Ethical Misconduct Of Business Students: Some New Evidence
Satish P. Deshpande, Western Michigan University, USA
Jacob Joseph, University of Alaska Fairbanks, USA
Kevin Berry, University of Alaska Fairbanks, USA

ABSTRACT

This study examines ethical misconduct of 193 business students in four universities in the United States. In addition to self-reported ethical behavior, two dimensions of emotional intelligence (self-emotions appraisal and others emotions appraisal) significantly impacted student misconduct. None of the other dimensions of emotional intelligence were significant. Grade Point Average (GPA), religiosity, non-business ethics course, sex, graduate status, university, and over claiming did not impact student misconduct. Implications of the results of the study for business schools and industry professionals are discussed.

Keywords: Emotional Intelligence; GPA; Ethical Behavior

INTRODUCTION

In the last couple of years, the mainstream press is having a field day reporting alleged major irregularities in the financial sector. For example, insurance giant AIG was blasted for paying over $160 million in bonuses to employees of the unit primarily responsible for the financial meltdown of the company and the subsequent bailout by the US government. Corporate scandals and unethical behavior in the workplace has created considerable attention on the role of high education in developing future business leaders. It is suggested that students who are dishonest in college would carry these behaviors into the business world (Rakovski & Levy, 2007). Many have criticized business schools for doing a poor job of teaching students the social responsibility of business and the application of ethical principles in decision-making (Verschoor, 2003).

The Association to Advance Collegiate Schools of Business (AACSB), for philosophical reasons, does not require member schools to have a course in business ethics or prescribe a way to teach business ethics. This is puzzling given the fact that the majority of CEOs and deans polled feel that an ethics course should be required (Swanson & Fisher, 2008). Currently, business schools are given the flexibility to fashion curricula that meets their mission and learning goals. Often, a stand-alone business ethics course is nixed in favor of smattering it in functional courses. Unfortunately, this may send a signal to students that ethics is not important in business education (Swanson & Fisher, 2008).

LITERATURE REVIEW

Previous research has suggested a strong link between cheating in school and unethical behavior at work (Nonis & Swift, 2001; Sims, 1993). While some researchers report that all students cheat, others report that cheating is more prevalent among business students. Borkowski and Ugras (1998), in their meta-analysis, found it difficult to interpret the relationship between cheating and different undergraduate majors. Klein et al. (2007) reported that while business majors were no different than other professional majors when it came to cheating, they were more lenient in defining what constitutes cheating.

Past research has shown a strong relationship between self-reported unethical behavior of students and peer behavior (McCabe et al., 2006, O’Fallon & Butterfield, 2005). Researchers have either used self-reported ethical behavior or ethical behavior of peers as the dependent variable, but many researchers believe that ethical behavior of
peers is a more valid measure of misconduct. Vardi (2001) contends that there is a greater probability of self-reported ethical behavior to suffer from social desirability bias and potential perceived threat. Andreoli and Lefkowitz (2009) support Vardi’s (2001) contention by stressing that self-reported ethical behavior may have “fake good” bias. In addition, they add that ethical behavior of peers is a better measure due to projection bias; therefore:

**Hypothesis 1:** Self-reported ethical behavior will significantly impact the ethical behavior of peers.

One factor that has been gaining a lot of attention in business ethics is emotional intelligence. It has been shown to influence job performance, leadership effectiveness, and job satisfaction (Cherniss et al, 2006). Mesmer-Magnus et al. (2008) reported that, overall, emotional intelligence (EI) was significantly correlated with both ethical behavior of peers and ethical behavior of self (Mesmer-Magnus et al., 2008). This study goes one step further by looking at the impact of various facets of emotional intelligence on ethical behavior. Law et al. (2004) developed four facets of emotional intelligence - appraisal and expression of emotion in oneself (SEA), appraisal and recognition of emotion in others (OEA), regulation of emotions in oneself (UOE), and the use of emotions to facilitate performance (ROE). Accordingly,  

**Hypothesis 2:** Various facets of emotional intelligence will significantly impact the ethical behavior of peers.

Another novel factor getting attention of some business ethics researchers is religiosity. It can be defined as the importance of faith in one’s life (Roundy, 2009). Longenecker et al. (2004), in a survey of business managers and professionals, found that those who placed high or moderate importance on religious interests were less accepting of unethical decisions. The few studies that have looked at the impact of religiosity on ethical attitudes of business students suggest a significant relationship between the two variables. Conroy and Emerson (2004), in their survey of graduate and undergraduate students, conclude that religiosity is significantly correlated with ethical perceptions. Albaum and Peterson (2006), in a survey of nearly 3,000 undergraduate business students, report that students who were very religious report higher scores on behavioral and philosophical ethicality. Roundy (2009) proposes that people who are involved in religious activities put less emphasis on the material world and are more likely to meet the desire of their religion to do “good work.” Accordingly,  

**Hypothesis 3:** Religiosity will significantly impact the ethical behavior of peers.

Previous research looking at the relationship between Grade Point Average (GPA) and cheating in higher education has had mixed results. Burrus et al. (2007) found cheating behaviors more prevalent among students with lower GPAs. Klein et al. (2006), in their sample of business and non-business students, also report that serious cheaters had lower GPAs. Haridigan (2004) found similar results among first- and third-year pharmacy students, but Sikula and Costa (1995) found no relationship between GPA and cheating. Scheers and Dayton (1987) report an inverse relationship between estimated GPA and tendency to engage in cheating. Therefore,  

**Hypothesis 4:** GPA will have a significant impact on ethical behavior of peers.

Much debate exists as to who should teach applied ethics courses, like business ethics (Blakely, 2008). Many business schools cover materials related to ethics within a specific business ethics course or cover the materials in functional business courses. The Business Roundtable Institute for Corporate Ethics (2007) strongly recommended a foundation course in business ethics along with the integration of ethics in all business disciplines in their recommendations to develop a strong ethics program in business schools, but some business schools require their students to take the ethics courses outside the business school. This is consistent with a Business Week survey of its readers who reported that the majority of its respondents felt that ethics education should be taught outside the business school (Business Week Online, 2003). These courses are usually taken in the philosophy or religious studies department. A major criticism of requiring business students to take a course outside the business school is that non-business professors often do not have the experience or the background to connect with business students; therefore,  

**Hypothesis 5:** Taking an ethics class outside the business school will have a significant impact on ethical behavior of peers.
In this study the independent variables are ethical behavior of self, the four facets of emotional intelligence (SEA, OEA, UOE, & ROE), religiosity, GPA, and if the students took a non-business ethics course. Control variables were male, graduate studies, university, and over-claiming. Over-claiming was used as one of the control variables because previous research has shown that two of our independent variables - ethical behavior of self and religiosity (Chung & Monroe, 2003) - suffer from social desirability bias.

**METHODOLOGY**

**Participants**

Four universities in the United States were surveyed in 2007-2008. Students were required to fill out the survey during class. No extra credit or other incentives were provided to the students to participate in the study. Two hundred and ninety-three completed surveys were collected (response rate of 85%), but these subjects included both business and non-business students. After deleting the non-business respondents, the study was left with a usable sample of 193 surveys. The average age of respondents was 23 years. Forty-four percent of the respondents were men, while 81% of the subjects were white. Forty-two percent of the respondents majored in accounting. The GPA of an average respondent was 3.30. Twelve percent of the respondents were graduate students.

**Survey and Ratings**

The survey consisted of items measuring a variety of constructs, including ethical behavior of peers, ethical behavior of self, facets of emotional intelligence, religiosity, and demographic measures. A number of constructs measured in the survey were not relevant to this study so were not included or discussed in this paper.

**Ethical Behavior Of Peers**

Twelve items were used to measure ethical behavior of peers. Subjects were asked to indicate their perceptions about fellow students at their university on the following items: students making personal calls at work; students surfing the web at work; students taking office supplies home; students sharing music on the internet; students downloading term papers off the internet; students giving friends an extra discount at a store or free food at a café/restaurant; students sometimes helping themselves to food if working at a fast food joint; students doing homework for friends; students having used a fake ID to purchase alcohol; students having used a fake ID to get into a bar; students having cheated on an exam; and in order to get ahead in life, students believe that one has to compromise on ethical standards. These items were rated on a four-point Likert scale (4=very frequently, 1=very infrequently). The Cronbach’s alpha for ethical behavior of peers was .87.

**Ethical Behavior of Self**

Twelve items were used to measure ethical behavior of self. These items are similar to those used to measure ethical behavior of peers. They are: “I’d make personal calls at work”; “I’d surf the web at work”; “I’d take office supplies home”; “I’d share music on the internet”; “I download term papers off the internet”; “I’d give a friend an extra discount at a store or free food at a café/restaurant”; “I’d sometimes help myself to food if I worked at a fast food joint”; “I’d do homework for my close friends”; “I’ve used a fake ID to purchase alcohol”; “I’ve used a fake ID to get into a bar”; “I’ve cheated on an exam”; and, “In order to get ahead in your future career, you will have to compromise your ethical standards. These items were rated on a four-point Likert scale (4=very frequently, 1=very infrequently). The Cronbach’s alpha for ethical behavior of self was .72.

**Facets of Emotional Intelligence**

The four dimensions (self-emotions appraisal, others-emotional appraisal, use of emotions, and regulation of emotions) of emotional intelligence were measured using the Wong and Law EI Scale (WLEIS) (Law, Wong, & Song, 2004). Self-emotions Appraisal (SEA) was measured using the following items: “I have a good sense of why I have certain feelings most of the time”, “I have good understanding of my own emotions”, and “I really understand what I feel and I always know whether or not I am happy”. Cronbach’s alpha for SEA was .82. Others-emotions
appraisal (OEA) was measured using the following items: “I always know my friends’ emotions from their behavior”, “I am a good observer of others’ emotions”, “I am sensitive to the feelings and emotions of others”, and “I have a good understanding of the emotions of people around me”. Cronbach’s alpha for OEA was .80. Use of emotions (UEO) was measured using the following items: ‘I always set goals for myself and then try my best to achieve them”, “I always tell myself I am a competent person”, “I am a self-motivating person”, and “I would always encourage myself to try my best”. Cronbach’s alpha for UEO was .79. Regulation of emotions (ROE) was measured using the following items: “I am able to control my temper so that I can handle difficulties rationally”, “I am quite capable of controlling my own emotions”, “I can always calm down quickly when I am very angry”, and “I have good control of my own emotions”. Cronbach’s alpha for ROE was .85.

Religiosity

Religiosity was measured using the average of the following four items: to what extent do you consider yourself a religious person (4=very religious; 1=not religious at all), to what extent do you consider yourself a spiritual person (4=very spiritual; 1=not spiritual at all); “the events in my life unfold according to a divine or greater plan” (4=strongly agree; 1=strongly disagree); and “I have a sense of mission or calling in my own life” (4=strongly agree; 1=strongly disagree). The Cronbach’s alpha for this construct was .86.

Control Variables

Over-claiming scales were used in our study to control for social desirability bias in our survey (Randall and Fernandes, 1991). Subjects were asked to indicate their degree of familiarity (3=very familiar, 1=not at all familiar) with items in four different categories (movies, products, TV shows, and designer labels). All these items were nonexistent or fake. High scoring respondents indicated that they were aware of items that clearly did not exist. The average score on these items was used as the over-claiming score. Cronbach’s alpha for this scale was .84. This study also used the information provided by the respondents on various demographic variables like age, race, sex, GPA, and college major. Students were also asked to indicate if their program of study required them to take an ethics course outside the business school (1=yes, 0=no).

RESULTS

Table 1 presents Pearson’s zero-order correlations among all the variables used in this study. Ethical behavior of self and others’ emotions appraisal were significantly correlated with ethical behavior of peers (EBP). The correlation matrix also suggests that a number of predictors of EBP are significantly correlated with each other. These significant intercorrelations among the predictors can impact the significance of the relationships of interest. Another problem with correlations is that they do not tell us if a variable is dependent upon other variables. All they report is an estimate of the association among the variables. Regression analysis does not have these limitations and it allows us to represent more valid conclusions. Ordinary least squares regression (OLS) was used in our study.
Table 1: Correlations Among the Variables

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ethical behavior of peers</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Ethical behavior of self</td>
<td>.31**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>GPA</td>
<td>0.08</td>
<td>.18*</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Self-Emotions Appraisal</td>
<td>0.04</td>
<td>0.04</td>
<td>-0.03</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Others Emotions Appraisal</td>
<td>-.30**</td>
<td>-0.14</td>
<td>-0.04</td>
<td>.40**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Use of Emotions (UOE)</td>
<td>-0.09</td>
<td>0.03</td>
<td>.22**</td>
<td>.34**</td>
<td>.35**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Regulation of Emotions</td>
<td>0.09</td>
<td>.16*</td>
<td>0.05</td>
<td>.42**</td>
<td>0.05</td>
<td>.24**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Religiosity</td>
<td>-0.05</td>
<td>-0.02</td>
<td>0.07</td>
<td>0.10</td>
<td>.26**</td>
<td>.21**</td>
<td>0.07</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Non-business Ethics Course</td>
<td>-0.08</td>
<td>-.15*</td>
<td>-.17*</td>
<td>0.03</td>
<td>-0.04</td>
<td>-0.07</td>
<td>-0.08</td>
<td>-0.01</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Male</td>
<td>-0.04</td>
<td>-.23**</td>
<td>-0.10</td>
<td>-0.04</td>
<td>-.16*</td>
<td>-.07</td>
<td>0.06</td>
<td>-0.04</td>
<td>.14</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Graduate</td>
<td>0.07</td>
<td>0.01</td>
<td>.29**</td>
<td>0.02</td>
<td>-.02</td>
<td>-.02</td>
<td>-.03</td>
<td>0.06</td>
<td>0.06</td>
<td>0.03</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>University</td>
<td>0.06</td>
<td>0.05</td>
<td>0.02</td>
<td>0.01</td>
<td>-.08</td>
<td>0.11</td>
<td>0.13</td>
<td>-.03</td>
<td>-.02</td>
<td>0.11</td>
<td>-.27**</td>
<td>1.00</td>
</tr>
<tr>
<td>13</td>
<td>Over-claiming</td>
<td>-0.04</td>
<td>-.20**</td>
<td>-0.03</td>
<td>0.06</td>
<td>0.05</td>
<td>0.03</td>
<td>0.03</td>
<td>-.08</td>
<td>0.01</td>
<td>0.03</td>
<td>0.04</td>
<td>-0.07</td>
</tr>
</tbody>
</table>

** p<.01 (2-tailed), *p<.05 (two-tailed); Liswise n=185.
Regression analysis presented in Table 2 indicated that ethical behavior of self significantly influenced EBP. This supported Hypothesis 1. In addition, two of the four facets of emotional intelligence (SEA and OEA) significantly influenced EBP. These results partially support Hypotheses 2. Regression analysis results did not support Hypotheses 3, 4, and 5.

| Table 2: Regression Analysis for Ethical Behavior of Peers |
|-----------------------------------------------|----------------|------------|
| Independent variables                        | beta           | t-value    |
| Ethical behavior of self                     | .27**          | 3.61       |
| GPA                                           | .01            | .06        |
| Self-Emotions Appraisal (SEA)                | .17*           | 2.01       |
| Others Emotions Appraisal (OEA)              | -.30**         | -3.72      |
| Use of Emotions (UOE)                        | -.07           | -.81       |
| Regulation of Emotions (ROE)                 | -.01           | -.12       |
| Religiosity                                  | .04            | .58        |
| Non-business Ethics Course                   | -.08           | -1.07      |
| Control variables                            |                |            |
| Male                                         | -.06           | .77        |
| Graduate                                     | .07            | .96        |
| University                                   | .05            | .65        |
| Over-claiming                                | .03            | .36        |
| N                                            | 185            |            |
| R-square                                     | 0.20           |            |
| F                                            | 3.63**         |            |

**p < .01, *p <.05

DISCUSSION

Our results suggest that the respondents with higher levels of self-reported ethical behavior perceive that their peers also exhibit high levels of ethical behavior. These results are consistent with recent research that suggests that non-cheaters are less likely to believe that their peers are cheaters (Staats et al., 2008). Table 1 of our study shows that while there was no relationship between over-claiming and ethical behavior of peers, over-claiming was significantly correlated with ethical behavior of self. This implies that there is an element of lying by the respondents when it came to reporting their own ethical behavior. This raises questions about combining ethical behavior of self and peers and also not controlling for social desirability bias in ethics research. Future research needs to resolve this conflict.

One major factor investigated in this study is the various facets of emotional intelligence. Our results indicate that respondents with the ability to understand emotions of others (OEA) were significantly more likely to be aware of unethical behavior of their peers. OEA - or empathy - is a right-brain activity that allows us to comprehend situations, people’s motives and feelings, and build relationships. Empathy has been seen as an important ingredient of effective leadership. In times of crisis, empathy allows a leader to understand and react to the emotional reactions of the team (Pescosolido, 2002). Staats et al. (2008) reported a significant negative correlation between empathy and both past and future cheating. Our results support their recommendation that positive interventions aimed at increasing virtues, like empathy and honesty, are as critical as programs intended to prevent and punish ethical misconduct. Business schools can assess and develop emotional and social competencies of their students. For example, the Hay Group offers the Emotional and Social Competency-University Edition (ESCI-U) to assess college students. The ESCI-U can also be used for outcome assessment - a major accreditation requirement for business schools in the US.

A student’s ability to be aware of their own mood and thoughts (SEA) or self-awareness had a significant impact on perception of ethical behavior of peers. Cherniss and Adler (2000, p. 13) have identified this dimension as the “core of emotional intelligence” and essential for success in business and the professions.” Our results suggest that the more likely students are to be aware of their own strengths and weaknesses, the more likely they are to find their peers ethical and less likely to suffer from projection bias. In other words, the more self-aware a student is, the less likely is he/she to project their repressed thoughts and shameful or unacceptable behavior to others. Table 1
shows that this facet of emotional intelligence was highly correlated with other facets of emotional intelligence. This could explain why a student’s ability to regulate their emotions (ROE) and regulation of emotions (ROE) had no significant impact on perception of ethical behavior of peers.

Among the other independent variables, religiosity, GPA, and non-business ethics course had no significant impact on student misconduct; however, religiosity was significantly correlated with empathy (OEA) and non-business ethics course was significantly correlated with self-reported ethical behavior, both significant variables in our regression results in Table 2. Thus, it is possible that religiosity and non-business ethics courses may have had an indirect effect on student misconduct. Interestingly, while none of the control variables were significant, it is possible that male (via ethical behavior of self and OEA) and over-claiming (via ethical behavior of self) may also have an indirect impact on student misconduct. Future research needs to examine these indirect effects via path analysis. One major limitation of this study is that our model only accounts for 20% of the variance. Also, many of the variables examined in this study were not significant. Future research must examine other variables not included in this study.

AUTHOR INFORMATION

Satish Deshpande is Professor of Management in the Haworth College of Business at Western Michigan University. He teaches graduate and undergraduate course in Human Resources Management. His research includes applied psychology in human resource issues, unionization, and managerial decision-making. He has had over fifty refereed articles in various journals including the Academy of Management Journal, Compensation and Benefits Review, Human Relations, Journal of Small Business Management, Organizational Behavior and Human Decision Processes, Journal of Business Ethics, Journal of Labor Research, and Journal of Psychology. E-mail: satish.despande@wmich.edu

Jacob Joseph is Professor of Management in the School of Management at the University of Alaska Fairbanks. He teaches graduate and undergraduate courses in Human Resources Management. His research areas are in ethics, career plateauism, and emotional intelligence. He has published articles in Human Relations, Journal of Business Ethics, Health Care Management Review, and Journal of Psychology. E-mail: jjoseph@alaska.edu

Kevin Berry is Associate Dean and Associate professor of Accounting in the School of Management at the University of Alaska Fairbanks. He teaches undergraduate courses in managerial accounting. His has published in numerous journals including the Journal of Business Finance & Accounting, Journal of Accounting Education, Journal of Accounting Case Research, Petroleum Accounting and Financial Management Journal, The Mid-Atlantic Journal of Business, and International Journal of Accounting, Auditing and Performance Evaluation. E-mail: kberry9@alaska.edu (Corresponding author)

REFERENCES