

# Moral dilemma when money's at stake

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Researchers used hypothetical dilemmas to test the impact of ethics training.  
Credit: Thinkstock

On the seventh anniversary of the global financial crisis, a study has found that it may be possible, with specific ethics training, to improve the moral judgment of finance students.

The collapse of investment bank Lehman Brothers on September 15, 2008, was the seminal event in a crisis that resulted from moral failure within financial institutions as much as it did from investment failure.

However, the crisis in 2008 wasn't the first time the industry had been called out for its behaviour – nor is it likely to be the last – says researcher Gerhard Van de Venter, a former bond dealer who is now head of the finance discipline group in the Business School at the University of Technology Sydney.

"These sorts of events have accelerated the discussion about the necessity of [ethics](#) in business education," Professor Van de Venter says. As a result, ethics training has been introduced to virtually all [business school](#) programs in one form or another.

The question he and fellow researchers wanted to address was: do such programs work? "We wanted to know whether inclusion of ethics in the curriculum is actually having an effect – and specifically for finance students," he says.

He, with Professor David Michayluk, senior lecturer Dr Gerhard Hambusch and honours student Alan Kovacevic, conducted an experiment with a group of final-year finance students, testing them before and after six weeks of an ethics "elective" subject.

The students were presented with three hypothetical ethical dilemmas, with 12 elements to consider in each "story". They were asked to rank their top-four most important considerations in making their decision. How high they ranked certain considerations determined their "P-score", or principled score.

The first dilemma was a commonly used scenario involving a man whose wife is dying but who can't afford the high cost a pharmacist is charging

for a new, life-saving drug. Should the husband steal the drug?

The two other scenarios were specifically finance related. In one, the question is whether a lender should extend credit to a new business when the owners have previously left behind relatively large debts from a failed enterprise. What might matter more: that extending credit would violate the lender's policy or that the business would create much-needed jobs?

In the other, the question is whether "Joe" should be reimbursed for his full conference expenses, given that he extended the trip by a day and took his wife but achieved a discount by doing so. Does it matter – and if so, how much – that Joe is an excellent worker, or that the company has shareholders?

The study found the average of the male and female students' P-scores jumped from 28.3 before the ethics subject to 39.4 after.

The executive director of the Ethics Centre, Dr Simon Longstaff, is buoyed by the result.

"I have long thought that the majority of wrongdoing in finance is less a product of deliberate intention and more a matter of people being uncritically drawn into harmful habits of unthinking custom and practice," he says.

"In this sense, many of the worst offenders truly do not see that what they do is wrong. The good news is that this proves it is possible to help people to see and understand the ethical character of their choices."

The Ethics Centre has been working with the financial services industry as a partner in the voluntary Banking and Finance Oath, a set of professional obligations that gives an ethical framework for industry

participants.

"The result shows that a subject in finance ethics can considerably influence students, can develop their [moral judgment](#)," says Dr Hambusch, who teaches ethics at UTS. However, there is more to explore.

For example, in a result that might surprise some, the study found the effect on the women in the study was not nearly as great as that on the men.

The female students started with an average P-score of 30.2, ahead of the men on 26.4. But their positions flipped after the ethics course. While the women rose to an average of 35.4, they now trailed the men on 41.7.

The researchers acknowledge there can be a difference between how people think about ethical dilemmas and what they do.

"Students could find it harder to maintain an ethical stance once they are in the workplace and experience influence from above or peer pressure from colleagues," Professor Michayluk says. So the next step might be to conduct a similar study with graduates once they are on the "front line".

Provided by University of Technology, Sydney

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