

Students' Ethical Decision-Making: Are We Assessing What We Think We Are Assessing?

Paul F. Byrne

Washburn University School of Business, USA

Abstract. The Association to Advance Collegiate Schools of Business' (AACSB) accreditation standards specify that all business programs must include learning experiences addressing ethical understanding and reasoning. However, assessing students' propensity to engage in ethical decision-making is not as straight forward as assessing some other business competencies. This paper examines the shortcomings of two common assessments and proposes an alternative assessment tool using a vignette with three variants. Multivariate probit regressions show that minor changes to the presentation of an ethical dilemma, which should not change the ethical judgment of the protagonist's behavior, significantly influences students' ability to identify a business practice as ethical or unethical. The use of vignettes designed to capture the ambiguity business students may face in their careers, coupled with using variants to assess the reliability of their ethical judgement can help business schools evaluate the effectiveness of their ethics curriculum.

Keywords: assessing ethics, vignettes, business teaching, business ethics.

1. Introduction

In higher education, the assessment of student learning is a central part of evaluating academic programs. The Higher Learning Commission's (HLC) Criteria for Accreditation require that institutions have "clearly stated goals for student learning and effective processes for assessment of student learning and achievement of learning goals" (HLC 2019). Similarly, the Association to Advance Collegiate Schools of Business' (AACSB) Accreditation Standards requires that business schools "Provide a portfolio of evidence, including direct assessment of student learning, showing that students meet all of the learning goals for each business degree program." (AACSB 2018). For business schools, these assessments go beyond easy to measure learning goals, such as optimal firm pricing and asset pricing. Following the well-publicized ethical lapses of Enron, WorldCom and Parmalat, the AACSB Board of Directors convened the Ethics Education Task Force to address business schools' role in addressing the crisis in business ethics (AACSB 2004). One of the task force's recommendations was for

This shortened version of the article is for promotional purposes on publicly accessible databases.

Readers who wish to obtain the full text version of the article can order it via the url

<https://www.neilsonjournals.com/JBEE/abstractjbee21byrne.html>

Any enquiries, please contact the Publishing Editor, Peter Neilson pneilson@neilsonjournals.com

© NeilsonJournals Publishing 2024.

business schools to place a renewed emphasis on cultivating students' ethical decision-making. Coupled with accrediting bodies' emphasis on assessment of learning outcomes, universities have looked to assess their students' ethical decision-making in a standard and efficient manner.

Assessing students' propensity to engage in ethical decision-making is not always straight forward. The impetus for increasing the emphasis on ethics in the business curriculum is to cultivate graduates who behave more ethically in the workplace; however, assessments should be designed to elicit an accurate reflection of how students will behave as managers and should avoid being a reflection of students' perception of their instructor's expectations. This paper reviews some of the shortcomings of two common assessments of ethical decision-making and proposes a vignette with three variations as an alternative assessment tool. The structure of the variants and subsequent statistical analysis of how a seemingly minor difference between them influence students' responses highlights the difficulty in assessing students' ability to evaluate ethical dilemmas. Results from multivariate probit regressions show that knowing whether consequence of a protagonist's decision emerged as they expected, which should not alter the ethical judgement of the protagonist's behavior, significantly influences students' views of a business practice as ethical or unethical.

2. Literature Review

An appealing approach to assessing business ethics is by inserting ethical dilemmas into business simulation exercises (Schumann *et al.* 2006). Business simulation programs such as Capstone Simulation (CapSim) are often utilized as a capstone exercise for business students. In business simulations exercises, student teams make management decisions for a hypothetical firm. Teams face various choices, such as setting the level of marketing intensity, degree of automation and forecasting of demand. Business simulations offer business schools an efficient means to assess student learning for a variety of learning outcomes, such as, price elasticities, marketing theory and stock price determinations. For universities faced with assessment of learning requirements, adding an ethical component to simulations offers an efficient means to assess students' ethical decision-making. Examples of ethical dilemmas included in business simulations include the team discovering that an overseas supplier is violating labor laws, or that one of their employees has stolen a trade secret from a competitor. Teams then choose between options on how to respond to the ethical dilemma.

A drawback to simulations is that students know that the simulation is assessing their ethical decision-making. As such, students may simply attempt to identify how their professor wants them to respond, as opposed to how they will

respond when faced with that dilemma in the real world. Business simulations have an added drawback in that students compete with one another based on financial performance (market capitalization, operating profit) and other metrics (market share, customer awareness, employee turnover). In order to reward students for making ethical decisions, simulations are often designed such that teams making unethical choices incur adverse effects in future periods. Whereas this realistically simulates the legal and reputational risks that companies face when making unethical choices, in the real-world students also face choices where ethical choice may adversely impact the individual and/or their company. A team looking to maximize its company's financial performance in the simulation may reasonably assume that the instructor or creators of a business simulation will not punish ethical decision-making. Although one hopes for a world where ethical decision-makers are rewarded and unethical decision-makers are punished, this is not necessarily the case.

Vignettes offer an alternative to ethical assessment. Mah *et al.* (2014), Weber (1992) and Kandemir and Budd (2018) detail how carefully designed vignettes can generate more reliable assessments of how students view an ethically sensitive topic. Mah *et al.* (2014) and Kandemir and Budd (2018) note that vignettes promote a more transparent and honest response by creating a type of anonymity by focusing on the decision made by a third party. Weber (1992) recommends using multiple scenarios of a vignette to allow for the manipulation of critical variables and multivariate statistical analysis of how the variations impact student responses. Kandemir and Budd (2018) stress that adding a degree of ambiguity into a vignette can be a powerful way to reveal a deeper assessment of students' understanding of ethical decision-making. The Defining Issues Test (DIT & DIT-2¹) is a widely used method for assessing the ethical development of students (Rest *et al.* 1999; Christensen *et al.* 2016; Bailey *et al.* 2010). The DIT utilizes five vignettes followed by a questionnaire on both the ethical choice and the importance of various factors in assessing the ethics of the decision-maker. Although the DIT is described as "the measure of choice in higher-education assessments of moral judgment." (Bailey *et al.* 2010) researchers have raised some issues with DIT as an objective measure of ethical reasoning and the vignettes are not well suited for business education. The vignettes themselves are not related to ethical dilemmas students will face in the business world and lack the moral ambiguity needed to confidently assess ethical decision-making. One vignette focuses on whether a poor villager suffering through a famine in northern India should steal food from a rich man who is hoarding food. Weber (1992) warns users of vignettes to be cognizant that social desirability bias may influence students' responses and DIT vignettes include numerous details which could lead to such bias. For example, the person the protagonist is stealing from is both rich and greedy. In addition, the protagonist is in dire straits through no fault of his

1. The Defining Issues Test was updated in 1998. The new version is typically referenced as the DIT-2.

own and has no options other than to either steal or allow his family to starve. Minor changes to the vignette could reasonably influence students' assessment of the situation. For example, if the protagonist lived in a developed country where there may be other means of support or employment opportunities, or if he was stealing from another struggling family as opposed to a greedy profiteer.² The problem with using vignettes in which characters are portrayed as either malicious or benevolent, is that when students face pressure to make unethical choices in the workplace, they will not be viewing themselves as immoral individuals driven by greed or animus. Instead, they will see themselves as a moral actor trying to navigate a complex situation. Often, individuals make unethical choices as a result of simply attempting to avoid a particularly bad outcome.

3. Proposed Vignettes for Assessing Ethics in Business Schools

This paper recommends assessing ethical decision-making using a vignette with three variants of an ethical dilemma faced by a protagonist in a business setting to test the robustness of students' ethical decision-making. In the first variant, students assess the ethicality of a decision prior to knowing the outcome on the firm. In the second variant, the students assess the ethicality after knowing the protagonist's choice results in a desirable outcome. In the final variant, the protagonist's choice results in an undesirable outcome.

One hundred sixty-five students in economics principles sections at a mid-sized Midwestern university were randomly assigned a vignette presenting an ethical dilemma faced by the owner of a financial services company. The ethical dilemma is inspired by the case of MF Financial, where executives, faced with financial difficulties, transferred funds out of clients' segregated accounts for company expenses. More recently, executives of FTX crypto-exchange were charged for raiding customers' segregated accounts in a case that shares some similarities to the vignettes. The vignettes contained important features:

- The protagonist's initial financial difficulties, to some extent, are exogenous.
- Although the protagonist is considering taking funds out of customers' segregated accounts, he is not driven solely by greed or personal gain. The protagonist is genuinely concerned for the employees of the firm who will lose their jobs and a portion of their retirement benefits if the company goes bankrupt.

2. Elmer *et al.* (1983) found that DIT is correlated with political ideology and Elmer *et al.* (1999) found that conservative students' moral reasoning measures improved when they were asked to answer the questions as if they were liberal.