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Developing Ethical Understanding within an Undergraduate Accounting Degree: A Proposed Model

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ABSTRACT

In recent years there has been a large number of corporate governance failures in Australia and internationally. Whilst there are a number of reasons why corporate governance failures occur it has been acknowledged that these corporate collapses were, in a large part, the result of a lack of ethical behaviour on behalf of high level management and accountants (Downes & Russ 2005; Leung & Cooper 2005; Staubus 2005; Zahra, Priem & Rasheed 2005; Vinten 2000). This has led to the call for an even greater emphasis to be placed on ethics education for accounting students (Albrecht *et al* 2006; Leung & Cooper 2005; Molyneaux 2004).

A review of the literature reveals that currently there are two common modes adopted by higher education institutions for teaching ethics in a business curriculum such as accounting. One mode is via a discrete or stand-alone compulsory ethics subject, whilst the other model, more widely adopted in practice, is an integrated or pervasive approach where ethics is taught in a number of different subjects during the degree (Dellaportas 2006; McDonald 2004; Molyneaux 2004). This paper argues that the integrated approach to teaching ethics embedded within individual subjects throughout the degree is not the most effective model (McGrath & Murphy 2006b).

Within this paper a hybrid model of accounting ethics education is discussed. The hybrid model proposes a compulsory ethics subject undertaken in the second year in combination with an integrated approach requiring a prescribed ethics curriculum to be incorporated in a laddered and hierarchical manner across each subject presented in the accounting degree. It is proposed that this as yet untested model may overcome the perceived deficiencies of the current approaches to ethics teaching in accounting.

Keywords: Education, Ethics, Corporate Governance, Mapping

INTRODUCTION

The purpose of this paper is to generate discussion regarding the nature and efficacy of current modes of teaching ethics to students in typical three year undergraduate accounting programs. A model is proposed which differentiates itself from other approaches to teaching accounting ethics in three aspects: firstly, by adopting a hybrid approach which combines a whole of curriculum integrated method of ethics teaching with a compulsory stand alone ethics subject, secondly, the ethics subject is positioned in the second year to allow students to have acquired foundation business understanding, and finally, by explicitly articulating the ethical perspective and learning outcomes expected of students at the different stages of their studies. The stand-alone ethics subject is designed to provide the foundation ethical theory necessary for the development and application of higher order ethical understanding embedded in the specialised accounting subjects. An embedded whole of curriculum delivery structure is proposed to allow students to acquire ethical skills in a sequential and laddered manner.

The untested model presented in this paper has the potential to guide academics, professional bodies, and students in identifying the achievement of ethical understanding throughout the undergraduate accounting program. Specifically for academics and professional bodies it may provide a framework by which the ethical curriculum in undergraduate accounting courses can be designed and evaluated. In addition, it is anticipated that students will gain greater insight as to the expected level of their ethical understanding and skills at each year of a typical three year undergraduate degree. Ultimately, the expected improved ethical perspective gained by accounting students through the adoption of this methodology will contribute to improved levels of corporate governance.

In today's global economy ethical behaviour by corporations and their managers is a critical component of good corporate governance. It has been recognised that, rather than a failure of governance structures and regulations, the recent spate of high profile corporate collapses were, in a large part, attributable to a lack of ethical behaviour by high level management (Downes & Russ 2005; Leung & Cooper 2005; Staubus 2005; Zahra, Priem. & Rasheed, 2005; Vinten 2000). Accounting professionals have been implicated in the dysfunctional corporate behaviours that contributed to the failure of a number of large international firms such as Enron, WorldCom and in Australia, HIH Insurance, Ansett, Harris Scarfe, and One Tel (Albrecht *et al* 2006; Staubus 2005; Zahra *et al.* 2005; Vinten 2000).

These corporate governance controversies have thrown a shadow on the ethical reputation of accounting practitioners and damaged the professional standing of the accounting discipline (Leung & Cooper 2005; Vinten 2002). This has led to the call for an even stronger emphasis to be placed on ethics within the curriculum for undergraduate accounting students (Albrecht *et al* 2006; Leung & Cooper 2005; Molyneaux 2004). A stronger educational focus on the effective development of ethical understanding in the accounting students, who will become the global managers of tomorrow, is an important contribution to future good corporate governance. The challenge to universities teaching accounting is how to fit the development of ethical understanding into an already crowded curriculum, yet still satisfy the expectation that students will gain the required technical skills of the accounting profession.

The proposed model of ethical understanding presented in this paper evolved as part of a larger project (McGrath & Murphy 2006b) which mapped the hierarchical development of graduate generic skills and attributes within a three year undergraduate accounting degree and was drawn from interviews with academic staff and extant literature. An appreciation of ethics and different ethical perspectives has been identified as one of several generic skills and attributes expected of students completing an undergraduate accounting degree (McGrath & Murphy 2006a; CPA Australia & The Institute of Chartered Accountants in Australia 2005).

DEVELOPING AN ETHICAL UNDERSTANDING

It is broadly recognised that the ethical behaviour of managers plays an important role in underpinning modern corporate governance structures (Jennings 2004). Swanson (2005) posits that as educational institutions have failed to effectively engage with and address the problem of ethics education, business schools are in part responsible for the falling ethical standards exhibited by corporate management. Some critics of the current approaches to accounting education argue that current teaching practices fail to acknowledge accounting as '*fundamentally an ethical rather than a technical discourse*' (Waddock 2005 p 147). Within the accounting and ethics literatures there have been further calls for ethics education to be made a much higher priority in order to address the recent slippage in the ethical standards in business (Albrecht *et al* 2006; Dellaportas 2005).

There have been a number of normative models of the cognitive development of ethical skills presented within the literature including Kohlberg's six stage model of moral development (Kohlberg & Hersh 1977). Kohlberg's model, which has been widely adopted, describes the sequential cognitive development of an individual's moral judgement. In Kohlberg's model progression through each stage represents the movement to a higher level of ethical reasoning (Kohlberg & Hersh 1977). The six stages, or orientations, presented by Kohlberg are divided into three discrete levels:

- Preconventional - the individual responds to rules for fear of reprimand and as a means to satisfying one's own needs and occasionally the needs of others.
- Conventional - requires conformity, not just for one's own satisfaction but due to a notion of loyalty to social order and society approval.
- Postconventional - an effort to define personal moral values and principles beyond the legal and moral authority of society. Personal morals have validity and application beyond the authority of social groups or the individual's identification within those groups (Rest, Turiel, & Kohlberg. 1969).

Whilst the Kohlberg model (Rest *et al.* 1969) provides an intuitive basis for understanding the progression of students to ethical understanding, the model does not specify outcomes expected at each level which would enable the outcome-based mapping of a ladder acquisition of ethical understanding.

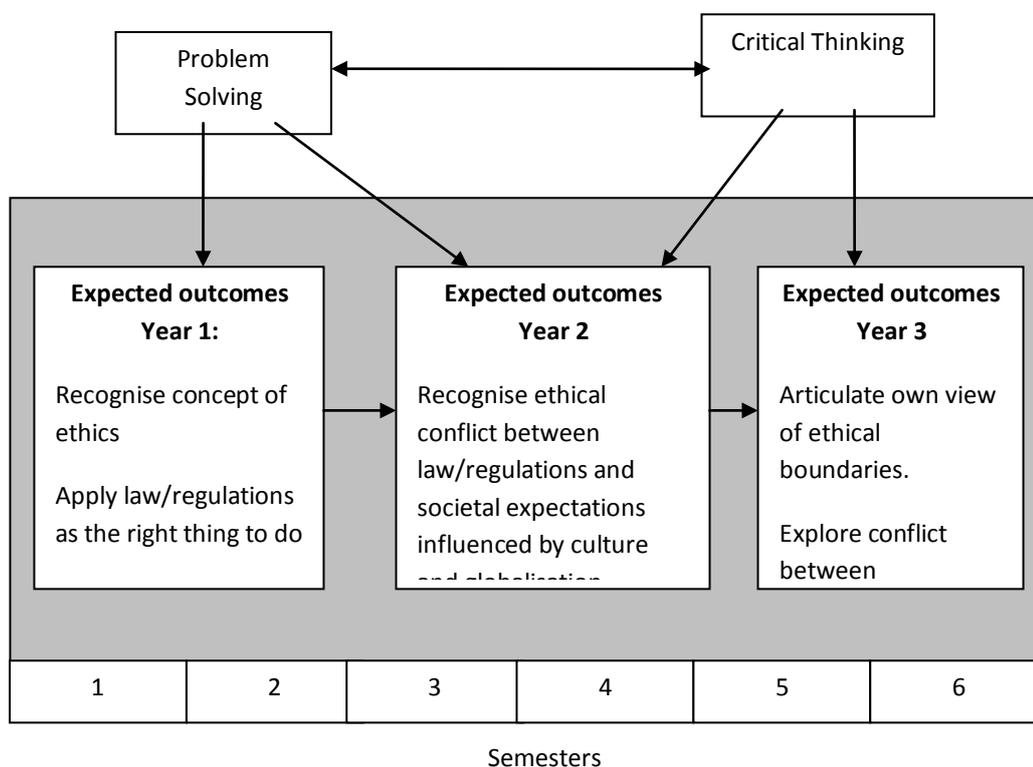
Alternatively, within the accounting education literature, Albrecht *et al.* (2006) present the Ethical Development Model (EDM). This is another progressive model which maps the whole of life

development of an ethical perspective. In the context of education, the model requires the movement of students through four levels of ethical understanding and it is proposed that educators can have an impact on ethical development during levels two and three.

'Personal ethical understanding' is the foundation level of the EDM and involves students' appreciating the difference between right and wrong and understanding the basic principles of integrity and empathy (Albrecht *et al.* 2006). It is argued that this basic level of ethical understanding is reflected in almost every culture, philosophy and religion, and represents values that are best taught at home (Albrecht *et al.* 2006). The second level of ethical development proposed by Albrecht *et al.* (2006), 'Application of ethics to business situations', is the first of two levels where the authors' posit that professional education has a role to play in translating and applying ethics to the business context. The third level 'Ethical courage' requires students to understand and develop the "*strength and conviction to act appropriately in questionable situations*" (Albrecht *et al.* 2006, p36). The fourth and final level of the Albrecht *et al.* (2006) model, which would fall beyond the scope of undergraduate university education, builds on the ethical strength and moral conviction developed in the third level and requires ethical leadership and the capacity to inspire others to develop their own ethical awareness.

McGrath and Murphy (2006b) differentiate their model by proposing an outcomes-based hierarchical approach for developing ethical understanding in students undertaking a typical three year Australian undergraduate accounting degree (Figure 1). This model was developed as part of a research project which mapped the delivery of generic student outcomes in an accounting degree at a regional Australian university (McGrath & Murphy 2006a). The generic student attributes identified, as part of the larger research project, included ethical understanding, communication skills, information technology skills, problem solving and critical analysis and reasoning (McGrath & Murphy 2006a).

FIGURE 1: HIERARCHICAL GENERIC SKILLS RELATIONSHIP MODEL: ETHICAL SKILLS



The model, presented as Figure 1, was based on the three year, 24 subject full time accounting degree offered through the School of Business, which is situated on the Albury Wodonga campus of Charles Sturt University (CSU). The undergraduate accounting program at CSU comprises 8 core subjects, 10 specialisation subjects, and 6 unspecified electives and, as in many commerce degrees offered in Australia, the core subjects are delivered in the first year and are common to all of the Bachelor of Business degrees offered at CSU.

The McGrath and Murphy (2006b) model above identifies the learning outcomes expected at the end of each of the three years of the undergraduate degree and closely aligns with Kohlberg's six stage development model of moral judgement (Rest *et al.* 1969). Kohlberg's model also implies sequential development, with each stage representing a higher level of reasoning (Kohlberg & Hersh 1977). Further, the hierarchical model proposed by McGrath and Murphy (2006b) also comfortably fits within the second and third levels of the ethics development model proposed by Albrecht *et al.* (2006).

MODES OF TEACHING BUSINESS ETHICS

There has been considerable discussion within the accounting education literature regarding the efficacy of the current modes of teaching business ethics to accounting undergraduates (Albrecht *et al.* 2006; Dellaportas 2006; McGrath & Murphy 2006b; Swanson 2005; McDonald 2004). In business and commerce degrees it is apparent that there are two educational paradigms utilised to

develop ethical understanding within a typical three year undergraduate business curriculum. One approach seeks to have an impact by influencing the ethical awareness, ethical attitude and, ultimately, ethical values of students. The alternate paradigm focuses on improving the ethical reasoning ability of students (McDonald 2004).

Irrespective of the approach adopted by the business ethics educator there are two common modes adopted for teaching ethics within undergraduate accounting degrees. One mode is via a discrete or stand-alone compulsory ethics subject, whilst the other model, more widely adopted in practice, is an integrated or pervasive approach where ethics is taught in a number of different subjects during the degree (Dellaportas 2006; McDonald 2004; Molyneaux 2004).

Rather than to simply opt for a single ethics subject, the authors propose that a dedicated subject is offered at the beginning of the second year of the three year accounting degree, to teach the foundations of ethical theory. This hybrid approach will provide the theoretical underpinnings required for the effective integration of an ethical perspective in subsequent subjects. Dellaportas (2006) identified the power behind offering a discrete course, but acknowledged that sustained ethical development was linked to continuing discussion within the subsequent subjects. Specifically, in presenting the argument for a discrete ethics subject, Dellaportas (2006) identified three elements required for the approach to be effective: introduction early in the degree, ongoing ethical discussion in subsequent subjects, and a dedicated capstone course. However, discussion with academic staff teaching independent ethics subjects led the authors to conclude that typical post-secondary students in the first year of an undergraduate program may not have sufficient maturity and understanding of business to fully appreciate ethical concepts. Further, whilst ethical topics should be incorporated in the first year subjects, the emphasis in the first year should be on cementing students' recognition of the concept of ethics and the application of law and regulations as the right thing to do. It is further proposed that the integrated component of the model be structured as prescribed ethical assessable task within each subject to ensure the continuity and sequential development of ethical understanding.

The mapping of the CSU program at the School of Business, which is typical of accounting programs offered at Australian universities, indicated a clear gap in the sequential development of the students' ethical understanding (McGrath & Murphy 2006b). The hierarchical model of ethical skill development (Figure 1) was utilised to gauge the effectiveness of current ethical teaching practice within the accounting degree at the School of Business at CSU (McGrath & Murphy 2006b). A review of the subject outlines of the core business and the accounting specialisation subjects, combined with interviews with teaching and tutoring staff responsible for delivering those subjects, revealed that many of these staff believed that they addressed ethics as part of their teaching (McGrath & Murphy 2006b).

Whilst there is evidence within the literature (Bath *et al.* 2004) that many assessment tasks seek to teach generic skills such as developing student ethical understanding, in many assessment tasks the skill is neither specifically taught nor is the expectation of skill transference explicitly identified. In the McGrath and Murphy (2006b) study few of the subjects reviewed contained components specifically designed by the academics to develop ethical skills, and even fewer had ethics as a formal assessable component of a student's assignments (McGrath & Murphy 2006b). Biggs (1999), one of the pioneers of learning approach theory, contends that design of the

assessment task is critical to student's approaches to learning, and consequently student outcomes. For the student, the assessment task and process is the primary concern and will largely influence the learning strategies adopted. Students will learn what they believe they will be assessed upon (Biggs 1999). Given the importance of ethical understanding as a learning objective it is critical that these outcomes are reflected in the subject assessment tasks.

Attempts to develop generic skills, including ethical understanding, through assessment generally occur in an ad hoc manner rather than being developed in an integrated hierarchical fashion that permeates the whole curriculum (de la Harpe *et al.* 2000). In the McGrath and Murphy (2006b) study where ethics was addressed within the accounting degree, there was no interconnectivity in the manner in which ethics was taught across the curriculum or evidence of any attempt to coordinate the delivery of a specific ethics syllabus in order to promote a laddered acquisition of ethical understanding. The paper (McGrath & Murphy 2006b) identified structural deficiencies in the effective delivery of business ethics to students and confirmed the viewpoint of Swanson (2006) who contended that the integrated mode of teaching ethics across a number of subjects resulted in an inadequate coverage of ethics training, which was often delivered in an *ad hoc* manner.

It is argued in the education literature that the general confusion over generic skill constructs such as 'ethical understanding' extends to academic teaching staff (Barrie 2004, de la Harpe *et al.* 2000). Barrie (2004) contends that university teaching staff responsible for developing graduate attribute outcomes "*do not share a common understanding of either the nature of these outcomes, or the teaching and learning processes that might facilitate the development of these outcomes*" (Barrie 2004, p.263). This was confirmed in semi-structured interviews with teaching staff exploring the development of generic skills whereby several of the teaching staff expressed concern about the capability of accounting academic staff to teach all of the various generic skills, including the theoretical underpinnings of ethics (McGrath & Murphy 2006a). For accounting educators the abstract nature of ethical reasoning creates a level of complexity that potentially challenges the capabilities of staff.

In addition to the concern over capabilities of staff to engage in the teaching of skills such as ethical understanding, McGrath and Murphy (2006a) also acknowledged anxiety amongst academic teaching staff that the increased level of casualisation in the tertiary sector could impact on the effectiveness of teaching ethics, particularly where the integrated (pervasive) approach is employed. Potential problems arise because part-time and casual staff rarely teach subjects over extended periods and are not paid beyond an hourly rate to develop subjects and teaching approaches. These staff are rarely included in University professional learning and teaching development programs, nor are these staff likely to benefit from inclusion in any informal pedagogical dialogue amongst full-time academics where teaching practices are discussed. In the absence of such formal and informal teaching development and where there is no prescriptive subject-based model of ethical education, there is the potential for a loss of a coordinated understanding of the curriculum and course delivery structure. This understanding and structure is inherent to the successful delivery of the integrated approach of teaching an ethical perspective. It was further noted that with pressure on staff to perform in areas outside teaching, that there was insufficient time, resources or incentive for accounting teaching staff to fully develop teaching skills in areas such as ethical understanding (McGrath & Murphy 2006a).

The investigation of ethics teaching within the CSU accounting degree revealed that whilst there was some evidence of the integration of ethics across the curriculum there was little evidence of a structured approach to the teaching of ethical understanding (McGrath & Murphy 2006b). As identified by Barrie (2004) the lack of a shared understanding of the teaching and learning processes required to facilitate the development of ethical understanding, and similarly, the lack of a shared vision of the outcomes expected of teaching an ethical understanding was clearly evident. Those lecturers in the accounting degree, who explicitly included an ethical perspective in their teaching, did so in an ad hoc and unplanned manner. Further, it was apparent that the theoretical underpinnings of ethical behaviour were addressed in only a cursory manner. It is clear that a more coordinated approach to the delivery of this key graduate outcome is necessary to ensure the efficient and laddered development of this student capability (McGrath & Murphy 2006b).

The proposal to combine a stand alone ethics subject with an integrated approach to teaching ethics to accounting students faces difficulty in the current structure of the accounting program at CSU. Only six elective subjects are available and the accounting professional bodies currently require a minimum of 75% of the degree to be elective subjects to permit students to undertake, at their discretion, subjects outside the business curriculum (CPA Australia & The Institute of Chartered Accountants in Australia 2005). What is evident in the literature is that moral reasoning develops with increasing levels of formal education (Albrecht *et al.* 2006; Dellaportas 2006). The success of a single intervention, such as a discrete ethics subject without reinforcement in subsequent subjects, has been questioned with concern that any increased level of awareness of ethical issues would be transitory (Dellaportas 2006).

CONCLUSION

Higher education has a role to play in improving corporate governance in the global economy by enhancing the capability of accounting graduates to better deal with the ethical tensions that are a very real part of a contemporary accountant's career. To generate discussion and improve delivery of ethical understanding to students an outcomes-based model of the hierarchical development of ethical understanding is proposed. The paper acknowledges that accounting teaching staff in the CSU School of Business staff were committed to the fostering of ethical understanding but identified that there was insufficient coordination in the laddered and sequential transfer of these important skills to students. The paper highlights gaps in the delivery of ethics in the current curriculum and hopes to encourage further debate regarding the teaching of ethics within accounting programs.

The model proposed provides an opportunity for further research into the efficacy of teaching ethics using a hybrid approach. Further research to test the effectiveness of the proposed model is required to establish the validity of the model as a means to improving the ethical standards of graduate accountants. Given the current debate regarding generic graduate attributes an investigation of the difficulties for both teaching institutions and academic staff inherent in changing curriculum and prescribing course content in higher education institutions is another area that requires further study.

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