committee in 1990. In turn, the actions he has examined over the years have piqued his interest even more.

“We get some interesting cases over the years. When you deal with practitioners, you see things you’d never see in a university setting.” Stanley stated.

He has studied such topics as advertising, confidentiality, and creditable acts. Stanley’s current research explores sexual harassment, and he plans to study ethics in managerial accounting. The profession offers broad opportunities for ethics research even though licensed CPAs are sparse as a percentage of the Texas population.

“We all don’t do the same thing,” Stanley noted.

Marty Stuebs, assistant professor of Accounting and Business Law, emphasizes to his students the importance of developing strong character. He teaches this partially through the use of a character journal that his students keep.

“I taught this partially through the use of a character journal that his students keep. “We all don’t do the same thing,” Stanley noted.

Photo by Robbie Rogers