

STUDENT PERCEPTION ON BUSINESS ETHICS ¹

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ABSTRACT

Many research conducted on the behavior of business persons and their perception on business ethics. However, rarely similar study deals with the perception of students on business ethics. Indeed, students are our future generation who are going to have substantial role in Indonesian business and economy. Therefore this study focuses on students as a proxy for future business players in this country (Trawick and Draden, 1980). We compare among groups of students based on their maturity, formal business ethic education, gender and specific professional backgrounds. The results of analysis show that in general students have good perception on business ethics. Further, there is a significant different perception on business ethics among students with different academic maturity, professional background. Student with business background are less ethical compare to those are with non-business background. This may consistent with previous evidence found that ethical principles need to be introduced more to business students. In contrast, there is no different perception on business ethics among student with different gender groups and formal business ethics course. This could be business ethics formal education takes time to be internalized by participants or student with no formal business ethics course also learn business ethics from other sources.

Keywords: students, perceptions, business ethics

INTRODUCTION

Some research deals with perception and attitude of students, academicians and business persons conducted in many developed countries. Sample used in those studies are also varies, ranging from a school level, a national level to an international level. Beltramini et al. (1984) studied the student perception on business ethics using a sample that consists of students across the states in the US. Roxas and Stoneback (2004) investigated whether gender has influence on ethical decision. Borkowski and Ugras

(1998) study literature on *Business Students and Ethics: A Meta-Analysis* by scrutinizing both published and unpublished studies on business to observe whether there is a consensus on the influence of gender and faculty (professional) backgrounds. From those studies they found that 47 studies use gender variable, 35 studies use age variable and 30 studies use faculty (professional background) variable. These studies signify that many variables used and the results in business ethics research are inconclusive. Inconclusive results and latest world financial scandals seem to have more attention among academician to further investigate the determinants of ethical decisions.

¹ This paper was presented at Asia Pacific Business Research Conference, 13-14 February, 2013, Kuala Lumpur, Malaysia.

Unlike in developed countries, in Indonesia is lack of study deals with business ethics although many business scandals happened due to lack of ethical compliance, namely Global Bank, Lapindo, Buyat Minahasa, and Century Bank cases. Therefore, this study investigates the perception of student (who are future business persons) on business ethics given the academic maturity, gender, formal education in business ethics and professional background.

The results of analysis based on the sample we use indicate that there is a significant different perception on business ethics between academically mature and less academically mature students. The same results also happen to student with different professional backgrounds. In contrast, there is no different perception on business ethics among student gender groups and students groups who have formal business ethics education and student group with no formal business ethics education.

This paper is organised as follows. After introduction, literature review and hypothesis development are presented. Further, research method and data are laid out to show the method and data used in this paper. Finally, this paper presents data analysis, results and conclusions.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

1. Business Ethics

Ethics is principle agreed upon that governs individual and groups in a certain place, society or firm. This principle is used to benchmark whether certain behaviour is right or wrong (Velazquez, 2006) Ethics is also refers to principle that must be followed by individual in a certain organization. When we refer to a set of rule or regulation which specifically regulate accountant (accounting professions) then it called professional ethics of accountants.

Further Velazquez (2006) also defines ethics is a discipline that study individual and society moral standards. The standards includes norm related to behaviour which is true or false according to moral standards. In the society, there are many people and groups of people who

share a common objectives. In achieving the objectives, the people organized themselves into an institution. Many institutions in the society namely: family, charity, politics, law and corporate or economic institution. Among them, economic institution has dominated other institution in influencing the moral standards of society (Velazquez, 2006). Economic institution is designed to achieve two objectives: 1) good and services required by society and 2) distribute the goods and services to the consumers.

An Economic institution which has substantial influence in community are corporations which have legal entity. A corporate is treated as a legal entity which has legal right as an individual does. Modern corporates serve investors, management, employees and society who become consumer and a part of social environment.

In its operation, a corporate or business deals with various stakeholders both internal and external stakeholders. Beyond the regulation in its daily activities, a business need code of conduct which is agreed upon to self regulate among the business and its stakeholders. The code rule of conduct is derived from ethical norms which is widely accepted by society. Business ethics is an implementation ethical principles in business transaction (Velazquez,2006).

2. Level of Maturity, Formal Education, and Business Ethics

Trawick and Draden (1980) stated that academicians are responsible for preparing future managers. Education makes people become more ethically sensitive and are able to argue in ethical matter eventhough knowledgeable persons are not always ethical. This statement indicates that ethics may be taught in formal education.

On the other hand, Rohatyn (1987) ethics must be experienced since childhood at home, school and church, therefore, it is doubt to be taught. Lane, Schaupp, dan Parsons (1998) also contend that education may change ethical behaviour temporarily but not permanently.

Although some literatures indicate that education may only stimulate short term ethical

awareness, many business schools introduced business ethics subjects in their curriculum, or ethical substance is embedded into many subjects or courses. This practice is also supported by findings of Davis and Welton (1991). They found that education is able to change ethical awareness. Further, age and maturity are also associated with their perception on business ethics.

Based on the above literature, ethical perception of students may develop in line with the level of maturity of student during their study at the university. Therefore, the first hypothesis of this study is as follows.

Ha₁: The level of ethical perception on business ethics of students is different in line with the maturity level of the students.

This hypothesis will be tested on undergraduate students and graduate students. Should this hypothesis be supported, then it provides evidence that ethical perception is associated with the level of maturity.

The first hypothesis is supported by two hypotheses.

- 1) ha_{1a}: The perception on business ethics of students is different between that of junior undergraduate students and that of senior undergraduate students.
- 2) ha_{1b}: The perception on business ethics of students is different between that of senior undergraduate students and that of graduate students. Junior undergraduate students are students who seat at semester 1, 2 and 3 and seniors are those who are in semester 4 or above.

The second hypothesis is related to the idea that ethics may be taught in formal education. Thus the following hypothesis will be tested using comparison between the level of ethical awareness of students who have already taken business ethics class and that of those who have not.

Ha₂: The perception on business ethics of students who have taken business ethics class is different from that of those who have not

3. Gender and Business Ethics

Hypothesis related to gender socialization approach, that there are different characteristics between male and female, therefore, they have different orientation in creating moral value (Kohlberg, 1969). Gilligan (1982) expanded the study based on gender orientation. For female, the frame of moral questions include caring, empathy and compassion, whereas for male, the frame of moral questions are right, justice and fairness.

Gender socialization approach argues that female and male have different moral responses to a certain situation in the similar condition. Male seeks success based on competition, tends to break the rule, whereas female tends to seek harmony, obey the rule, care on the way they achieve the objectives. (Betz and Shepherd, 1989). Gender identity theory states that gender becomes core of personality that develops moral value, therefore formal ethical education cannot change the moral value. (Roxas and Stoneback, 2004).

Meanwhile, *Structural approach* argues that the difference in response between male and female is not because of the gender itself, rather early socialization and the role of person (occupation of role). This indicates that male and female within similar work environment tend to have similar ethical responses (Betz and Shepherd 1989).

Barkowski and Ugras (1998) conducted a meta-analysis method on research in business ethics published between 1985-1994, found that 47 research articles were analyzed based on gender. Among the 47 articles, 23 of them resulted in significant differences in ethical responses between the genders, 16 articles resulted in insignificant differences and the rest 8 articles resulted in mixed findings. The results showed that female tends to behave ethically more than male does. In accounting and business education, Adkins and Radtke (2004) found that female tends to assume more ethical principles than male does. The same result was found in business ethics education (Beltramini et al., 1984).

Understanding the difference in ethical responses between male and female is getting more important because recently the number of female

who hold important position in business and other workforce increase significantly (Roxas dan Stone Back, 2004).

Based on these arguments, the fourth hypothesis may derived as follow:

Ha₃: There is different perception on business ethics between male and female students.

4. Professional and Business Ethics

Many studies indicate that business professionals have lower ethical values compare to those of other professionals in other industries and some business scandal may be categorized as illegal and crime (O'Clock dan Okleshen, 1993). This findings create awareness of the important of ethical value to be introduced early as possible in business profesional education.

As in fact many ethical scandals involved business professionals, created question whether business professionals are lack of ethical values compare to those of other professionals? To answer such question, this study also compares the etical value response of business professionals (as represented by accounting and business students) and other professionals as represented by student in other faculty (pharmacy student). Those two groups of students are assumed to be appropriate because the have similar curriculum professional ethics, accountant ethical conduct and parmacyst ethical conduct. Therefore, the next hypothesis is as follow.

Ha₄: There is different perception on business ethics between business profesional students and non business profesional students.

POPULATION DAN SAMPLE

The population of this study is Indonesian students because they are representing future Indonesian leaders in many sectors. The sampling method is purposive sampling method. For business profesional are represented by students of the Faculty of Economics and Buseness at the Accounting and Business departments, whereas

other professionals are represented by students from Faculty of Pharmacy. All students are from Gadjah Mada University because its student body is representative for Indonesian

RESEARCH METOD

This study uses closed ended questions consist of ten questions that provide six options response from sore 1 to score 6 to obtain the perception of student on business ethics. This questionnaire is tested in term of its validity and reliability. Data obtained from the questionnaire then compared and tested using independent t test (Cooper and Schindler, 2003).

ANALYSIS

Table 1 shows ten questions of business ethics issues and decriptive statistics on the level of business ethics response or ethical values of respondents. The ethical response is scaled from very unimportant (1) to very important (6) on certain business ethics issues.

Each business ethics issue earned different score, however, most of them are 5 (important) and 6 (very important). These indicate that most of students have ethical response between important and very important mean that most student care to ethical value in solving business problems. The highest average score is on the important ethics in profession (5,61), whereas the lowest average score is on the important ethics in the individual decission at the individual level (5.18).

The ethical response of some characteristics of students on business ethics in the various issues are presented in the Table 2. First, comparing the ethical response of the students in different level of maturity. The results indicate that maturity of students differentiates students' ethical response. Undergraduate students have ethical response score 52.8 while graduate students have that of 54.82 and those two scores are significantly different, this means that the more mature students tend to be more ethical.

Table 1. Descriptive Statistics Each Business Ethics Issue

No	Questions	1	2	3	4	5	6	Average	Dev. std	Variance	Min	Max	Range
1	How important is ethical value in your profession?	0.00%	0.51%	0.51%	1.01%	33.33%	64.65%	5,61	0,592	0,351	2	6	4
2	How important is the need to internalize and develop ethical value in your profession?	0.00%	0.51%	0.51%	5.56%	45.96%	47.47%	5,39	0,666	0,443	2	6	4
3	How important is ethical value in your individual daily life?	0.00%	0.00%	0.51%	7.07%	45.96%	46.46%	5,38	0,641	0,410	3	6	3
4	How important is ethical value in your individual decision?	0.00%	0.00%	1.01%	14.14%	51.01%	33.84%	5,18	0,701	0,491	3	6	3
5	How important is ethical value in your decision at workplace?	0.00%	0.51%	0.51%	8.08%	51.01%	39.90%	5,29	0,680	0,462	2	6	4
6	How important is ethical value that you take into account in planning in work place?	0.00%	0.51%	0.51%	9.60%	50.00%	39.39%	5,27	0,695	0,484	2	6	4
7	How important is ethical conduct need to be set up and adjusted in accordance to society needs?	0.00%	1.01%	0.51%	16.67%	40.91%	40.91%	5,20	0,806	0,649	2	6	4
8	How important is ethical conduct need to be set up in accordance to your profession?	0.51%	0.51%	0.00%	9.60%	42.42%	46.97%	5,34	0,762	0,580	1	6	5
9	How important is ethical education role in solving ethical dilemma in your profession and work place ?	0.00%	0.51%	1.52%	8.59%	40.40%	48.99%	5,36	0,746	0,556	2	6	4
10	How important is ethical education role in solving ethical dilemma in Indonesia?	0.00%	1.01%	2.02%	7.07%	30.81%	59.09%	5,45	0,797	0,634	2	6	4

Table 2. Result Analysis

DESCRIPTION	Academic Classification				Ethics Education		Gender		Profession	
	Junior	Senior	Graduate	Undergraduate	Formal Ed.	Informal Ed.	Male	Female	Accountant	Pharmacist
Mean	52.98	52.62	54.82	54.82	53.67	52.87	53.01	54.07	53.5	55.17
Median	54.5	53	55	54	52.46	53	55	53.5	52	55
Variance	21.892	32.208	13.628	26.877	23.043	24.027	30.3	13.925	17.266	11.71
Deviation std	4.679	5.675	3.692	5.184	4.8	4.902	5.505	3.732	4.155	3.422
Minimum	39	33	44	33	33	39	33	40	40	46
Maximum	60	60	60	60	60	60	60	60	60	60
Range	21	27	16	27	27	21	27	20	20	14
N	66	66	66	66	150	48	111	87	139	24
Probability	0.689	0,010	0,002	0,331	0.109	0,04	Not Significant	Not Significant	Significant	Significant

When the level of maturity among undergraduate students are compared, the results are unable to find any different score on ethical response among groups of undergraduate level (between juniors and seniors). However the level of ethical response between senior undergraduate and graduate students are different. This results signify the support on the maturity hypothesis. An interesting findings is junior students has score ethical response 52, 98 and senior have an average score 52,61.

Education ethics indicates that there is no difference score on ethical response of students who have taken Business Ethic class and those who have not. This means that formal education unable to influence the score response on ethics. Even so, the score of students who have taken business ethic class (53,67) is higher than that of who have not taken business ethics class (52,87). This finding support value development theory as stated by Rohatyn (1987) dan Lane et.al (1998); ethics is something that has been habitualized since childhood and not because formal course at school or university.

Next, gender group based analysis shows that male and female do not have any difference score in ethical response, this means that gender does not have any influence on the level of ethics. This is may be both male and female students are in the same environments as stated in the structural approach. Even so the male (53,01) score is lower than that of female score (54,07)

The last two column, shows that the score on ethical value of business student (52,87) is less than that of pharmacy student (55,17), this means that business students are less ethical than pharmacy students. This findings may support by research results indicating that business student is less ethical perception than non-business students.

CONCLUSIONS

This study investigates the perception of students on business ethics. The sample consists of students at the Business, Accounting and Pharmacy departments. The results indicate that students have a high ethical awareness (perception)

especially when the issue is related to their professions.

The surprised finding is that business students have less ethical business awareness compared to pharmacy students do. This result may explain the consistency of many corporate scandals committed by management of the firms. The perception on business ethics of students is also influenced by the maturity level of the students. Gender factor, in contrast, does not have any power to distinguish level of ethical perception among male and female students.

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