ETHICS AND EFFECTIVENESS AS MEASURED
BY COMMUNICATIONS IN LOAN PRESENTATIONS

by

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(ABSTRACT)

This study assessed intended communication behavior in terms of ethics, information content effectiveness, and the potential relationship between the two. Participants were 33 university finance majors who wrote open-ended responses to simulated loan presentation scenarios containing ethical communication content.

The analysis consisted of a combination of qualitative and quantitative methods. A panel of bank loan officers judged the finance majors' open-ended responses for ethics and content effectiveness. From the officers' scores, the responses were categorized as: (1) ethical, (2) unethical, (3) effective, (4) ineffective, (5) ethical/effective, (6) ethical/ineffective, (7) unethical/effective, or (8) unethical/ineffective.

The finance majors' answers tended to be judged as ethical, but the judgements were mixed as to the effectiveness of their responses. The responses that were judged to be both ethical and effective tended to be direct followed by a sales pitch on the benefits of the loan. The sales pitch portion of the responses was typically

irrelevant to the question posed in the scenarios. Responses that were judged to be both unethical and ineffective tended to be either responses that were naive or responses that avoided the question being asked in the scenario.

The findings indicate that it is difficult to provide an unethical response that is also effective. However, an ethical response can just as easily be effective or ineffective. In other words, an effective response is likely to be ethical, but an ethical response gives no indication as to whether it is effective or ineffective.

One main conclusion resulted from the findings: Effective communication does not have to occur at the expense of communicating in an unethical manner.

Beneficiaries of this study are both business people and educators. It can help banking trainers determine what content should be targeted in management training programs with regard to communication behavior in a loan presentation. Business communication faculty can benefit in two primary ways: the study shows the intended communication behavior of finance majors ("where the students are") and it provides preliminary data on what communication techniques are considered effective, ineffective, ethical, and unethical by business people, specifically loan officers.

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CONTENTS

CONTENTS (Continued)

CONTENTS (Continued)

LIST OF TABLES

LIST OF FIGURES

CHAPTER 1

INTRODUCTION

Both ethics and communications are critical to the effective conduct of business today, which, in turn, make them important issues in the business curricula. Porter and McKibbin (1988) in Management Education and Development: Drift or Thrust Into the 21st Century? listed seven criticisms of business school curricula of which two are related to this study: (a) insufficient attention to communication skills, and (b) insufficient attention to ethics. Sarachek (1964) stated that one element of effective communication is information content. This study's focus was on intended behaviors with regard to communication ethics and information content effectiveness of finance majors in a domain specific situation, the loan presentation at a bank.

Unfortunately, business leaders continue to criticize business graduates' communication skills. Furthermore, research indicates that students' ethical standards are often lower than practitioners' (Arlow & Ulrich, 1980; Hollon & Ulrich, 1979; Longenecker, McKinney, & Moore, 1989). These factors may be an indication that future business leaders will be more unethical; however, another possibility is that students' moral development is generally at a lower level than business people's due to students' younger ages.

To reduce unethical behavior, universities are providing ethics education. The debate has moved beyond whether ethics should be taught in business curricula, as evidenced by policies of the two business school accreditation bodies, the American Assembly of Collegiate Schools of Business (AACSB) and the Association of Collegiate Business Schools and Programs (ACBSP). The AACSB policy statement notes "...coverage should include ethical and..." (Achieving quality and, 1992, p. 19) while the ACBSP statement is even stronger noting "...as outlined below, must be included...Business Ethics" (Accreditation standards for, 1992, p. 2). Further, a survey of Fortune 500 presidents ranked ethics slightly below the core business requirements in terms of importance and well above recommended courses such as entrepreneurship and international business (Jenkins, Reizenstein, & Rodgers, 1984).

The debate remains as to whether there should be a separate ethics course or whether ethics should be integrated into the curriculum. Integration advocates argue that integration is important in order to avoid fragmentation of knowledge. An integrated education provides a broad, "real-world" view of life. Baxter and

Rarick (1987) concluded that "seeing the connectedness of things is the source of moral development" (p. 247). In a survey of AACSB deans, the majority felt that ethics should be addressed, as needed, within existing course work (George, 1988).

The pedagogy of ethics courses is also continuously under discussion. The case method is a popular instructional method in teaching ethics; however, often these cases deal with top level executives' ethical decisions. Although there is nothing wrong with these cases, of equal value are applied cases in a domain that business students may face early in their careers.

One such domain that involves ethics and communications is in the environment of a bank loan committee, a form of small group communication. The primary purpose of a loan committee meeting is to present, discuss, and approve loan requests.

The following discussion describes the loan committee at a bank; however, each bank's loan approval process may vary. Loan officers who wish to have a loan approved will present their request to the committee. Customers or clients do not attend these meetings. There are different loan committee tiers. The dollar size of the loan determines the committee(s) that need(s) to approve the request. Lower level committees consist of loan officers, while higher level committees consist of members of the board of directors. In most situations, the loan officer presenting the loan is making an endorsement for the loan. If the loan officer doesn't believe the loan is worth making, he/she can turn down the loan without any presentation to the committee. The very nature of loan presentations leads to selling the loan which involves persuasive communication which, in turn, may help foster a deceptive communication environment. Many different presentation styles exist just as many different selling styles also exist. Vagueness, white lies, exaggerations, half-truths, and concealment can all be part of the process. Further, a time element that doesn't allow for presentation of all the pertinent facts exists. Indeed, what is pertinent to disclose and what is significant is a judgement call.

It is impossible for any loan officer to have the answer to every potential question. In a situation where loan officers don't know the answer to a question they have several options; including (1) admitting ignorance, (2) fabricating an answer, or (3) answering something else. Which answer is unethical is open to debate. Yet, the impact of the communication has the potential of affecting society since how money is allocated in society is partially determined by approval of loans.

Deciding whether distortion or deception in loan presentations is costly to banks is difficult to determine for two reasons. First, if deception is occurring and not being detected, determining the measures of cost are not clear. Second, if a loan goes into default, the default usually occurs a relatively long time period after the loan has been approved in the committee. Therefore, the damage from deception occurs in the future and the specific loan committee meeting is long forgotten.

Because of the recent scandals and financial weakness of financial institutions, this study may appear to be addressing the ethics of bankers. This study was not about the ethics of bankers nor does it imply that the banking business is filled with unethical behavior. Rather, this study focused on the student acting within a simulated banking situation, the loan committee.

This domain-specific situation, the loan presentation, was chosen because it is a dynamic environment to analyze the combination of ethics in communications and effective information content. The relationship between communication ethics and effective information content can better be understood by referring to Figure 1:

Responses in the lower left hand quadrant are responses that are both ethical and effective. Responses in the upper left hand quadrant are ethical and ineffective. Responses

Ethical/Ineffective	Unethical/Ineffective
Ethical/Effective	Unethical/Effective

Figure 1. Relationship Between Ethics and Effectiveness

in the lower right hand quadrant are unethical and effective. Lastly, responses in the upper right hand quadrant are unethical and ineffective. This diagram serves as the basis for reporting and interpreting outcomes of the study.

At this point it may be useful to clarify the issue of ethical communication versus honest communication. Some may believe that the only way communication can be ethical is if it is completely honest with full disclosure of information. Others believe communication can still be ethical with a certain amount of deception.

Purpose of Study

The purpose of this study was to assess intended communication behavior in terms of ethics, information content effectiveness, and the potential relationship between ethics and information content effectiveness by students who are finance majors in a simulated loan presentation environment.

Research Questions

1. Given simulated loan presentation scenarios, what are finance majors' intended ethical behaviors in regard to supporting the loans?
2. Given simulated loan scenarios, how effective are finance majors in supplying information for a loan?

3. Does a relationship exist between intended ethical behavior and information content effectiveness?

Significance of Study

Reinsch (1989) stated two reasons why business communication scholars need to research business communication ethics: (a) to fully explore the field of business communication; and, (b) to improve the quality of moral teaching in education. Many of the earlier studies on ethics treat ethics as a single construct. People have tried for centuries to decide what is ethical, but relatively little research has been devoted to what is ethical in business communication. Bok (1979) stated, "The striking fact is that, though no moral choices are more common or more troubling than those which have to do with deception in its many guises, they have received extraordinarily little contemporary analysis" (p. xix).

This study focused on one aspect of ethics in a domain specific situation--the loan presentation. Mitchell, Lewis, and Reinsch (1992) categorized 17 behaviors that had ethical overtones viewed by bank employees. "Lies and deception" tied for third as the most frequently observed behavior.

The way a decision-making group functions can affect both the participants and those to whom their actions apply (Gouran, 1982). Therefore, ethical issues are part of a loan committee. Presently, a major void exists in the area of small group communication ethics research. Many philosophies of ethical communication can be found but little empirical work as to how people behave is available. This study provided baseline data on how students intend to behave. The beneficiaries of this information are both business people and educators.

This study can be helpful to banks in the recruitment stage, an excellent time to clarify values. If business graduates are not clear about how to communicate in an ethical manner, management needs to be informed and concerned. Also, this study can help banks develop management trainee programs. Specifically, it can help bankers determine what content needs to be targeted with regard to communication behavior in a loan presentation.

Faculty who incorporate ethics and communications into their curricula can also benefit. A survey respondent from Peirce and Greis's (1992) study was quoted as saying, "...we also must emphasize communication skills and provide real-life experiences" (p. 17). Fielden (1958) believed students should become familiar with the "full gamut of semantic tricks" (p. 17) and taught to recognize reprehensible techniques. Fielden also believed students should be taught acceptable manipulation techniques. Sarachek (1965) stated the following:

> Undoubtedly, we in academic life have a responsibility for assisting in the development of the ethical character of our students. I doubt, however, that we can honor this obligation by sticking our heads in the sand ostrich-fashion and teaching a theory of communication that constitutes to a greater or lesser degree an oversimplified myth (complete honesty). (p. 42-43)

If faculty expect to improve communication ethics and effectiveness, they would do well to "start where the learners are." This requires discovering the intended ethical and communication behaviors of students.

Operational Definitions

Ethical Content or Unethical Content: For the purpose of this study, the judges' median scores will determine whether a response is ethical or unethical. The judges were free to use their own definitions of ethical and unethical.

Effective Content: An effective response was considered to be an accurate response that would increase the chance that the loan would be approved. The judges' median scores determined whether a response was effective or ineffective.

Ineffective Content: An ineffective response was considered a response that decreased the chance that the loan would be approved.

Disclosure: Extent to which an individual verbally communicates to other people all of the situationally relevant knowledge, facts, or findings of which the speaker is cognizant (Turner, Edgley, & Olmstead, 1975).

Deception: Intentional misrepresentation, including concealment, of information in order to induce in another person or other persons a belief that the deceiver knows to be untrue (Metts, 1989).

Content: The word(s) used in the communication process; includes all aspects of communications except tone, body language, eye contact; what is said, not how, why, or where.

Theme: Recurring pattern across participants' responses.

Delimitation

Because banking courses are typically taught in the finance department with a high percentage of finance majors enrolled in banking courses, study participants were restricted to finance majors.

Limitations

1. Because this study used qualitative research methods and subjects, or participants, were selected for convenience, the results can not be statistically generalized.
2. The study examined oral communications but the subjects responded through use of written words.
3. Subjects were not under the same pressure that a loan officer may be when presenting a loan.
4. Inexperience of the respondents may have limited their ability to respond to the scenarios.

Assumption

Communication is not amoral; communication has ethical content.

Summary

In summary, this chapter introduced the purpose and significance of the present study. In addition, this chapter highlighted some of the issues in ethics education and presented an overview of the loan presentation process. Lastly, this chapter stated the operational definitions, delimitations, limitations, and assumption of this study.

CHAPTER 2

LITERATURE REVIEW

The review of the literature is categorized into eight sections: (a) ethical perspectives applied to communication; (b) college students' ethical mind-sets; (c) moral development and moral action; (d) ethical principles and decision making; (e) small group communication ethics; (f) deception and information control; (g) effective communications and (h) summary. Ethics research can be categorized into three categories: decision making reasoning process, ethical decision or judgement, and intended ethical behavior. This study focused on intended ethical behavior. Therefore, sections (c) and (d) of the literature review are more for background and not meant to be a critical review. Likewise, sections (a) and (b) are broader topics and not considered the core of the literature review. Sections (e) through (g) are topics that are more directly relevant and those areas of the literature review were critically examined.

Ethical Perspectives Applied to Communication

Johannesen (1983) discussed various ethical perspectives and applied them to communications: human nature, dialogical, situational, religious, utilitarian, and legal. Among the perspectives, there is overlap in ideas and concepts.

The foundation of the human nature perspective is for people to have respect for other as human beings. The core of this perspective is that a speaker should not use methods that alter a person's ability to reason. Therefore, communication is judged as ethical by reviewing (a) communicator intent, (b) nature of the means employed, and (c) accompanying circumstances as these improve or deteriorate people's rationality and decision-making ability (Johannesen, 1983).

The dialogical perspective measures the ethical level of the communication using participants' attitudes toward each other. Martin Buber, philosopher, is the main person who places the dialogical perspective at the core of his view of human communications (Johannesen, 1983). Buber's view of the dialogical perspective is "characterized by such qualities as mutuality, open-heartedness, directness, honesty, spontaneity, frankness, lack of pretense, nonmanipulative intent, communion, intensity, and love in the sense of responsibility of one human for another" (Johannesen, 1983, p. 47). A basic element of the dialogical perspective is that the speakers do not try to put their views on other people, but rather try to understand the views of others. Any persuasion under the dialogical perspective appears to be considered unethical, but the emphasis is on attitude. Buber believes persuasion is acceptable as long as the communication is in a noncoercive, nonmanipulative manner that respects the choice of the receiver (Johannesen, 1983).

The situational perspective focuses on the "elements of the specific communication situation at hand" (Johannesen, 1983, p. 67). A pure situational perspective judges ethics only after analyzing the context of the communication. Taking this viewpoint to an extreme results in no ethical guidelines because each situation must be evaluated separately.

The religious perspectives of ethics standards are developed from sacred literature such as the Bible (Johannesen, 1983). Johannesen (1983) listed several "principles" for a Christian ethic of communication that were developed by Charles Veenstra and Daryl Kooi: (a) communicate in the same loving spirit we worship God; (b) use honesty in all acts of persuasion; (c) use only the best language; (d) determine the genuine needs of the audience and attempt to meet those needs; and (e) communicate using techniques that are appropriate for the situation. Veenestra and Kooi's principles do not require honesty to include complete disclosure of information. Their concern is that complete honesty may hurt someone's feelings.

The utilitarian perspective treats an act as morally acceptable if the results of the act result in more benefits than costs or the greatest amount of good for the greatest number of people occurs (DeGeorge, 1990). This perspective would appear to be difficult to apply in a loan committee environment due to the problem of measuring the benefits and costs or the aggregate utility of an act.

The legal perspective is perhaps the easiest to analyze because under this perspective illegal communication is the only unethical communication (Johannesen, 1983). In a loan presentation environment most communication would be ethical because deception in this environment does not usually involve legal ramifications.

College Students' Ethical Mind-Sets

College students in the 1980s were often viewed as being more self-centered and less idealistic than the college student of the 1960s. The "excess of the 1980s" has emphasized free enterprise and many business students appear to be willing to do anything for their careers (Wood, Longenecker, McKinney, & Moore, 1988). A 1987 survey administered by the American Council of Education and the University of California at Los Angeles found "being very well off financially" was one of the primary personal goals of 75.6% of college freshman versus 39.1% in 1970 (Longenecker, et al. 1989). The survey also discovered "developing a meaningful philosophy of life" as a meaningful goal dropped from 82.9% in 1967 to 39.4% in 1987

(Longenecker et al., 1989). The implied link between the above statements and statistics with ethics is that financially driven, non-philosophical people are more unethical. Perhaps, this may be an erroneous assumption.

Finance majors may place more emphasis on profits compared to other business majors. In a study that had business majors rank corporate goals, finance majors emphasized more than other business majors "achieving business goals through financial objectives" and "maximizing profits over the short run" (Beggs & Lane, 1989). Furthermore, no finance major rated "be a socially responsible company" as "very important."

The emphasis on profitability by finance majors may be one reason why these people are finance majors. However, finance courses appear not to alter these students' views. Business ethics and social responsibility are almost totally ignored in corporate finance textbooks (Hawley, 1991). These textbooks emphasize that the primary objective of financial professionals is to maximize the value of the firm. Hawley (1991) stated the following:

> There are ample reasons for finance instruction to include an examination of BE-SR (business ethics - social responsibility) issues as they relate to financial management, even if there are no clear cut answers to the most pressing questions. It is still the responsibility of concerned educators to pose the questions and encourage students to discuss the issues. (p. 720)

There have been numerous studies concluding that college students have lower ethical values than practitioners (Arlow & Ulrich, 1980; DeSalvia & Gemmill, 1971; Hollon & Ulrich, 1979; Lysonski & Gaidis, 1991; Schein, 1969; Siegel, 1973; Wood, Longenecker, McKinney, & Moore, 1988). The literature also supports that lower level managers, who are also typically younger, have less ethical views than higher level management (Longenecker, et al., 1989). This may be due to the pressures low-level managers feel to perform in order to be considered for promotional opportunities. With the trend toward elimination of middle management and a glut of people in line for promotions due to the baby boom generation, naturally, competition for promotion is fiercer than in the 1960s. In addition to external pressures, a second rationale for younger people having less ethical standards is related to the concept of moral development.

Moral Development and Moral Action

John Dewey was the first to develop a cognitive-developmental approach to moral education (Kohlberg, 1975). Dewey hypothesized three levels of moral development: (1) pre-moral or preconventional level motivated by biological and social impulses; (2) conventional level of behavior where people accept the standards of the group; and (3) autonomous level where people think for themselves and do not accept the standards of the group (Kohlberg, 1975). Jean Piaget used Dewey's model of defined stages of moral reasoning in children.

Relying on Dewey's and Piaget's work, Kohlberg postulated that people's moral reasoning processes are developmental and that people progress through six stages of moral reasoning. The early stages of Kohlberg's model are ego-focused and the later stages group-focused. One problem with applying Kohlberg's model is the complexity involved in determining a person's developmental stage.

Rest (1984) developed the Defining Issues Test (DIT) to test moral reasoning using stages similar to Kohlberg's. The DIT is a multiple choice test and is commonly used to determine a person's moral reasoning (Rest, 1984).

Kohlberg (1975) found that moral reasoning develops over time and movement is always forward. Movement from one stage to another involves cognitive reorganization rather than acquisition of moral concepts common in a culture. Kohlberg also found that moral reasoning is somewhat stable in that people consistently reason at or near their same level.

Under Kohlberg's model, a person's moral reasoning level is determined by the reason given for the ethical decision not on the basis of whether the action is judged right or wrong. For example, if a person has the option to steal an item, the person's moral development stage would be determined by why the person chose to steal or not steal rather than if the person stole the item.

Moral judgement must be distinguished from moral action. A person may reason at a high level, but not act in this manner. Therefore, moral judgement is a necessary but not sufficient condition for moral action (Kohlberg, 1975). The difference between moral judgement and moral action can be motivated by many factors such as pressure and emotion.

Rest (1984) believed moral behavior is a function of four cognitive processes: (a) determine the alternatives and estimate the consequences of each action; (b) determine what action would best fulfill a moral ideal; (c) decide what one actually decides to do even if it compromises the moral ideal; and (d) execute and implement the action.

Ethical Principles and Decision Making

"What distinguishes the ethical from other concerns is the act of choice. The inevitable is not ethical. We ought not hold people responsible for communication over which they have no control" (Bormann, 1981, p. 269). People who see communications as amoral do so because they believe the issue of ethics occurs at the decision making stage. Communication is seen as a device for implementing ethical or unethical behavior.

Carroll (1987) developed a process of ethical decision making that involved three considerations: (a) decision being considered; (b) standards or norms against which a comparison can be made; and (c) a principle of business ethics which provides guidance. The second and third steps are within what Carroll labels an "ethical screen." Often, ethical decision making is based upon using the first and second or the first and third steps. In other words, the decision must pass the standards of the person, organization, and society or pass an ethical principle that the person uses. If the decision passes this "ethical screen," the decision is acceptable. Of course, this model is very useful to conceptualize the decision making process as it relates to ethics; however, people may skip the "ethical screen" if they are under pressure.

Carroll (1987) also listed the following different ethical principles that may be used in ethical business decision making:

1. You should not adopt principles of action unless they can, without inconsistency, be adopted by everyone else (Categorical Imperative).
2. Individuals should act to further their self-interests so long as they do not violate the law (Conventionalist Ethic).

3. Do unto others as you would have them do unto you (Golden Rule).
4. If it feels good, do it (Hedonistic Ethic).
5. If you are comfortable with an action or decision after asking yourself whether you would mind if all your associates, friends, and family were aware of it, then you should act or decide (Disclosure Rule).
6. Do what your "gut feeling" tells you to do (Intuition Ethic).
7. If the ends justifies the means, then you should act (Means-Ends Ethic).
8. You should take whatever advantage you are strong enough and powerful enough to take without respect for ordinary social conventions and laws (Might-Equals-Right Ethic).
9. This is an age of large-scale organizations--be loyal to the organization (Organization Ethic).
10. You should do only that which can be explained before a committee of your professional peers (Professional Ethic).
11. You should follow the principle of "the greatest good for the greatest number" (Utilitarian Principle). (p. 21)

Carroll (1987) found that both managers and students ranked the Golden Rule and Disclosure Rule as the first and second foremost ethical principles, respectively. Of note, this does not imply that managers and students behave following these principles.

Small Group Communication Ethics

In small group communications individuals are presented with two potential conflicts with regard to ethics: (a) the person's individual code of ethics differing from the group's ethical standards; and (b) the goals and tactics of the group conflict with another group or the general welfare of society (Bormann, 1981). Applying this to a loan committee, a loan officer must sometimes choose between personal goals and the goals of the committee and choose between the committee's goals and what is best for society.

Through time, each group typically develops unwritten rules and expectations of acceptable communication procedures. The roles individuals play and the history of the group will influence the way deception is performed and the accuracy in detecting deceptive practices (Knapp & Comadena, 1979). Most participants know when they are breaking the rules. People who break the rules have the benefit of gaining a competitive advantage (Bormann, 1981). Communicators who deceive for their self-interest are likely to receive the harshest criticism (Knapp & Comadena, 1979).

Camden, Motley, and Wilson (1984) had a different viewpoint when discussing a specific broken rule, the lie:

> ...(when analyzing a lie) selfishness in terms of the person for whose benefit the lie was told may be shallow. Since almost all (intentional) communication behavior is designed to achieve a desired goal of the speaker, it seems likely that the speaker is typically the beneficiary of his/her utterances... (p. 314)

Regardless, continuous failure to follow the ethical norms of the group will likely result in dissention if not destruction of the group. The degree to which deceptive practices should be condoned is a function of the actor's motivation, awareness of what he/she was doing, and the effect of the action (Knapp & Comadena, 1979). A person who uses the group solely for personal gain is to be censured, because, even if the person's goal is not achieved, the behavior creates a destructive group environment (Bormann, 1969). In a loan committee environment, censorship would probably not be a severe enough penalty. Once trust is lost among members, the loan committee would have trouble functioning.

Bormann (1969) stated that there is a close connection between persuading and giving advice. In a loan presentation, loan officers are in effect persuading and giving advice. In the role of an adviser, a person has certain duties and responsibilities: (a) present information honestly, fairly, and accurately; (b) be open about sources;

(c) cooperate with members in testing the truth of the statement of facts; (d) do not lie; and (e) be prepared to defend the advice in terms of the common good (Bormann, 1969).

Gulley (1968) discussed several guidelines for ethical small group communications:

1. Each member is individually and collectively responsible for a group decision that is approved by all.
2. Members who contribute facts are assumed to be providing accurate information. Presenting a few facts as the whole story, tentative findings as conclusions, or partial understanding as authoritative is to mislead the group. In other words, overstating understanding, misrepresenting facts, or sounding more positive than understanding justifies is dishonest.
3. Speakers should encourage participation of all views including unpopular ones.
4. The speakers must reveal their biases.
5. Lying, fabricating, inventing, misquoting, and falsifying information are obviously dishonest practices.
6. Ethical group members do not manipulate the discussion unfairly so that their selfish ends are accomplished and group goals subordinated.

7. The speaker does not load language to make concepts he favors appear positive and those he opposes appear negative. (149-151)

An individual must sometimes choose between the ethical code of the group or ethical code of society. Obviously, this can be politically uncomfortable for a person who chooses society over the group. One way of not showing this bias is by applying deceptive communication practices which probably would violate group rules.

Because one decision affects many people, a group may not be fully aware of its decision (Gouran, 1982). To help bring about awareness, Gouran (1982) recommended group members reflect on these five questions: (a) "Did we show proper concern for those whom our decision, if enacted, will affect?"; (b) "Did we pursue the discussion question as responsibly as we were capable of doing?"; (c) "Did we misrepresent any position or misuse any source of information?"; (d) "Did we do or say anything that may have unnecessarily affected any participant's sense of self-worth?"; and (e) "Was everyone in the group shown the respect due him or her?" (p. 227).

Dorfman and Buster (1989) developed a model code of conduct for loan officers of which one principle was pertinent to small group communications: officers should support good internal governance by full and fair disclosure within the institution which includes making recommendations regarding credit in an accurate, clear, concise, candid, and complete way and present them promptly upon becoming aware of the circumstances making the action appropriate.

The various guidelines by Bormann, Gulley, Gouran, and the loan officer code of ethics appear to be idealistic recommendations that have little hope for implementation. Words such as honestly, accurately, overstating, and unfairly are rather nebulous and open to a great deal of interpretation. There is likely to be a wide variance among individuals as to what is acceptable behavior. To be realistic, deception and information control are part of communications (Turner, et al., 1975). Whether deception and information control are unethical is a function of many factors, including a person's own ethical perspective. Deception and information control are discussed in the next section.

Deception and Information Control

Not surprisingly, when honesty results in a significantly large penalty people do have the ability to deceive. Saxe (1991) found that the overwhelming majority of students would lie if they didn't finish a paper or have a valid excuse if the paper was critical to the student's grade. The study helped explain how the pressure to perform leads to deceitful practices and reinforces the role of the situation in encouraging deception.

Grice (1989) suggested that participants should follow the Cooperative Principle which stated "Make your conversational contribution such as is required, at the stage at which it occurs, by the accepted purpose or direction of the talk exchange in which you are engaged" (p.26). Grice (1989) also listed four conversational categories, which, if followed, would produce results in agreement with the Cooperative Principle: Quantity, Quality, Relation, and Manner. Grice did not present these four categories as ethical guidelines but rather presented them as guidelines for effective and efficient use of language. McCornack (1992) suggested that deceptiveness can arise from the manipulation of these four categories.

The category of Quantity relates to quantity of information provided. Quantity has two maxims:

1. Make your contribution as informative as is required (for the purpose of the exchange).
2. Do not make your contribution more informative than is required.

Quantity violations may consist of leaving out pertinent information or providing too much information. Grice points out that the second maxim may not be necessary to match the Cooperative Principle. Rather, being over-informative may simply be a waste of time. However, over-informativeness may cause confusion.

The category of Quality requires making your contribution one that is true. In other words, the participant will not provide false information. In general terms, the speaker will not lie. Quality has two maxims:

1. Do not say what you believe to be false.
2. Do not say that for which you lack adequate evidence.

The category of Relation simply has one maxim that also defines this category--be relevant. Not being relevant can be used to avoid a question. For example, a committee member could ask, "How long has the company been in business?" A loan officer could respond "Mr. Smith has been a member of this community since 1940." While this may be useful information, the loan officer's response was not relevant to the question.

The category of Manner refers to clarity of what is said. There are four maxims for Manner:

1. Avoid obscurity of expression.
2. Avoid ambiguity.
3. Be brief.
4. Be orderly.

Grice does not expect that every piece of information needs to be disclosed; rather, he believes that every relevant piece of information needs to be disclosed

(McCornack, 1992). Obviously, what is relevant is open to interpretation which provides an opportunity for deception. McCornack's (1992) Information Manipulation Theory principle assertion is that "messages that are commonly thought of as deceptive derive from covert violations of the (Grice's) conversational maxims" (p.5). Speakers who violate one or more of these maxims are deviating from the cooperative principle, that is, the behavior is uncooperative. Because the listeners are not made aware of a violation, the listeners are subject to being misled because they are assuming the speaker is following the cooperative principal and its maxims. Information Manipulation Theory is the first theory that describes deception as occurring within a four dimensional space (intersection of Quantity, Quality, Relevance, and Manner). Prior theories (discussed below) list deception on a continuum.

The majority of research on deception has focused on lying and has been tested in non-business settings. Moral standards that guide people's private life should apply to their behavior in business (Royal Bank of Canada, 1973). Therefore, much of this non-business deception literature has the ability to be applied to business situations.

The various forms of deception have been typically categorized into various deception types or strategies. Although there is great diversity (and some overlap) in the types listed in the literature, all the types can be listed on a continuum of covert to overt misrepresentation of information with omission of all relevant information as one anchor and explicit contradiction of truthful information as the other anchor (Metts, 1989).

Turner, et al. (1975) analyzed conversations that involved relatives, friends or acquaintances. Only four out of ten conversations were classified as complete disclosure, "what I felt to be a completely honest statement" (p. 72). Every respondent controlled information one or more times in each conversation. Information control included lies, exaggerations, half-truths, secrets, and diversionary responses. Diversionary responses (e.g. providing irrelevant information) were the most frequently used forms of information control. Diversionary responses have the benefit of avoiding a potential communication problem without falsification or lying.

Hopper and Bell (1984) developed six deception types: fictions, playings, lies, crimes, masks, unlies. Prior research on deception equated deception with lying or at least concentrated on lying. Hopper and Bell (1984) made a case for widening the construct, deceptive communication, to include more than just lying. With regard to this research, fictions (emphasize structural properties of deception such as white lies and exaggerations), lies, masks (obscure another person's view of the truth such as using concealment), and unlies (deception through implication such as distorting, misleading, and misrepresenting) are the most relevant to this study. White lies, exaggerations, being indirect, and deceiving oneself were perceived as unplanned, spontaneous activities (Hopper & Bell, 1984). The unplanned, spontaneous activities are not perceived to be as unethical as planned deception due to the minimal intent by the actor to deceive. Therefore, deceptive acts vary substantially in their consistency with ethical standards.

Ekman (1985) stated that people usually prefer to omit rather than falsify information; however, requests for information make concealing information much more difficult. Therefore, communication with high levels of questioning may have relatively more falsification than communication with low levels of questioning (Metts, 1989). Falsification is more likely to occur when challenged or questioned which implies falsification is more of a reactive strategy while omission is more of a proactive strategy (Metts, 1989).

One could argue that all deception is unethical, but the fact that Turner et al. (1975) did not find one person to be completely honest throughout a conversation might suggest that some deception is preferred or even a necessary part of communication. Sarachek (1965) believed that communication in society does not match the business textbook ideals of complete honesty and the free flow of information. Bok (1979) suggested analyzing a lie (deception) from three points of view: deceived, deceiver, and third parties. Most people would agree that the greater the harm from deceiving, the more unethical the deceptive communication.

The issue still arises "Is ethical communication synonymous with complete disclosure of information?" Clearly, there is a continuum of beliefs. The small group communication literature tends to be idealistic and expect complete honesty. However, in the "real-world," complete honesty is difficult to achieve. A certain amount of deception is a natural part of people's communications. At what point deceptive techniques become unethical is a function of several variables: (a) the intent of the deceiver; (b) a person's ethical perspective; and (c) the harm or potential harm caused from the deception.

The difference in opinions range on a continuum from idealistic expectations to unethical perspectives (depending on who is judging). A more moderate position was taken by Friedrich Nietzsche who stated "Men do not flee from being deceived as much as from being damaged by deception: what they hate at this stage is basically not the deception, but the bad hostile consequences of certain kinds of deception..." (cited in Hopper & Bell, 1984, p. 300).

Another factor ethical communicators have to consider is how to present information in an effective manner while still being ethical. "Deception, like truth, is relative...it is impossible to say everything about anything, omissions which are labeled deception and omissions which are labeled effective communication can only be distinguished by further contextual information" (Knapp & Comadena, 1979, p. 271-272). Information content is one key to effective or competent communication. The next section of the literature review discusses effective communications.

Effective Communications

Is ethical communication consistent with effective communication? It is often assumed that effective management depends on accurate, relevant, honest flow of information between decision makers. The Golden Rule of communication sounds nice in theory, but does it always result in the most effective communication?

Sarachek (1964) stated the key to effective communication is an understanding of the structure of messages which includes three basic elements: (a) emotion-laden words; (b) information content; and (c) hidden meanings. Sarachek's view of effective communication does not include ethical communication. Sarachek (1964) stated the following:

> ...it (the Golden Rule) may actually thwart effective communication and cooperation if the interests of different parties are contradictory and honest disclosure of information merely reveals the conflict more clearly...the successful communicator is one who knows exactly how much of his information and intentions to communicate to others. He knows the extent to which he must distort or color his information in order to induce others to accept the attitudes he desires. For the successful communicator, ethical communication and effective communication need not be treated as synonymous terms...An effective communication is one that induces message recipients to respond in a manner intended by the message sender. To be effective, communication need not imply the full an honest flow of information between sender and recipient. Rather, there may be times when the motivating power of messages can be enhanced by restricting the information content of the messages and by coloring or distorting the contents of the messages. Paradoxically, this admission leads to a more honest description of effective communication than does the 'Golden Rule' of free and honest communication. (p. 11-12, 17)

Turner et al. (1975) concluded that people do select the information they communicate, withholding some; indeed, information control is a necessary process in everyday life.

Deception can serve as a social lubricant (Saxe, 1991). Tactfulness, politeness, discretion, and diplomacy can be considered white lies that are often used to maintain stability in a relationship (Cambden, Motley, & Wilson, 1984). People do manage impressions by controlling information given to others (Turner et al., 1975). Truthfulness does have the ability to destroy cooperation. Sarachek (1965) stated "I for one am highly suspicious of the blanket proposition that truth always has constructive effects and that distorted or colored information always has destructive effects..." (p.40). Should we expect a loan officer seeking approval of a loan to avoid coloring information in such a way as to make the presentation as factual and neutral as possible? Clearly, an expectation like this is unrealistic and probably ineffective. Bias is considered an enemy of honest communication (Royal Bank of Canada, 1973). By the very nature of the job, a loan officer is going to have a bias for the loan presented.

Likewise, if every potentially deceptive message was probed, little time would be left to do one's job. Also, the prober runs the risk of being labeled incompetent ("Don't you understand English?") or malicious (Bowers, Elliott, & Desmond, 1977). Saxe (1991) stated "I doubt that we would want to develop techniques that would make it impossible for individuals to engage in deception. To live in a world in which individuals had to share the same interpretation of the world would be to live in a society in which creativity and individualism were repressed" (p. 414).

Being perfectly truthful and frank with no distorted or colored information is eliminating persuasion and salespersonship. Not only is this unrealistic, but being completely factual may result in ineffective communication. O'Keefe and McCornack (1987) have shown that messages involving complete disclosure were perceived as significantly incompetent. Haiman's (1952) definition of unethical persuasion included "controversial categories such as suggestion, deliberate omission of and minimization of material contrary to the speaker's case and the deliberate use of non-rational motive appeals" (p. 5). Haiman was convinced that persuasion, per se, is unethical.

Much of the literature in the prior sections of this literature review have much more idealistic views of communication. The views on small group communications and loan officers' code of ethics call for complete honesty. Demanding perfect truth in all situations as recommended by many is unrealistic. One might assume these points of view also believe that complete honesty also results in the most effective communication over the long run. Dauten (1964) argued that dishonesty, deception and rationalization will eventually cause psychological harm to many communicators. McCornack, Levine, Solowczuk, Torres, and Campbell's (1992) results suggested that complete disclosure may indeed be perceived as the most competent action. Dauten (1964) also argues for honesty, forthrightness, and candor in building a reputation that would be most useful over the long run. Deception implies manipulation of others which has negative connotations.

A Royal Bank of Canada (1973) editorial reprinted in The Journal of Business Communication stated "...but without honesty in communicating knowledge society becomes a battlefield of wits, a waste land of half-truths, and a make-believe of civilization...Deceit in the giving or withholding of such information is as reprehensible as theft" (p. 19, 22). Ironically, this statement on honesty could be criticized on the merits of using emotion-laden terminology which some may consider deceptive. To be sure, there is a gray zone between what is clearly honest and what is dishonest (Royal Bank of Canada, 1973).

In an attempt to understand why and how people communicate differently in similar situations, O'Keefe (1988) argued that a two-dimensional analysis is necessary: (1) message producer's goals; and (2) message producer's reasoning in constructing messages to meet these goals. Different goals are likely to form different communication content. Also, each individual is likely to have different communication theories ("message design logics") that influence the process of reasoning from goals to messages.

O'Keefe (1988) developed three message design logics: expressive, conventional, and rhetorical. People who use an expressive message design logic have trouble distinguishing between thought and expression; Therefore, in producing messages, they typically "dump" their mental state. The conventional message design logic is developed from the viewpoint that communication is a game played cooperatively, according to socially conventional rules and procedures (O'Keefe & McCornack, 1987). In the conventional context, language is used to express propositions that are used to achieve a specific social effect. The rhetorical message design logic views communication as the creation and negotiation of social selves and situations (O'Keefe & McCornack, 1987). People who are at the rhetorical level can use language for social negotiation. These three logics build upon each other and form a natural progression. Not only are these logics ordered developmentally, but also in their ability to generate effective messages. Thus, O'Keefe (1988) found messages developed by people at higher levels were more effective communicators than people at lower levels.

Summary

The first four sections of the literature review developed a broad foundation for this study. Sections five through seven were more specific to this study. This study explored communication ethics and effectiveness using a simulated small group communication scenario environment, the loan committee. The loan committee consists of a small group of loan officers or board of directors who approve or deny loan requests. These requests are presented in sales pitch form which, in turn, imply that ethics and effectiveness are a significant part of these loan requests.

Therefore, a literature review was performed in the areas of communication ethics, communication effectiveness, and small group communications. Furthermore, a literature review was completed in the area of deception and information control because deception and information control are directly relevant to ethical communications.

This study speculated on many of the broad principles or theories of ethics. By analyzing the judges' scoring, the researcher identified the ethical principles that the judges may or may not have followed. This study was also related to Rest's (1984) four step model of moral behavior. It examined whether people actually follow these steps. Further, the results of this study can be compared to the literature on students' ethical values. For example, outcomes are discussed in relation to Arlow & Ulrich's (1980) hypothesis, as well as others, that students tend to be less ethical than practitioners.

The core of this study was on communication ethics. Therefore, much of the ethical communications literature was compared to the results of this study. Specifically, Grice's (1989) Cooperative Principle was a major foundation in developing this study. The other ethical communication and deception literature such as Turner et al. (1975), Bormann (1969), and Gulley (1986) are all directly relevant and discussed in Chapter 5.

Communication effectiveness was a major aspect of this study. Therefore, such theories related to effective communication such as Sarachek's (1964) are analyzed in relation to the results of this study in Chapter 5.

Many studies in this literature review on ethics are broad and not focused on communication ethics. The studies that address communication ethics typically are theoretical in nature. Many of these theories are simply opinions of well known researchers in the area of communications or ethics. Little empirical research has been done on communication ethics and effectiveness. The empirical research that has been done focuses on deception in a social environment. There is a gap in literature on empirical communication ethics research in a business setting. This study focuses in on this gap. Outcomes of this study will add to the existing body of knowledge concerning communications and ethics.

CHAPTER 3

METHODOLOGY

In this chapter, methods and rationale used in the study are described. The chapter is organized into five sections: research methods, instrument development, procedures for administering survey, data analysis, and summary.

Research Methods

This study used a combination of qualitative and quantitative research methods. The study can best be described as exploratory. An exploratory study adds the dimension that it seeks "what is" rather than predicting relations to be found. Furthermore, an exploratory study's goal is to discover relations among variables to provide a foundation for more systematic research. The three research questions addressed by the study follow:

1. Given simulated loan presentation scenarios, what are finance majors' intended ethical behaviors in regard to supporting the loans?
2. Given simulated loan scenarios, how effective are finance majors in supplying information for a loan?
3. Does a relationship exist between intended ethical behavior and information content effectiveness?

This study used scenarios, sometimes known as vignettes. Scenarios are defined as "short descriptions of a person or a social situation which contain precise references to what are thought to be the most important factors in the decision-making or judgment-making processes of respondents" (Alexander & Becker, 1978, p. 94). Twenty-four (92%) of the 26 scenario-based ethics research studies examined by Weber (1992) used written surveys. Written surveys have the advantage of ease of administration and relatively low cost for both data collection and data analysis (Weber, 1992). However, the drawback of written surveys is that information may be missed or misunderstood due to the lack of researcher-subject interaction.

Scenarios have been used frequently by researchers to determine a subject's intent to behave in an ethical or unethical manner (Weber, 1992). Scenarios have been a more popular data collection technique in business ethics than in all other business disciplines combined (Cavanagh and Fritzsche, 1985). Cavanagh and Fritzsche (1985) cited two major advantages of scenarios: (1) scenarios can be framed involving complex, multidimensional issues to more accurately match the real world; and (2) scenarios can emphasize the aspects of special interest to the researcher. Empirical ethical research using scenarios tends to focus on one aspect of the overall ethical framework (Weber, 1992). This study focused on a respondent's intended ethical behavior rather than a respondent's ethical reasoning or decision making.

A concern exists that students' lack of experiences may result in a lack of understanding of the scenarios. Freeman and Giebink (1979) found significant differences in subjects' responses to scenarios based upon a subject's familiarity with the content. For this research, an effort was made to simplify the scenarios so confusion would be minimized and understanding maximized. Additionally, pilot testing the scenarios helped minimize this problem.

Scenarios are only facsimiles of actual situations and the subjects' responses to the scenarios are no guarantee that this is how they would respond in the actual situation. Thus, scenario-based research is limited in its ability to find actual behavior; this study, however, focused on intended behavior rather than actual behavior.

Because the scenarios have ethical content, a concern existed that the responses would involve a social desirability bias. Social desirability is defined as "the tendency of individuals to deny socially undesirable traits and behaviors and to admit to socially desirable ones" (Fernandes & Randall, 1992, p.183). Fernandes and Randall (1992) found that social desirability bias is prevalent in business ethics research. For this study, the presence of social desirability response bias threatened the validity of findings. However, bias was minimized through use of the written survey method rather than using actual spoken words. This way, respondents could be confident that their responses would not be traced back to them.

Instrument Development

This section addresses the development of the scenario instrument provided in Appendix A. The contents of the scenarios were developed by interviewing three bank officers: one from a community bank, one from a regional bank located in a small town, and one from a regional bank located in an urban area. The researcher explained over the telephone details of the study and the type of scenarios that were being developed. This allowed the bank officers to ponder the topic before meeting. During the face-to-face meetings, the researcher explained the study for a second time. This served as the basis for input from the bank officers. The researcher attempted to remain neutral through-out the meetings.

Initially, nine scenarios were developed from the real life experiences of the interviewees. The content of the scenarios were from the interviews. However, the structure of each scenario was developed by the researcher.

The nine scenarios were distributed to a scenario development advisory committee consisting of a management professor, sociology professor, and bank officer. Both professors have had extensive experience in developing scenarios. The bank officer had over 20 years of banking experience. Two scenarios were eliminated based on discussions with the scenario development advisory committee. Both were eliminated because the complexity of the situations required an abundance of explanation that resulted in confusing information. Adjustments, based on advisory committee input, were made to the remaining seven scenarios.

The seven revised scenarios were pilot tested with 28 undergraduate students enrolled in corporate finance. The students were given three scenarios and asked to respond to any two scenarios. An initial level finance course with students having a variety of business options was used. Thus, if students in this finance course could understand the scenarios, then the eventual respondents, finance majors, should be able to understand the scenarios. Adjustments to the scenarios were made and presented to the scenario development advisory committee for further review. The primary reason for adjustments was that some responses were not answered the way a respondent would potentially talk in a loan committee. For example, some of the responses started by stating "I would say..." Six scenarios were chosen from the seven for the final instrument based upon feedback from the pilot test and scenario advisory committee. While all six scenarios were used in the study, each student was given and asked to respond to only two scenarios. Therefore, every student did not respond to every scenario.

The following are the themes of each of the six scenarios used (see appendix A):

1. Real estate: A loan committee member requesting information about a property that the respondent never examined.
2. Credit history: A loan committee member requesting information about the loan applicant's marginal credit history.
3. Drug use: A loan committee member requesting information about the possibility of the loan applicant using illegal drugs.
4. Income tax evasion: A loan committee member requesting information about the possibility of the loan applicant evading income taxes.
5. New management: A loan committee member requesting information about why the loan applicant lost money in the prior year.
6. Collateral: A loan committee member requesting information about collateral that will depreciate rapidly.

The students' responses to the scenarios were open-ended. Despite the potential coding difficulty of responses, open-ended responses provide for potentially rich data. A forced choice form of responding to the scenarios would have restricted the responses and increased the bias. Because this study was dealing with both ethics and information content effectiveness, it was important that the instrument minimized influencing the participants' responses.

Procedures for Administering Survey

The finance majors participating in the study came from three schools. The schools were selected for convenience as the researcher knew finance professors at these schools. The three schools chosen were University of Wisconsin at Whitewater, University of Wisconsin at Green Bay, and Virginia Polytechnic Institute and State University (Virginia Tech).

A finance faculty member was contacted at each school by telephone. A request was made for the professors to administer the instruments to one of their classes consisting primarily of finance majors. Professors willing to have their class participate were sent a cover letter (see Appendix B) along with the appropriate number of survey instruments and a self-addressed return envelope. For class purposes, all students in the classes responded to the instrument; however, only finance major responses were used in this study. While not all responses were used, all students gained an educational experience by responding to the scenarios.

Data Analysis

This section on data analysis addresses the instrument responses, the panel of experts (judges), and procedures for analyzing the data to answer the three research questions.

Instrument Responses

Each student was given and asked to respond to two scenarios. A maximum of 30 responses (15 students) were used from each school unless there were less than 30 usable responses from the other schools. If schools had more than 30 usable responses, a random sample of 30 was taken for use in the data analysis. The excess over 30 were only used if another school did not have 30 usable responses. The goal was to have as close to 90 (2 responses per student times 15 students per school times 3 schools) responses as possible without exceeding 90 responses in order to keep the judges' scoring to a reasonable level. This system did not guarantee an equal number of responses for each of the six scenarios even though every school was given the same number of each of the scenarios. Additionally, this system did not allow for an equal number of responses to the six scenarios as some of the scenario responses would be unusable.

Panel of Experts (Judges)

A panel of experts consisting of nine judges evaluated the students' responses in terms of ethics and information content effectiveness. Each scenario response, however, was only evaluated by three judges. In other words, each judge evaluated approximately 33% of the scenario responses. The panel of experts consisted of bank loan officers. Loan officers were selected because of their expert understanding of the loan committee environment. They were considered the best judges as to ethical and effective communication in loan situations. The loan officers received a letter (see Appendix C) that instructed them to use their own definitions of ethical and unethical in judging the responses. However, the letter provided the loan officers with definitions of effective and ineffective to judge the effectiveness of responses. Otherwise, the judges received no guidance or preparation in judging the responses. Loan officers were used because they typically participate in loan committee presentations and decisions. Students are more likely to be exposed to these loan committees early in their careers rather than the committees involving members of boards of directors.

Each judge evaluated students' responses using two six point rating scales. The first scale was anchored by ethical and unethical while the second scale was anchored by effective and ineffective. Following is an example of the scales:

Ethical	____	____	____	____	____	____	Unethical
	1	2	3	4	5	6	
Effective	____	____	____	____	____	____	Ineffective
	1	2	3	4	5	6	

To determine the consistency among judges, an estimate of inter-rater reliability was calculated for both the ethics and effectiveness scores. Three judges scored each response. The standard deviations of the three judges' scores were calculated for every response. The mean standard deviations of the judges' scores were computed by taking the mean of these standard deviations across each of the six scenarios. Furthermore, a mean standard deviation was computed for all 62 responses. Thus, this method is roughly analogous in computation to inter-rater reliability.

The panel of experts' median scores for each scenario response were used to assign responses for the qualitative analysis categories. The categories were as follows:

1. ethical
2. unethical
3. effective
4. ineffective
5. ethical/effective

6. ethical/ineffective
7. unethical/effective
8. unethical/ineffective

Procedures for Analyzing Data

Research Question No. 1 Given simulated loan presentation scenarios, what are finance majors' intended ethical behaviors in regard to supporting the loans?

To answer Research Question No. 1, the researcher categorized each scenario response as ethical or unethical using the median scores from the panel of experts. Once categorized, the researcher qualitatively analyzed the scenario responses using McCracken's (1988) method as a guide:

1. Isolated remarks in scenario responses that identified specific communication behaviors.
2. Analyzed each remark independently from other remarks. Each researcher comment developed from a remark was called an observation.
3. Analyzed observations in relation to other observations seeking similarities, differences, and contradictions.
4. Developed themes from the first three steps in two categories, ethical and unethical.

These four steps were taken separately for both the ethical and unethical responses. To clarify, a remark is a portion of a student's response. An observation is the researchers comment about the remark.

The first and second steps were completed simultaneously. The researcher read each response and determined what part of the response would be considered a remark. Each remark identified a specific communication behavior. There were no boundaries put on the researcher to define communication behavior. At this stage, the researcher attempted to keep an open-mind and not put any parameters on his thoughts. Each communication behavior developed was considered an observation. In the first and second steps of analyses each remark was analyzed with no concern for its larger significance. In the first step, the researcher acted as an archaeologist, determining what material was important or unimportant. The scenario responses were read three times over a two-week period to develop the observations.

In step 3, the observations were compared with other observations. The similarities and differences of the observations helped define some of the common patterns. At this step, there was a shift away from analysis of the remarks to analysis of the observations. Many of these observations were similar but different terminology was used. Similar observations were grouped together. From these lumps, themes were developed in step 4.

In step 4, themes were developed from the refined observations in step 3 for both the ethical and unethical categories. For this study, a theme was defined as a recurring pattern across participants' responses. Of note, this recurring pattern did not have to occur in every scenario. Themes were developed by analyzing each group of similar observations. From these similar observations, a general word or phrase could describe these observations. These words or phrases became the themes. These themes were then compared back to the original scenario responses to verify if the themes were consistent with the original responses.

This method has the advantage of creating a record of the processes of reflection and analysis which emerged from the investigation. A record is a condition for qualitative reliability check (Kirk & Miller, 1986). McCracken (1988) gave a particular strategy for analyzing the data, but also left certain aspects of analysis unspecified. The exact manner in which the researcher travels cannot and should not be specified (McCracken, 1988).

Measuring quality in a qualitative study is open to much debate. Lincoln and Guba (1985) refer to internal validity, external validity, and reliability of qualitative research as credibility, transferability, and dependability, respectively. McCracken (1988) warned not to judge qualitative research by quantitative standards. Presently, qualitative researchers have not developed all the necessary quality controls (McCracken, 1988). McCracken (1988) stated seven conditions qualitative data must exhibit: (a) exact, (b) economical, (c) mutually consistent, (d) externally consistent, (e) unified, (f) powerful, and (g) fertile. These seven conditions do not demand that explanations be true. However, they demand that the research exhibit "good intellectual craftsmanship" (McCracken, 1988, p. 52).

Research Question No. 2 Given simulated loan scenarios, how effective are finance majors in supplying information for a loan?

To answer Research Question No. 2, the same methodology was used as in Research Question No. 1 with the emphasis on effectiveness rather than ethics. The themes were developed in the categories of effective and ineffective.

Research Question No. 3 Is there any relationship between intended ethical behavior and an effective response?

Research Question No. 3 was analyzed using correlation, simple plotting of the judges' median scores using Figure 1 from Chapter 1, and qualitative methods. Specifically, every ethics score was correlated with every effectiveness score. Using the judges' median scores, each scenario response was categorized into one of the four quadrants (ethical/effective, ethical/ineffective, unethical/ effective, unethical/ineffective) from Figure 1.

Once categorized, the scenario responses were qualitatively analyzed using the following procedure:

1. Isolated remarks in scenario responses that identified specific communication behaviors.
2. Analyzed each remark independently from other remarks. Each researcher comment developed from the remark was called an observation. (Steps 1 and 2 were accomplished in prior research questions.)
3. Analyzed observations in relation to other observations within each of the four quadrants seeking similarities, differences, and contradictions.
4. Compared these similarities, differences, and contradictions across quadrants.
5. Developed themes from steps 2 through 4. The themes were developed in the same manner as for Research Questions No. 1 and No. 2. The only difference was with Research Question No. 3, the analysis was done within quadrants.

The methodology for Research Questions No. 1 and No. 2 are guided by simple quantitative statistical techniques, but the analysis was of a qualitative manner. Research question No. 3 used more of a balance between qualitative and quantitative methods. Analyzing the data emphasizing qualitative methods provided for rich, in-depth analysis.

Summary

This chapter has presented the methodology utilized in this research. To summarize, the following sequence of steps was used in this study:

1. Interviewed three bank officers to develop content of scenarios.
2. Wrote preliminary scenarios.
3. Scenario development committee reviewed scenarios.
4. Contacted faculty at schools seeking participation of their students.
5. Pilot tested scenarios.
6. Revised scenarios.
7. Scenario development committee reviewed revised scenarios.
8. Revised scenarios for a second time.
9. Mailed instruments to professors at participating schools.
10. Formulated panel of experts (bankers) to judge scenario responses.
11. Mailed or delivered responses to panel of experts.
12. Analyzed data using both quantitative and qualitative methods.

CHAPTER 4

RESULTS

For consistency, Chapter 4 is organized into the same categories as the data analysis section of Chapter 3: instrument responses, panel of experts (judges), and analyses outcomes for the research questions. In addition, a summary is provided.

Instrument Responses

The three schools used in the study were University of Wisconsin at Green Bay (UW-GB), University of Wisconsin at Whitewater (UW-W), and Virginia Polytechnic Institute and State University (VT). The approximate numbers of undergraduate finance majors at UW-GB, UW-W, and Virginia Tech were 100, 500, and 425, respectively. The approximate numbers of undergraduate business students at UW-GB, UW-W, and VT were 1,000, 3,500, and 2,800, respectively. All three schools are accredited by the American Assembly of Collegiate Schools of Business (AACSB).

Initially, Baylor University was one of the three schools that agreed to participate. However, the professor involved chose to make the responses to the scenarios voluntary. No responses were completed. Therefore, Virginia Tech replaced Baylor University.

Table 1 includes information regarding usable responses. Although the total responses were primarily from

Table 1

Total and Usable Responses

School	Total N	Non-Usable Responses N	Non-Usable Responses %	Usable Responses N	Usable Responses %
UW-W	8	2	25.0	6	75.0
VT	42	17	40.5	25	59.5
UW-GB	34	3	8.8	31	91.2
Total	84	22[a]	26.2	62[b]	73.8

[a]18 were responses from non-finance majors
4 responses were sarcastic in tone

[b]Two responses per student for a total of 66, less the 4 sarcastic responses

Virginia Polytechnic Institute and State University, the University of Wisconsin at Green Bay had a higher proportion of usable responses. The reason for this is that there were a relatively high proportion of non-finance majors in the class at Virginia Tech.

The low participation rate at the University of Wisconsin at Whitewater was due to the professor's illness. The scenario instruments were administered when many students knew the professor would not be in class. Therefore, many students did not attend class the day the scenarios were administered.

A total of 33 finance majors, 19 men and 14 women, participated in this research. The mean age of the finance majors was 24.6 with a range from 21 to 42. Twenty of the 33 students' ages were lower than the mean. The University of Wisconsin at Green Bay tended to have an older student population, possibly due to it being a "commuter" college in a relatively large, "non-college" town.

Panel of Experts (Judges)

Table 2 describes the nine judges. The average age and years of banking experience of the judges were 40.9 and 16.1, respectively. All judges were male. Three of the judges were loan officers at a regional bank in Florida. Two of the judges were loan officers at a regional bank in Virginia. In addition, four judges were from two community

Table 2

<u>Description of Judges</u>

Judge No.	Age	Years of Banking Experience	Educational Background
1	33	4	BS Business MBA Finance
2	33	7	BA Finance
3	49	22	AS Accounting
4	49	24	BS Business
5	58	35	[a]Banking and Finance
6	29	7	[a]Economics/Mathematics
7	40	15	BA Political Science
8	30	8	BS Finance
9	47	23	[a]Management and Banking

[a]degrees not known

banks in Virginia, two from each bank. As Table 2 shows, eight of the nine judges had an educational background in business. The only exception was one judge who had a political science background.

An estimate of inter-rater reliability of the judges' scores was calculated using the mean standard deviation of the judges' scores. Table 3 lists these mean standard deviations. The ethical scores were slightly more consistently judged than the effectiveness scores. Scenario No. 1 (real estate), with a standard deviation of .751, and scenario No. 3 (drug use), with a standard deviation of .665, were the most consistently judged while scenario No. 4 (income tax evasion), with a standard deviation of 1.162, and scenario No. 6 (collateral), with a standard deviation of 1.108, were the least consistently judged. Of note, the standard deviations of ethics and effectiveness for each scenario appear to be similar. The ranking of the scenarios for consistency of judges scoring would be just about the same using either criteria, ethics or effectiveness.

The remaining sections of chapter 4 give the results in relation to the research questions. Each scenario response along with the median scores for each response is provided in Appendix D. Appendix E provides a grid identifying scenarios scored by each of the nine judges.

Table 3

Variance of Judges' Scores

Scenario Number	Response N	Mean S.D. of Judges' Ethics Scores[a]	Mean S.D. of Judges' Effectiveness Scores[a]
1	16	0.541	0.751
2	12	0.920	1.022
3	10	0.588	0.665
4	7	1.131	1.162
5	7	0.942	1.055
6	10	1.089	1.108
Total	62	0.822	0.928

[a]Calculation Steps

1. Calculated the standard deviation of the three judges' scores for every response (Three judges scored each response.)
2. Calculated the mean of the standard deviation across all responses (e.g. Scenario 1- calculated the mean of 16 standard deviations)

Analyses Outcomes for the Research Questions

<u>Research Question No. 1</u> Given simulated loan presentation scenarios, what are finance majors' intended ethical behaviors in regard to supporting the loans?

Table 4 provides a summary of the judges' scores on ethics. Forty-nine (79%) of the responses were judged to be ethical (i.e. median judges rating of 3 or less) while 13 (21%) of the responses were judged to be unethical (i.e. median judges rating of 4 or more). The individual judges' scores ranged from 1 to 6 for all six scenarios, the full range of the Likert-type scale used in this study. Of note, the responses tended to be ethical for all scenarios except for scenario No. 4 (income tax evasion).

Themes were developed for both ethical and unethical responses. The themes of "directness" and "irrelevant information" emerged as unifying concepts throughout the ethical responses.

Directness refers to responding to the simulated question in a straight forward manner without altering the facts. In other words, responses that were direct admitted the ethical predicament without trying to hide any of the facts. A response to scenario No. 2 that requested information on the person's credit history is a good example of directness. The respondent stated "This person's credit

Table 4

Descriptive Statistics for Judges' Ethical Ratings of Scenario Responses

Scenario Number	N	Judged Ethical No.	%	Judged Unethical No.	%	Mean of Median[a] Scores	S.D. of Median Scores
1	16[b]	14[c]	88	2	12	1.75[d]	1.732
2	12	9	75	3	25	2.50	1.732
3	10	10	100	0	0	1.60	0.699
4	7	2	29	5	71	3.86	2.116
5	7	6	86	1	14	2.57	0.976
6	10	8	80	2	20	2.70	1.337
Total	62	49	79	13	21	2.35	1.621

[a]Median: The middle Likert-type scale score when the scores are arranged in an array in order of magnitude from smallest to largest (or vice versa)

Mean of Median Scores: The median of each response (N) was calculated. Then, the average was taken of these medians.

[b]Each scenario response was judged by three judges (e.g. scenario No. 1 had 16 scenario responses, each judged three times, for a total of 48 scores)

[c]Median scores of 1 through 3 were judged to be ethical
Median scores of 4 through 6 were judged to be unethical

[d]Range of 1 = ethical to 6 = unethical

history is good towards banks, but [this person] is sometimes late on credit card payments..."

Irrelevant information refers to additional information provided by the respondents that had nothing to do with the question posed. Of note, this irrelevant information could not stand alone. That is, the scenario question would have to be answered along with this irrelevant information. If the question was not answered, the responses was generally judged to be unethical. However, the question would not necessarily have to be answered in a direct way. Irrelevant information is not needed for an ethical response. Irrelevant information was simply a recurring pattern across ethical responses.

Irrelevant information responses typically were a sales pitch providing reasons why the loan was strong. These sales pitches were irrelevant to the question posed in the scenario. Information such as financial strength, good sales, strong earnings, and other items that showed the company's ability to repay the loan were commonly communicated. For example, a response to scenario No. 5 that requested information on why the company lost money stated "...However, they have good sales, not much debt, and up until last year they have sustained good earnings growth. The company as a whole has been around for more than 50 years..."

Of note, while directness and irrelevant information were very common in the ethical responses, other patterns of communication were used in the ethical responses but not to the degree where a theme could be developed. For example, scenario No. 3 (drug use) seemed to ignite vague responses rather than direct responses.

Although developing a theme for the unethical responses was difficult, the theme of avoidance was the most common. "Avoidance" refers to not answering the question asked. Developing a theme for the unethical responses was difficult for two reasons. First, there were only 13 unethical responses. Second, there was little consistency in these responses. The unethical theme of avoidance was dominant in many of the unethical responses, but not in all the unethical responses. An example using avoidance was in a response to scenario No. 2 that requested information on the person's credit history. The response stated "This person has adequate financial strength and adequate collateral to support the loan." The difference between irrelevant information and avoidance was that with irrelevant information the responses contained answers to the question posed along with the irrelevant information. With avoidance responses, the questions were not answered. For all responses regardless of whether ethical or unethical, twisting, making-up, or altering facts were not common practices.

Research Question No. 2 Given simulated loan scenarios, how effective are finance majors in supplying information for a loan?

Table 5 provides a summary of the judges' scores on effectiveness. Thirty-two (52%) of the responses were judged to be effective (i.e. median judges rating of 3 or less) while 30 (48%) of the responses were judged to be ineffective (i.e. median judges rating of 4 or more). The individual judges' scores ranged from 1 to 6 for all six scenarios, the full range of the Likert-type scale used in this study. Of note, effective responses tended to occur with scenarios No. 1 (real estate) and No. 3 (drug use). The responses tended to be ineffective to scenarios No. 4 (income tax evasion), No. 5 (new management), and No. 6 (collateral). Responses to scenario No. 2 (credit history) were neutral with 50% effective and 50% ineffective.

Themes were developed for both effective and ineffective responses. The themes of respectful tone and a "1-2 pattern" emerged as unifying concepts throughout the effective responses.

"Respectful tone" is described here as responses that were courteous and polite in nature. Often, the responses had a degree of humbleness to them. Such statements as "I

Table 5

Descriptive Statistics for Judges' Effectiveness Ratings of Scenario Responses

Scenario Number	N	Judged Effective No.	%	Judged Ineffective No.	%	Mean of Median[a] Scores	S.D. of Median Scores
1	16[b]	11[c]	69	5	31	3.19[d]	1.276
2	12	6	50	6	50	3.58	1.929
3	10	10	100	0	0	2.10	0.738
4	7	1	14	6	86	4.71	1.380
5	7	1	14	6	86	4.29	0.756
6	10	3	30	7	30	3.90	0.994
Total	62	32	52	30	48	3.50	1.468

[a]Median: The middle Likert-type scale score when the scores are arranged in an array in order of magnitude from smallest to largest (or vice versa)

Mean of Median Scores: The median of each response (N) was calculated. Then, the average was taken of these medians.

[b]Each scenario response was judged by three judges (e.g. scenario No. 1 had 16 scenario responses, each judged three times, for a total of 48 scores)

[c]Median scores of 1 through 3 were judged to be effective
Median scores of 4 through 6 were judged to be ineffective

[d]Range of 1 = effective to 6 = ineffective

feel" "I believe" "I think" "It seems" "I suggest" were common. For example, a response to scenario No. 1 that requested information on the condition of the real estate stated "...I believe the borrower's records are consistent with the criteria we are looking for in making loans. The real estate appraisal is a good indication that the property is in excellent condition, and I believe that would not deviate much from true value of the property."

The "1-2 pattern" refers to a pattern in the responses of directness followed by irrelevant information. Usually, the initial statement in the response answered the question asked in a very direct manner. This portion of the response usually contained negative information. The negative portion of the response was typically very short. In other words, the negative portion of the response was short, quick, and de-emphasized (although direct). After the question was answered directly, the sales pitch portion of the response followed and typically was longer than the direct portion which had the effect of emphasizing the positive. For example, a response to scenario No. 1 stated "Although I have not yet viewed the property (negative portion) my contacts as well as the inspection sheet show the value and condition of the property. Because Mr. X is one of our best customers, failure to grant this loan could result in the loss of a good customer. The loan has excellent collateral and the company has excellent credit and financial strength. On these terms I believe the loan should be granted."

The theme "naive" was a unifying concept throughout the ineffective responses. "Naive" is described as an unenlightened or uniformed response that would cause further questioning/probing by the committee. In other words, the responses would show the committee that the respondent does not have a grasp of the loan or the loan approval process.

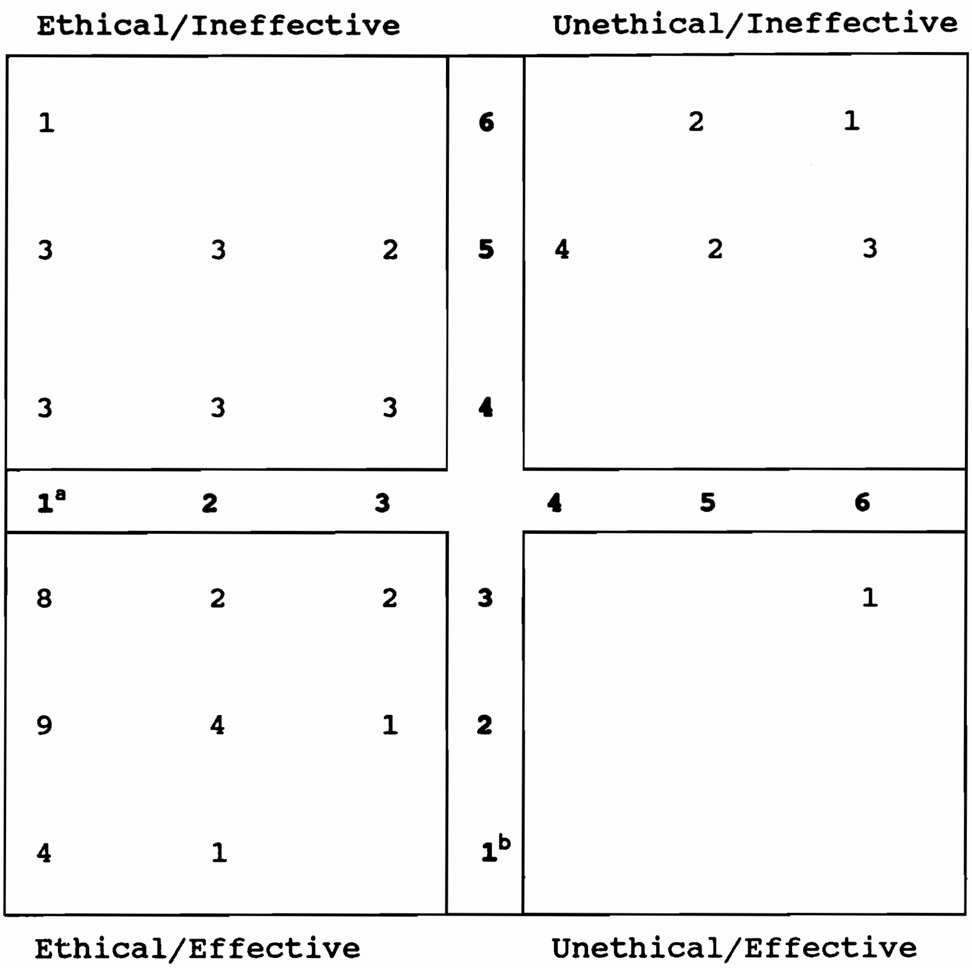
The naive responses took form in three primary ways: (a) cliche statements, (b) lack of experience, and (c) illogical statements. An example of a cliche statement response to scenario No. 5 (new management) stated "...It's our duty to help our community grow and prosper...All of us must start somewhere..." Although this is a true statement, the researcher has observed that cliche statements are rarely beneficial to increasing the chance of getting a loan approved. An example of a statement showing lack of experience was a response to scenario No. 2 (credit history) which stated "...all that is needed is a constant follow up and reminder of loan payment due..." This statement shows the lack of understanding or experience of the respondent with regards to what constitutes a convincing argument for why a loan should be approved. In this example, a loan committee member is not likely to be impressed if the customer needs constant follow up. After all, it would cause administrative problems if all customers had to be dealt with in this fashion. An example of an illogical statement was a response to scenario No. 6 (collateral) which stated "...The purchase of the equipment will make the company stronger and at the same time lower our risk." Making a loan rarely reduces a bank's risk.

Of note, responses that used avoidance were usually ineffective. Avoidance was common in the unethical/ ineffective quadrant, but not common in the ethical/ ineffective quadrant. Therefore, avoidance was not a theme for the overall ineffective responses.

Research Question No. 3 Does a relationship exist between intended ethical behavior and information content effectiveness?

Figure 2 displays the judges' median scores. Figure 2 is equivalent to Figure 1, except that it displays the median scores. The numbers 1 through 6 on the x and y axes match the six point Likert-type scale the judges used. The numbers in the quadrants are the number of responses for each ethics and effectiveness Likert-type score. For example, there were 9 responses that were judged to be a 1 in the ethics scoring and 2 in the effectiveness scoring.

A correlation between each judge's ethics and effectiveness scores was computed. In other words,



<u>Figure 2</u>. Judges' Median Scores for the 62 Scenario Responses. ([a]Likert-type scale scores for ethics with 1 being most ethical and 6 being most unethical, [b]Likert-type scale scores for effectiveness with 1 being most effective and 6 being most ineffective)

<u>62 Responses</u>
18 Ethical/Ineffective responses
12 Unethical/Ineffective responses
31 Ethical/Effective responses
1 Unethical/Effective Response

(Example: 8 of the 62 responses had a median ethics score of 1 and median effectiveness score of 3)

186 (62 responses times 3 judges per response) scores for ethics and effectiveness were correlated. Pearson's r was .49 and the coefficient of determination was .24 indicating a moderately high level of shared variance between the two concepts. In other words, the judges perceived ethics and communication effectiveness as different concepts but moderately related.

From the above results, a relationship does exist between intended ethical behavior and information content effectiveness. Figure 2 is probably more informative than the coefficient of determination results. Simply, an effective response corresponded with an ethical response in all but one response. If a response was unethical, it was not likely to be effective. The inverse cannot be stated. An ethical response gave no indication as to whether the response was effective or ineffective. It is important to note that the definition of effective content included the phrase "accurate response." Therefore, accurate appears to be related to ethical.

Because only one unethical/effective response and 31 ethical/effective responses were given, no reason existed to compare these two quadrants. Simply, the themes for the ethical/effective quadrant would be the same as the effective themes. Likewise, there were 12 unethical/

ineffective responses. Therefore, the theme for the unethical/ineffective quadrant would be the same as the unethical theme.

Comparing the unethical/ineffective responses with the ethical/ineffective responses, one similarity and one difference occur. For the similarity, "naive" responses were common in both quadrants. This outcome is not a surprise, as the theme for ineffectiveness was "naive". The difference, avoidance responses were more common in the unethical/ineffective responses than in the ethical/ineffective responses. Again, this is not a surprise because the "unethical" theme was avoidance.

Comparing the ethical/effective responses with the ethical/ineffective responses was similar to comparing effective with the ineffective responses. In other words, the effectiveness themes dominated over the ethical themes. Clearly, the "1-2 pattern" of directness followed by a sales pitch was dominant in the ethical/effective responses while naiveness was prevalent in the ethical/ineffective responses.

Summary

This chapter presented the quantitative and qualitative results or findings. Themes emerged in the eight categories of the study. Chapter 4 can be summarized by referring to Table 6, Figure 2, Figure 3, Figure 4, and Figure 5. Table

Table 6

Description of Themes

Avoidance: Not answering the question posed in the scenario.

Directness: Being straight forward without altering the facts; divulging or admitting the ethical predicament to the committee without trying to hide any of the facts.

Irrelevant information: Additional information consisting of positive information about the loan request that was immaterial to the question posed in the scenario. Of note, the scenario question had to be answered along with this irrelevant information. Irrelevant information that stands alone is a form of avoidance.

"1-2 pattern: A pattern of short, concise directness followed by irrelevant information.

Naive: An unenlightened or uniformed remark that would cause further questioning/probing by the committee.

Respectful tone: Remarks that were courteous and polite in nature.

Ethical		Unethical
Ethical Themes 1. Directness 2. Irrelevant information		**Unethical Theme** 1. Avoidance

Figure 3. Ethical and Unethical Themes

Ineffective

<u>Ineffective Theme</u>

1. Naive

<u>Effective Themes</u>

1. Respectful tone

2. "1-2 pattern"

Effective

<u>Figure 4</u>. Effective and Ineffective Themes

Ethical/Ineffective	Unethical/Ineffective
<u>Theme</u> 1. Naive	<u>Themes</u> 1. Avoidance 2. Naive
<u>Themes</u> 1. Respectful tone 2. "1-2 Pattern"	<u>Themes</u> None (only 1 response in this quadrant)
Ethical/Effective	Unethical/Effective

<u>Figure 5</u>. Themes for All Four Quadrants

6 describes the themes. Figure 2 displays the judges' median scores. Figure 3 displays the themes for ethical and unethical responses. Figure 4 displays the themes for effective and ineffective responses. Figure 5 displays the themes for ethical/ effective, unethical/effective, ethical/ineffective, and unethical/ineffective responses. In the discussion section of Chapter 5, these themes are compared and contrasted to prior research.

CHAPTER 5

SUMMARY, DISCUSSION, CONCLUSION, AND IMPLICATIONS

Both ethics and communications are critical to the effective conduct of business today, which, in turn, make them important issues in the business world. One such domain that involves ethics and communications is in the environment of a bank loan committee. The primary purpose of a loan committee meeting is to present, discuss, and approve loan requests.

Summary

This study examined ways that finance majors communicated with regard to ethics and content. The purpose was to assess intended communication behavior in terms of ethics, information content effectiveness, and the potential relationship between ethics and information content. Study participants were finance majors who responded to simulated loan presentation environments. Three research questions guided this study:

1. Given simulated loan presentation scenarios, what are finance majors' intended ethical behaviors in regard to supporting the loans?
2. Given simulated loan scenarios, how effective are finance majors in supplying information for a loan?
3. Does a relationship exist between intended ethical behavior and information content effectiveness?

Reinsch (1989) stated two reasons why business communication scholars need to research business communication ethics: (a) to fully explore the field of business communication; and, (b) to improve the quality of moral teaching in education. There are many philosophies of ethical communication but little empirical work addresses how people behave. This study provided baseline data on how students intend to behave. Beneficiaries of the study outcomes are both business people and educators. This study can help bankers determine what content needs to be targeted in management training programs with regard to communication behavior in a loan presentation. Faculty who incorporate ethics and communications into their curricula can benefit in two ways: (a) by gaining knowledge of "where students are" and (b) by learning of both effective and ineffective communication techniques that could be used in an ethical communication situation. Fielden (1958) noted that students should become familiar with the "full gamut of semantic tricks" (p. 17) and taught to recognize reprehensible techniques. Fielden also indicated that students should be taught acceptable manipulation techniques.

Research Methods

This exploratory study used a combination of qualitative and quantitative research methods. Scenarios were used consisting of ethical communication content in a simulated loan committee environment. The contents of the scenarios were developed by interviewing three bank loan officers. The scenarios were reviewed by a scenario development advisory committee and pilot tested.

The finance majors participating in the study were enrolled in three schools: University of Wisconsin at Green Bay, University of Wisconsin at Whitewater, and Virginia Polytechnic Institute and State University. A professor from each school administered the scenario instrument to one finance class consisting of a majority of finance majors. Each student was given and asked to respond to two scenarios.

Finance majors responded to these scenarios in an open-ended manner. That is, they wrote out their answers the way they expected to speak if they were in a loan committee environment.

A panel of experts consisting of bank loan officers judged these open ended responses in terms of intended ethical behavior and information content effectiveness using two six-point rating scales. The first scale was anchored by ethical and unethical while the second scale was anchored by effective and ineffective. Three judges evaluated each response and inter-rater reliability was computed to determine the consistency among judges. The panel of experts' median scores for each scenario response were used to categorize responses for the qualitative analysis categories:

1. ethical
2. unethical
3. effective
4. ineffective
5. ethical/effective
6. ethical/ineffective
7. unethical/effective
8. unethical/ineffective

Once categorized, the scenario responses were qualitatively analyzed using McCracken's method (1988) as a guide. Themes were developed for the categories.

Results

Forty-nine (79%) of the responses were judged to be ethical while 13 (21%) of the responses were judged to be unethical. The themes of "directness" and "irrelevant information" emerged as unifying concepts throughout the ethical responses. Irrelevant information responses typically were a sales pitch providing reasons why the loan was strong. Although developing a theme for the unethical responses proved difficult, the theme of avoidance was the most common.

Thirty-two (52%) of the responses were judged to be effective while 30 (48%) of the responses were judged to be ineffective. The themes of "respectful tone" and "1-2 pattern" emerged as unifying concepts throughout the effective responses. The "1-2 pattern" refers to a pattern in the responses of directness followed by irrelevant information. The theme "naive" was a unifying concept throughout the ineffective responses. "Naive" is described as an unenlightened or uniformed response that would cause further questioning/harassment by the committee.

A relationship did exist between intended ethical behavior and information content effectiveness. Simply, an effective response corresponded with an ethical response in all but one response. The inverse could not be stated. An ethical response gave no indication as to whether the response was effective or ineffective.

Discussion

The remainder of this chapter relates the findings from Chapter 4 to prior research in the form of a discussion. From these findings, one conclusion is drawn. From the findings and conclusion, implications and recommendations are presented. Using the research questions as a foundation, the discussion ties this research to past research.

Ethics

This section discusses six areas of ethics as they relate to the results of this study: ethical communication versus complete disclosure; moral behavior; ethical principles; ethical values of participants; researcher's experiences versus study results; and communication ethics and deception.

Ethical Communication Versus Complete Disclosure. In this study, the judges did not appear to equate ethical communication with complete disclosure. Disclosure as defined in this study uses the phrase "situationally relevant." Situationally relevant is open to much interpretation. The ethical responses did not typically provide all situationally relevant facts. However, the ethical responses were complete enough so a loan committee could understand the potential problem. That is, the ethical responses were thorough enough not to distort the potential problem. Therefore, the judges or loan officers would seem to support Friedrich Nietzsche who stated "Men do not flee from being deceived as much as from being damaged by deception..." (cited in Hopper & Bell, 1984, p. 300). Given the judges' banking backgrounds, having a practical philosophy like Nietzsche's makes sense. Bankers are likely to be practical, profit, and performance oriented. They are likely to look for communication behavior that wouldn't damage the trust among loan committee members. A lack of trust may result in a committee that could not function efficiently which, in turn, damages the performance of the financial institution.

Moral Behavior. Rest (1984) developed four cognitive processes to moral behavior: (a) determine the alternatives and estimate the consequences of each action; (b) determine what action would best fulfill a moral ideal; (c) decide what one actually decides to do even if it compromises the moral ideal; and (d) execute and implement the action. Assuming behavior is equivalent to intended behavior, step (c) can be related to this study. In this study, it appears that finance majors generally did not compromise their moral ideas. This speculation is based on the finance majors' tendency toward direct and open responses, indicating that disclosure of potential problems of the loan requests was more important than the pressure to meet quotas.

Ethical Principles. Carroll (1987) listed eleven ethical principles that may be used in ethical business decision making. The judges' scores seem to reject two of the principles and no conclusions can be drawn about the other nine principles. It is unlikely that the judges would agree with the conventionalist ethic principle that supports individuals acting in their self-interest so long as they do not violate the law. No laws were violated in this study, but some responses were judged to be unethical. The judges would not likely agree with the means-ends ethic principle that supports the concept of the ends justifying the means. All scenarios stated that the loan was a worthwhile loan. Therefore, if the judges supported the means-ends ethic principle, they would have judged every response as ethical. The results of this study do not give any indication as to what ethical principles the judges may agree upon as it did not focus on ethical decision making.

Ethical Values of the Participants. There have been numerous studies concluding that college students have lower ethical values than practitioners (Arlow & Ulrich, 1980; DeSalvia & Gemmill, 1971; Hollon & Ulrich, 1979; Lysonski & Gaidis, 1991; Schein, 1969; Siegel, 1973; Wood, Longenecker, Mckinney, & Moore, 1988). Wood (1988) stated that many business students would appear to be willing to do anything for their careers. Prior literature would suggest that students generally have low ethical values. This researcher believes that the finance majors in this study displayed reasonably high ethical values as measured by their responses. Thus, this study is inconsistent with much of the literature. The researcher developed three possible explanations for this discrepancy.

First, the researcher's interpretation of the loan officers' ratings of the responses may simply be wrong. In this study, the majority of responses, 79%, were judged by the loan officers to be ethical while only 21% were judged to be unethical. Some people may argue that 79% ethical and 21% unethical indicates low ethical values. The researcher admits it is a matter of opinion or perspective.

Second, there may be an actual upward shift in ethical values in this country. Some people see the election of President Clinton in 1992 as a symbol of moving away from the "excess of the 1980s" and back to the values of the 1960s. Longenecker et al. (1989) reported that "developing a meaningful philosophy of life" as a meaningful goal dropped from 82.9% in 1967 to 39.4% in 1987. Maybe there is a shift back to 1960s type of values.

Third, the finance majors may be at a relatively low level developmentally with regard to their message design logics due to their lack of experiences. Each individual is likely to have different communication theories (message design logics) that influence the process of reasoning from goals to messages. People at low levels tend to "dump" their mental state (O'Keefe, 1988). This may account for many of the direct responses with little deception. Students may have had difficulty using some of the more subtle persuasion techniques that may be more questionable with regard to ethics. The responses were often direct, "tell it like it is," responses or avoidance of the question posed in the scenario.

Researcher's Experiences Versus Study Results. In the researcher's loan committee experiences, he has found that responses were often more ambiguous then the two extremes of direct or avoidance found in this study. Ambiguous responses, using many persuasion or communication techniques discussed in the literature such as providing partial information, exaggerating, and distorting facts were often observed by the researcher. To clarify, this does not mean to imply or judge that these techniques are ethical or unethical. The researcher does, however, consider these techniques to be on the borderline of ethicalness. The scenarios used in this study did not generate many responses that included these techniques. Two possible reasons for the discrepancy between the researcher's experiences and the study's results seem plausible.

First, the experience and age of loan officers is typically greater than that of the finance majors in this study. This would imply that the loan officers' message design logics are at a higher level than the finance majors. Thus, their ability to sell the loan using some marginal or questionable ethical techniques would be greater than students. That is, practitioners' experiences would allow them to be "on the edge" without crossing into unacceptable or unethical communication.

Second, loan officers can actually feel the pressure of quotas; whereas, finance majors in this study may not have felt the pressure of quotas. Logically, actual pressure may force some people to act in a more deceptive manner that is not consistent with their ethical values. Furthermore, loan officers often face situations (e.g. unexpected questions) in a loan committee meeting that they were not anticipating. In such a situation, a loan officer may respond first and think about the response second. An impulsive reply under pressure can cause a multitude of responses. Rest's (1984) four step cognitive process model to moral behavior may be suspect in such a situation because there is no time to determine the alternatives and determine the action that would best fulfill the moral ideal. In this study, the finance majors had time to reflect on the questions posed in the scenarios. This may have allowed them to use a process similar to Rest's cognitive process steps. This discussion ties back to the issue of the difference between intended behavior and actual behavior.

Communication Ethics and Deception. Bormann (1969) stated a person has the duty to present information honestly, fairly, and accurately in small group communications. Gulley (1986) stated that lying, fabricating, and falsifying information are dishonest practices. Dorfman and Buster (1989) developed a model code of conduct for loan officers that mentioned full and fair disclosure within the institution which included making recommendations regarding credit in an accurate, clear, concise, candid, and complete way. Clearly, the ethical responses, the majority of responses in this study, were within these guidelines. Directness, responding to the simulated question in a straight forward manner without altering the facts, was a major theme of the ethical responses.

Grice (1989) developed the Cooperative Principle as follows: "Make your conversational contribution such as required, at the stage at which it occurs, by the accepted purpose or direction of the talk exchange in which you are engaged" (p. 26). Grice (1989) also listed four conversational categories, which, if followed would produce results in agreement with the Cooperative Principle. They are Quantity, Quality, Relation, and Manner.

Quantity relates to the quantity of information provided. A quantity violation may consist of leaving out pertinent information or providing too much information. While responses in this study provided irrelevant information that appeared excessive in answering questions, the responses were judged to be ethical as long as the questions were answered along with irrelevant information.

Quality is simply the degree that the information is not false or is not a lie. Quality violations were rarely used by the respondents in this study. This is consistent with Ekman (1985) who found people usually prefer to omit rather than falsify information. However, this study is inconsistent with both Ekman (1985) and Metts (1989) who found communication with high levels of questioning may have relatively more falsification than communication with low levels of questioning. One explanation for this may be that the finance majors lack experience and ability to manipulate words in the fashion of older individuals who have more experience. The scenarios all posed a question to the respondents. However, lying or falsification of facts was rare.

Instead, the category of relation was commonly violated in the responses. Relation is simply being relevant. In this study, avoidance was a common theme in the unethical responses. Avoiding the question through emphasizing other positive characteristics of the loan scenario while not answering the question (not being relevant) was common in the unethical responses. However, avoidance responses were not effective.

Manner refers to clarity of what is said which includes avoiding ambiguity, being brief, and being orderly. The ethical responses stayed within the guidelines of manner by being direct. Although the ethical responses did have much irrelevant information in the form of a sales pitch, the researcher believed it was not excessive. Some unethical responses were ambiguous or unorderly; overall, however, a violation of manner was not common.

This study does not contradict McCornack's (1992) suggestion that deceptiveness can arise from the manipulation of Grice's four categories: Quantity, Quality, Relation, and Manner. McCornack's (1992) Information Manipulation Theory asserts that deception is derived from covert violations of Grice's four categories. This study did not determine whether the responses were covert or overt. Whether deceptiveness and being unethical is synonymous is open to debate. Regardless, an argument can be made that a response could be considered unethical by violating one of the four Cooperative Principle categories.

Turner, et al. (1975) discovered that people control information when dealing with other people. Information control includes lies, exaggerations, half-truths, secrets, and diversionary responses. Turner, et al. (1975) found that diversionary responses such as providing irrelevant information were the most frequently used forms of information control. This study was consistent with Turner, et al. (1975). For both ethical and unethical responses, diversionary tactics were very common. The difference between the ethical and unethical responses was that the ethical responses provided an answer to the question plus irrelevant information. The unethical responses often avoided the question completely and simply provided irrelevant information.

Effectiveness

The criticism of business graduates' communication skills seems to be justified. This study only dealt with one aspect of effective communication skills, information content effectiveness. Only 52% of the responses were judged to be effective. Two themes emerged in the effective responses, respectful tone and a "1-2 pattern." The "1-2 pattern" consisted of direct responses to a question followed by irrelevant information that served as a sales pitch.

Sarachek (1964) stated the following:

> ...the successful communicator is one who knows exactly how much of his information and intentions to communicate to others. He knows the extent to which he must distort or color his information in order to induce others to accept the attitudes he desires...To be effective, communication need not imply the full and honest flow of information

> between sender and recipient. Rather, there may be times when the motivating power of messages can be enhanced by restricting the information content of the messages. (p. 11-12, 17)

Outcomes of this study cannot debate Sarachek's statement. However, they can provide a possible alternative to restricting information for effectiveness purposes. Many of the effective responses tended to have a "1-2 pattern" with a short, full, and honest disclosure of the facts followed by a more comprehensive sales pitch that emphasized the positive attributes of the loan request.

Findings were consistent with McCornack, et al. (1992) who suggested that complete disclosure may indeed be perceived as the most competent action. However, this study would add to their comment that complete disclosure should be direct and brief. Irrelevant information in the form of additional positive information proved beneficial to an effective response in this study. These findings are in contrast to the findings of O'Keefe and McCornack (1987) who concluded that messages involving complete disclosure were perceived as significantly incompetent.

Grice's (1989) four categories of Quantity, Quality, Relation, and Manner were not presented as ethical guidelines but rather as guidelines for effective and efficient use of language. Clearly, a portion of many of the individual ethical responses was not relevant, but was judged to be effective. There appears to be overlap between not being relevant and responding in a more informative manner than is required, a quantity violation. In addition, being relevant is a judgement call. Not being relevant proved an effective method for respondents in this study as long as the question was answered along with the irrelevant information. The irrelevant information, while irrelevant to answering the question, was typically relevant to the loan request as a whole, however. Grice (1989) suggested that being over-informative is acceptable, but can be a waste of time. In a sales environment such as the loan committee, it appears that being over-informative, within reason, can be beneficial.

In some ways this study may provide just as much insight into the loan officer judges as it does finance majors because the judges are determining what is considered ethical and effective. For instance, Haiman (1952) was convinced that persuasion, per se, is unethical. Haiman's viewpoint was extreme and clearly rejected by the judges. If the judges felt that persuasion was unethical, just about every response would have been judged unethical.

Conclusion

One main conclusion emerged from the findings: Effective communication does not have to occur at the expense of communicating in an unethical manner. Only one unethical response was judged to be effective. Furthermore, one-half of the responses were judged to be both ethical and effective. This implies that effective communication can also be ethical communication.

A few observations can be made about this conclusion as it relates to the three research questions. The findings for research questions No. 1 and No. 2 showed that finance majors intended responses were usually ethical but split between being effective and ineffective responses. Research question No. 3 asked about the relationship between intended ethical behavior and information content effectiveness.

Twenty-nine percent of the responses were ethical while being ineffective. Ineffective responses were often naive. It appears that being ethical is not what moved a response towards ineffectiveness. Rather, being naive had more to do with being ineffective than being ethical. In other words, being ethical is not going to result in an ineffective response.

Fifty percent of the responses were ethical while being effective. Responses that were both effective and ethical commonly consisted of short, direct responses followed by a positive, sales pitch statement. Therefore, some effective and ethical responses have common characteristics.

The relationship between ethical and effective goes in only one direction. If a response is ethical, it cannot be stated that a response is also effective. However, if a response is effective, it will most likely be ethical. Also, not all ethical responses will have similar characteristics to effective responses. However, in general, effective responses will have some characteristics of ethical responses.

A possible conclusion is that one should just be effective and then the response will be ethical. Although this may be true, it may be better to conclude that to be effective requires an ethical response. So, to conclude that effective communication does not have to be at the expense of communicating in an unethical manner is a conservative statement. A more aggressive statement would be that effective communication can only occur if it is ethical communication.

Implications for Instruction

This study was not intended to generalize to a population. Given the exploratory nature of this study, these suggestions for instruction should be considered preliminary.

1. Both business communication instructors and loan officer trainers should consider teaching effective communication in the context of ethical situations. Finance majors appear to need improvement in providing

effective information content in the context of an ethical communication situation.

2. There were four major themes: "1-2 pattern," respectful tone, naive, and avoidance. As far as suggestions for instruction, "1-2 pattern" and avoidance are most relevant. An effective communication technique to teach students in presenting information in an ethical communication situation is to be short and direct with negative information, followed by positive information. That is, use the "1-2 pattern" discussed in this study. This study is consistent with Dorfman and Buster (1989) who developed a model code of conduct for loan officers. The code of conduct recommends full and fair disclosure within the institution which includes making recommendations regarding credit in an accurate, clear, concise, candid, and complete way. The ineffectiveness of using avoidance as a technique should also be taught. Avoidance techniques were neither ethical nor effective.

Implications for Further Research

The design of this study was exploratory. The particular themes, findings, and conclusion drawn from the sample of 33 students who provided 62 scenario responses were descriptive of these responses only. Furthermore, the bias of the researcher is a concern for all qualitative research. Thus, more research is needed to further confirm the research findings and conclusion. Additional research as suggested here could also strengthen the research knowledge base related to effective and ethical communication.

1. In an effort to focus on a homogenous simulated environment and participants, the simulated environment of a loan committee was chosen with finance majors responding to these scenarios. This study could be replicated in different simulated business environments with a broader base of business students.
2. Type of communication behavior appears to vary depending on the type of ethical situation. Ethical and effective communication methods could be explored in relation to the type of ethical situation.
3. Future research could pursue what communication methods are best to obtain an effective response while still remaining ethical. One aspect of such a study could determine whether there is consistency between practitioners as to what are ethical and effective communication methods.
4. Although there are many philosophies on proper communication in regard to ethical situations, there is little research in the area as to what people may say in such a situation. Future research looking more closely

at how people may communicate in these difficult situations will contribute to the understanding of communication.

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Appendix A

LOAN SCENARIOS

DIRECTIONS
LOAN SCENARIO RESPONSES

Please provide information about yourself as follows:

* Male __________ Female __________

* Age __________

* What is your major? ________________________________

* freshman sophomore junior senior other

The two scenarios in the following pages were developed from bank loan committee meetings. The purpose of a loan committee meeting is to approve or deny a customer's loan request. A loan officer (you, in the scenarios presented) of the bank will present a customer's loan request to the committee. The committee consists of your supervisor and other loan officers of the bank who are your peers. Customers do not attend these meetings.

Place yourself in the role of the loan officer and provide the response you would likely give if you were truly presenting a loan for approval in a loan committee.

Scenario No. 1

You are a loan officer presenting a real estate loan request to the committee that you believe would be a good loan for the bank. These are the facts of the loan request:

1. the company's financial strength is adequate (good sales and earnings growth, not too much debt)
2. the company's bills are paid on time (good credit)
3. the real estate appraisal indicates that the property is in excellent condition (newly renovated, beautifully landscaped) and is being purchased at a good value
4. the loan, if approved, would be well collateralized by the real estate
5. the company is one of the bank's best customers
6. the owner/manager has extensive experience in real estate

You have not had time to visit/inspect the property before the loan presentation. Other real estate loan requests in the past have been "put on hold" by the committee until the loan officers visited/inspected the properties. The customer will be upset if the loan isn't approved on the day of the committee meeting. During the loan committee, one of the loan committee members asks, "**<u>Tell us about the property...what did you think of the property when you visited it (which you didn't)</u>**?"

You are expected to make a certain dollar volume of new loans each month (quota), but have not been achieving your quota in recent months. You are feeling the pressure to make new loans.

As the loan officer presenting the loan for approval, what would you say to the loan committee member's inquiry/question? (please write the way you would talk to the committee)

I would say, "____

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Scenario No. 2

You are a loan officer presenting a loan request to the committee that you believe would be a good loan for the bank. These are the facts of the person requesting the loan:

1. adequate financial strength and good job stability
2. there is adequate collateral to support the loan
3. the credit check that you did shows that the individual pays the bank on time, but tends to pay the credit card debt late--sometimes as much as 60 days late.
4. The late credit card payments are due to careless recordkeeping, not financial weakness

Of course, no loan officer, including yourself, would present a loan to a committee where the individual's credit history is unacceptable; however, every committee member has a different opinion as to what constitutes an acceptable credit record. Therefore, the credit history may or may not be a factor in getting this loan approved. You are not sure. During the loan committee, one of the loan committee member inquires, "**Tell us about the person's credit history**."

You are expected to make a certain dollar volume of new loans each month (quota), but have not been achieving your quota in recent months. You are feeling the pressure to make new loans.

As the loan officer presenting the loan for approval, what would you say to the loan committee member's inquiry? (please write the way you would talk to the committee)

I would say, "____

Scenario No. 3

You are a loan officer presenting a loan request to the committee that you believe would be a good loan for the bank. These are the facts of the company requesting the loan:

1. adequate financial strength (good sales and earnings growth and not too much debt)
2. pays its bills on time (good credit)
3. you were told by a good, trustworthy friend that the owner/manager of the company uses illegal drugs
4. other members of the community that you talked to were not aware of the owner/manager's alleged drug use
5. You feel the owner/manager probably is using drugs socially, but NOT to the degree where you feel the performance of the company would suffer.

Although lending money to people who use illegal drugs is not against bank policy, some committee members are uneasy about the practice, so there is a chance that the loan will not be approved if the committee believes the owner/manager is on drugs. During the loan committee meeting, one of the members asks you, "**I heard the owner/manager uses drugs. What do you know about this?**"

You are expected to make a certain dollar volume of new loans each month (quota), but have not been achieving your quota in recent months. You are feeling the pressure to make new loans.

As the loan officer presenting the loan for approval, what would you say in response to the loan committee member's question? (please write the way you would talk to the committee)

I would say, "____

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Scenario No. 4

You are a loan officer presenting a loan request to the committee that you believe would be a good loan for the bank. These are the facts of the company requesting the loan:

1. the company has adequate financial strength (good sales and earnings growth--not too much debt)
2. the company's bills are paid on time (good credit)
3. the company reports $100,000 a year in profits; however, the company's accountant hinted to you that the company's profits are closer to $200,000 a year (i.e. the company illegally evades income taxes).
4. the owner/manager told you that the company does not evade income taxes.
5. By assessing the owner/manager's affluent lifestyle, your "gut" feeling is that the company does illegally evade taxes.

Although there is no bank policy against loaning money to people or companies who evade income taxes, there is some uneasiness among some loan committee members with regard to this practice. Therefore, tax evasion may or may not be a factor in getting this loan approved. You are not sure. During the loan committee, one of the members inquires, "**I heard the company evades income taxes. What can you tell us about this**."

You are expected to make a certain dollar volume of new loans each month (quota), but have not been achieving your quota in recent months. You are feeling the pressure to make new loans.

As the loan officer presenting the loan for approval, what would you say to the loan committee member's inquiry? (please write the way you would talk to the committee)

I would say, "____

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Scenario No. 5

You are a loan officer presenting a loan request to the committee that you believe would be a good loan for the bank. These are the facts of the company requesting the loan:

1. the company has adequate financial strength (good sales and not too much debt; good earnings growth except last year)
2. the company's bills are paid on time (good credit)
3. the company has been in existence for over 50 years; however, the company was sold one year ago
4. the new owner/manager has no experience in this industry
5. the company lost money last year and you feel the loss was due mostly to the slowdown in sales from the recession and partly because the new owner/manager was still becoming familiar with the business

You have confidence that the new owner will be successful with the business because the new owner/manager is hard working and intelligent. However, there are some committee members that are against loaning money to companies whose ownership/management lack relevant experience. Therefore, the new ownership/management may or may not be a factor in getting this loan approved. You are not sure. A committee member asks you, "**Why did the company lose money last year**?"

You are expected to make a certain dollar volume of new loans each month (quota), but have not been achieving your quota in recent months. You are feeling the pressure to make new loans.

As the loan officer presenting the loan for approval, what would you say in response to the loan committee member's question? (please write the way you would talk to the committee)

I would say, "______________________________

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Scenario No. 6

You are a loan officer presenting a loan request to the committee that you believe would be a good loan for the bank. These are the facts of the loan request:

1. you believe the loan is relatively risky; however, you feel the bank would be fairly compensated by taking this additional risk by charging a higher interest rate.
2. the company's financial strength is barely adequate, credit record satisfactory
3. the company is purchasing $100,000 (cost) of new equipment (the collateral) with the loan proceeds
4. the loan amount is $75,000
5. Once the equipment is used, you realize the fair market value of the equipment will plummet to $50,000 due to its specialized nature which makes it difficult to sell

The committee members believe the quality and value of collateral is an important aspect in the loan decision. Telling the committee about the drop in collateral value could jeopardize the approval of the loan. During the loan committee, one of the loan committee members inquires, "**tell us about the value of the collateral**."

You are expected to make a certain dollar volume of new loans each month (quota), but have not been achieving your quota in recent months. You are feeling the pressure to make new loans.

As the loan officer presenting the loan for approval, what would you say to the loan committee member's inquiry? (please write the way you would talk to the committee)

I would say, "____

Appendix B

LETTER TO FACULTY MEMBERS

825 Orchard St., #603
Blacksburg, VA 24060
Date

Address

__________________:

As a follow-up to our telephone conversation, I am enclosing 30 copies of the scenario instrument and a university profile sheet. I would appreciate it if you would mention to your class that they read the first page before they begin reading and responding to the scenarios.

Upon completion of my dissertation, I will send you a copy of my results and conclusions. I appreciate your assistance in helping me collect data for my dissertation. If you have any questions, please feel free to contact me at 703-951-2707.

Sincerely,

Jim Wehrley

Enclosed: surveys
self-addressed return envelope
profile sheet

University Profile Sheet

University of ____________________

Number of Students in College of Business ____________________

Number of Finance Majors ____________________

Appendix C

LETTER TO JUDGES

825 Orchard St. #603
Blacksburg, VA 24060
703-951-2707

____

As a follow-up to our telephone conversation, I am enclosing the student responses of the bank loan committee scenarios. In order to judge the responses, you need to know the definition of the following terms as it relates to this study:

1. Ethical/Unethical: For this study, you may use your own definition or judgement as to what is an ethical or unethical response.

2. Effective/Ineffective: For this study, an effective response would be considered an accurate response that increases the chance that the loan would be approved. An ineffective response would be considered a response that decreases the chance that the loan would be approved.

Please provide the following information about yourself:

Name: _________________________

Male ___________ Female _____________

Age _____________

Years of Banking Experience __________

Educational Background:

Undergraduate Degree and Major: _______________________

Graduate Degree and Major: ____________________________

I appreciate your help with my dissertation. If you have any questions, please feel free to contact me at 703-951-2707.

Sincerely,

James B. Wehrley

Enclosures

Appendix D

RESPONSES AND (OR, INCLUDING) JUDGES' MEDIAN SCORES

CODES

V: Virginia Tech
G: UW-Green Bay
W: UW-Whitewater

#: The individual number assigned to a student at a school

A: Response to scenario #1
B: Response to scenario #2
C: Response to scenario #3
D: Response to scenario #4
E: Response to scenario #5
F: Response to scenario #6

ETHICAL/EFFECTIVE

V6A. I have not yet visited the property, but I believe the borrower's records are consistent with the criteria we are looking for in making loans. The real estate appraisal is a good indication that the property is in excellent condition, and I believe that would not deviate much from true value of the property.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective		X					Ineffective

V2A. I haven't had a chance to visit the property yet; however, all the information I have indicates that the company is very sound and the property is strong collateral. I believe that once you are presented with the information you will agree that an actual visit is a mere formality.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective			X				Ineffective

V1A. This company has proven to be a good investment and good customer to our bank. The company has a solid foundation without too much debt. The company has very good credit and the property has been newly renovated. I haven't seen the property yet, but I think that denying the loan only on that basis would hurt the bank by losing a good customer. The owner of the company has a lot of experience in real estate. This loan should be approved.

Ethical	X						Unethical
	1	2	3	4	5	6	
Effective		X					Ineffective
	1	2	3	4	5	6	

G14A. Everything about the company is in good shape. They are carrying a low debt load, good credit and are in good overall shape. I realize that visiting the property is normally a prerequisite to giving a loan but I feel this loan may be an exception. The loan looks profitable and should be a safe loan. I feel we can move ahead and approve the loan.

Ethical	X						Unethical
	1	2	3	4	5	6	
Effective			X				Ineffective
	1	2	3	4	5	6	

G13A. Unfortunately because of prior engagements I was unable to visit the property. But considering our previous relationship I trust your (the) description. Hopefully within the week I will be able to visit your (the) property.

Ethical	X						Unethical
	1	2	3	4	5	6	
Effective			X				Ineffective
	1	2	3	4	5	6	

G10A. This is a quality piece of property. I cannot say that I have personally inspected the property, but the real estate appraisers are very reliable. The company is anxious to acquire this loan from us and a denial may cost us future loan opportunities. This company is depending on us once again, and we need to provide them with respectful service.

Ethical	X						Unethical
	1	2	3	4	5	6	
Effective		X					Ineffective
	1	2	3	4	5	6	

G4A. I have not had time to visit and inspect the property. I realize that loan requests in the past have been put on hold until a loan officer visits the property but the customer is very reliable and one of our best. The customer will be dissatisfied if the loan isn't approved today, the day of the meeting. The company's financial strength is adequate, bills are paid on time, real estate appraisal indicates the property is in excellent condition, and is being purchased at a good value, and the owner/manager has extensive experience in real estate. I see no reason to hold the loan process, none of the areas I just discussed were questionable. This company is one of our best customers, one I would hate to lose if this loan request is not processed.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective	X						Ineffective

G3A. Although I have not yet viewed the property my contacts as well as the inspection sheet show the value and condition of the property. Because Mr. X is one of our best customers, failure to grant this loan could result in the loss of a good customer. The loan has excellent collateral and the company has excellent credit and financial strength. On these terms I believe the loan should be granted.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective			X				Ineffective

G2A. Well, I wasn't able to get out to see the property, but the real estate appraisal indicates it is in excellent condition. I feel we should look at record of this company and what a valued customer this firm is. They want an answer today and if you feel you can't approve this loan based on the information we have- That is if you feel it is necessary for me to visit the property for appraisal- I will explain this to the firm.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective		X					Ineffective

W1A. I have not as yet visited the property, but I can assure you that it is of excellent value. This property has been appraised as excellent. This customer is one of the banks best and has never defaulted on any of their loans. I can see no reason why we should not approve this loan, as it will be well collateralized by the real estate itself.

Ethical __X__ _____ _____ _____ _____ _____ Unethical
1 2 3 4 5 6

Effective _____ _____ __X__ _____ _____ _____ Ineffective
1 2 3 4 5 6

V8B. This individual's income and assets exceed our requirements for a loan of this type. They have a good paying stable job and deserve to get this loan. Since this person is fairly secure financially, they have missed a few credit card payment due dates. I have discussed this with this person, because it was the only glitch on an otherwise excellent credit report and have determined it was only a careless mistake. I informed this applicant on the potential negative results of such actions. I sincerely believe this person has learned a good lesson about personal finance and is now a very low risk loan applicant. We all know this individual has the capital to accommodate such a loan, so let's give them that loan. Besides if we don't give them this loan, our competitors will.

Ethical _____ _____ __X__ _____ _____ _____ Unethical
1 2 3 4 5 6

Effective _____ __X__ _____ _____ _____ _____ Ineffective
1 2 3 4 5 6

V5B. After careful consideration, I recommend that we approve this loan. I have weighed the risk and benefits of the loan and feel that it is a sound investment. In regard to your questions about this person's credit history, he has shown that he pays the bank on time. Despite his careless past with his credit card payments, he has financial strength, job stability and adequate capital to ensure that we receive payment on our investment. To compensate for his credit card payments being late, I suggest we charge a slightly higher percent of interest than normal. Just a slight raise will help ensure prompt payments, but there is little risk that he will not make the payments. Once again, I recommend we accept the loan.

Ethical _____ __X__ _____ _____ _____ _____ Unethical
1 2 3 4 5 6

Effective _____ __X__ _____ _____ _____ _____ Ineffective
1 2 3 4 5 6

G15B. The individual has a good credit history with regards to bank loans. His credit card payments tend to be late due to careless recordkeeping. His financial strength is good. If the bank could get up loan payments on an automatic checking withdrawal, savings withdrawal or payroll withdrawal, then this loan would be an excellent candidate for approval. Even if automatic withdrawals cannot be secured for this loan, I believe this loan has an acceptable credit history risk and recommend it for approval.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective	X						Ineffective

G9B. This person's credit history is good towards banks, but is sometimes late on credit card payments. Financial stability is not a problem and I suggest we try an automatic transfer from the account of the customer for the payment of the loan.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective		X					Ineffective

G6B. To be completely honest, the persons credit history does show a trend of late credit card payments. I do think this is worth noting but the person's financial strength is adequate and must also be considered.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective			X				Ineffective

G2B. If you look at his history of bank payments, his history is very good. This individual tends to be careless with his record keeping and tends to make payments late even though he has the financial capability. I recommend the approval of this loan and perhaps require that his bank payment be automatically taken out of his checking account. This would eliminate him from forgetting and insure us receiving timely payments.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective	X						Ineffective

V9C. Though the owner/manager may use drugs, as long as they are not affected that much, this issue is not relevant for approving the loan. The loan officer also (I) may monitor closely to see any trouble early.

	1	2	3	4	5	6	
Ethical		X					Unethical
Effective		X					Ineffective

V7C. Well, I have heard the same way. However, I believe as long as he satisfies the financial criteria we should approve this loan because we are not the right people to judge this guy's personal life. The mission of banks is providing loans to all that satisfy our criteria, therefore not giving this loan would not conflict with our objectives but also create undesirable cases for the bank such as discrimination.

	1	2	3	4	5	6	
Ethical		X					Unethical
Effective	X						Ineffective

V6C. Even though he may be using drugs, records show that he's been responsible in taking care of his business -- paying his bills on time and good financial strength. Our goal is to make loans to people who are creditworthy and owner/manager has demonstrated that. It is also important to note that the drug abuse was just an allegation, and unless he's charged with drug use we shouldn't deny him the loan on the basis of drug use.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective			X				Ineffective

G11C. There is no substantial evidence that the applicant is using drugs. Even so, be that the case, his credit files are in positive accordance. Therefore, it would be a good investment.

	1	2	3	4	5	6	
Ethical		X					Unethical
Effective		X					Ineffective

G10C. I have only heard gossip, but who is to say it is true. As you can see, this company's manager is very competent or the company would not be in great financial position. I do not feel that this rumor is sufficient evidence to deny the loan.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective		X					Ineffective

G9C. I have no positive proof that the owner/manager is on drugs and do not have document facts from to prove the owner/manager uses drugs. I feel that hear say is not relevant and should not be taken as fact in this matter. If there is proof positive that the owner/manager has a problem with drugs, I will research the issue further, but I feel that the facts about the success of the firm show that a problem does not exist. I feel that this is a very safe loan and we should go ahead with it. If refuse this company this loan the next thing we will do is deny loans to smokers because it's a health risk or maybe we can discriminate against unwed mothers. What's next?

	1	2	3	4	5	6	
Ethical			X				Unethical
Effective			X				Ineffective

G8C. In view of the company's past performance and good credit rating that the risk of taking on this company's loan is good. Whether or not the owner/manager is using drugs, socially or otherwise is not the primary issue. This owner/manager should know the consequences of his actions and that they could effect his business and therefore I believe he will make good judgement. It seems as though the company will repay the loan based on previous credit reports and so I for one would grant them the money.

	1	2	3	4	5	6	
Ethical		X					Unethical
Effective			X				Ineffective

G3C. Although I have heard the same information from one person, the majority of the community members I spoke with knew nothing about this practice. It is not against bank policy to fail to grant a loan on this basis and because we fail to possess any solid evidence it would be based on suspicion and we in turn could face legal action if this information was found.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective		X					Ineffective

G1C. I have heard the same rumor but was given no evidence to substantiate it as a fact. In speaking with people of the community I have found no one who is aware of the alleged drug use except for a personal friend. I believe the financial background of the company warrants the approval of the loan. I leave it up to you (the committee) to decide whether the loan should be approved based on the facts we know about the financial strength and current performance of the company or whether the loan should be denied based on possible falsehoods. We do not want to jeopardize our relationship with a good client.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective		X					Ineffective

W2C. To tell you the truth, I'm not sure. I have heard from a friend that the manager has used drugs occasionally. I have absolutely no proof of this however. I have asked several other members of the community if they had heard anything about his drug use and not one single person knew anything about it. I think that this guy may use drugs socially once in a while, but again I have no proof. It seems to me that he really doesn't have a habitual problem, and let me remind you that his company has flourished recently. I think that a man is innocent until proven guilty and all other indications are that this would be a good loan for the bank to make. Personally, I feel we should give this man the benefit of the doubt and give him a loan. We should not condemn a man on rumors alone.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective	X						Ineffective

G14D. The loan may be profitable and may not be a big risk but the possibility of them evading income taxes is a problem. I realize it may not be a factor for us to consider but I feel we should consider it. If this practice, this is illegal and ethically wrong. I don't feel our bank should be associated or connected to a company that may be involved in this illegal activity. This is just my feeling about this loan. If profit for our bank is above our ethical standards then we may want to approve the loan. My feeling is that we shouldn't be involved with this kind of company.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective		X					Ineffective

G5E. They did lose money. However, there were three things attributable to the losses, the recession, the new manager learning process about the company, and slow down in sales.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective			X				Ineffective

G6F. It is apparent that the company's collateral will decline by 50% due to its specialized use. In my opinion the loan does appear somewhat risky but I feel the company will repay its debt.

	1	2	3	4	5	6	
Ethical		X					Unethical
Effective			X				Ineffective

W4F. The value of the collateral would decrease since the company is using the new equipment as their collateral. The equipment is now worth $100,000 but once it is used the fair market value will be $50,000. But this $50,000 is 2/3 of the loan (less interest), plus the company's credit history is satisfactory-- so I see no problem in receiving our money back.

	1	2	3	4	5	6	
Ethical		X					Unethical
Effective		X					Ineffective

W3F. As with any newly purchased product, the market value will devalue upon usage. Due to the specialized nature of the company the collateral will drop 1/3 of its fair market value. However, due to the company's satisfactory credit record, the decreased value in collateral should not influence the loan decision.

	1	2	3	4	5	6	
Ethical			X				Unethical
Effective			X				Ineffective

ETHICAL/INEFFECTIVE

V13A. Based on the background information, there is enough justification to make the loan. The customer is in good credit standing and deserves the required credit line. After all a good loan turned down today might possibly result in the loss of future business.

	1	2	3	4	5	6	
Ethical			X				Unethical
Effective					X		Ineffective

V11A. These are the 6 facts about the loan:...... I'll need a very short period of time to confirm some of these facts. I would be honest and open to you to eliminate the future potential problems even though they are very little.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective					X		Ineffective

G16A. Even though I did not get a chance to look at the property I think we should give him/her the loan because of the following reasons. First and foremost, because they are one of our best customers and if they took their business elsewhere, it would probably get around to our other customers and we might lose their business also. Plus they always paid their bills on time. The company's earnings are getting better every year and they are always voted one of the top companies in our area. Finally, we know the manager is one of the most respected real estate agents in the area. Even though I didn't get a chance to look at the property, I think the committee should approve their loans on their past merits.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective				X			Ineffective

G12A. Unfortunately, I have not had the time to visit it.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective					X		Ineffective

V10B. Although this customer says his credit card debt is late, this is solely due to his careless record keeping, not his financial weakness. We could find a way so that he/she pays his loan on time.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective					X		Ineffective

G13B. This person has the potential of being a prime loan applicant. This person has the capital, collateral, condition to repay the loan. The one thing that makes me somewhat skeptical is this person's character or willingness to repay the loan. This person has a somewhat unresponsible payment system. Some loans he repays immediately- others, credit card bills, he doesn't. Overall I would give the loan with a slightly higher interest rate with the stipulation that if more than 2 payments are late the loan is due immediately.

	1	2	3	4	5	6	
Ethical			X				Unethical
Effective						X	Ineffective

W4B. The individual pays the bank on time, but tends to pay the credit card debt late. But we must remember that the late credit card payments are due to careless recordkeeping, not because of a financial weakness. So, I see no problem in getting our money back from this individual.

	1	2	3	4	5	6	
Ethical		X					Unethical
Effective					X		Ineffective

G7D. I have received hints from the company's accountant that this is the case, however I cannot say for certain it is true. Perhaps we need to look into this matter some more and then make some decisions based on what we find.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective				X			Ineffective

V4E. The company lost money last year because of the transfer of ownership and the recession. However, they have good sales, not much debt, and up until last year they have sustained good earnings growth. The company as a whole has been around for more than 50 years so the staff is very experienced. The new owner just has to get a feel for his company before he can really do anything for it. The recession just made matters look worse. The company has a good credit rating, they have yet to default on any liabilities and I don't believe they will have to. I believe this loan will really help them turn in more revenue. I strongly push for this loan to pass.

	1	2	3	4	5	6	
Ethical			X				Unethical
Effective				X			Ineffective

V7E. I believe this guy is hard working and intelligent and has the drive to succeed for this business. My personal idea is that this guy as soon as he grasps the nature of this business he will turn around this company.

	1	2	3	4	5	6	
Ethical			X				Unethical
Effective					X		Ineffective

V13E. A business requires loan not only when it is growing, but also at times of internal restructuring. In the above case the company is trying to restructure under a new management. With the required loan it should better position itself to turn around and make a positive earnings. There are enough resources to turn around the company and needs the right leadership to give it proper direction.

	1	2	3	4	5	6	
Ethical			X				Unethical
Effective				X			Ineffective

G7E. I'm fairly certain that the loss was due to a slowdown in sales from the recession and due, in part, to the fact that the new owner is still familiarizing himself with the business. This loan may come with some risk, but I feel safe in saying that it is a risk we should take. It's our duty to help our community grow and prosper; of course some risk will be involved. All of us must start somewhere before we can gain valuable experience.

	1	2	3	4	5	6	
Ethical		X					Unethical
Effective				X			Ineffective

G16E. The main reason the company lost money last year was because of the recession. We know that everybody was hit by the recession last year, even the bank did not do as good as past years. I do not think we should get down on them just because they had one bad year, look at before last year, they had good earning's growth. And another thing, I know some of you are not to sure on the new management team because of their lack of experience. But as you know, all of us had a lack of experience in one area or another, and all we needed was a chance to prove ourselves. I say we give them the chance to prove themselves. Finally, the company has been around for many years and they have always paid their bills on time. Personally, I think you would be making a judgement in error, if you did not grant this loan request.

	1	2	3	4	5	6	
Ethical		X					Unethical
Effective					X		Ineffective

V1F. The company is purchasing $100,000 of new equipment with the loan proceeds of $75,000. The loan is a bit risky, but this can be compensated by charging a higher interest rate. The equipment can also be sold to compensate if there was a default because of the specialized nature of the equipment it may be harder to sell, but it still offsets riskiness. I think the loan should be made.

	1	2	3	4	5	6	
Ethical		X					Unethical
Effective					X		Ineffective

V12F. The value of the collateral has decreased but still that is no reason to refuse this loan. The purchase of the equipment will make the company stronger and at the same time lower our risk.

	1	2	3	4	5	6	
Ethical			X				Unethical
Effective				X			Ineffective

G1F. The value of the collateral will drop by half once it is used. It is specialized equipment and may be difficult to sell. But if we charge a higher interest rate on the loan we can counteract this problem and still sell the equipment if the need arises.

	1	2	3	4	5	6	
Ethical		X					Unethical
Effective				X			Ineffective

G4F. The fair market value of the equipment would fall to $50,000 once the equipment is used. This is due to its specialized nature. The bank will be fairly compensated for the fall in fair market value after use by charging a higher interest rate.

	1	2	3	4	5	6	
Ethical		X					Unethical
Effective				X			Ineffective

G12F. The value of the collateral will drop to $50,000 after it is used.

	1	2	3	4	5	6	
Ethical	X						Unethical
Effective				X			Ineffective

UNETHICAL/INEFFECTIVE

W3A. Based on inspection of the premises, I approve/recommend the loan. (You've got to take risks to get ahead, all entrepreneurs do it)

	1	2	3	4	5	6	
Ethical						X	Unethical
Effective					X		Ineffective

V4B. This is a really really good loan. Really!!

	1	2	3	4	5	6	
Ethical					X		Unethical
Effective						X	Ineffective

V3B. This person has adequate financial strength and adequate collateral to support the loan. (I would not mention the late credit card payments because if he's financially secure why mention it.)

	1	2	3	4	5	6	
Ethical						X	Unethical
Effective					X		Ineffective

G11B. Regardless of the late payment of the credit card debt, we have a potential clientele. As long as it is proven the applicant is a reliable paying individual, all that is needed is a constant follow up and reminder of loan payment due. Adequate financial strength and collateral are strong points in the decision making of honoring a loan.

	1	2	3	4	5	6	
Ethical				X			Unethical
Effective					X		Ineffective

V2D. I can't say for sure. Their accountant hinted that they are more profitable than they appear. Whether this is true or was just an attempt to make them seem better able to handle loan payments, I don't know. When I spoke with the manager he adamantly denied any income tax evasion. I can't say for sure. It is a judgement call.

	1	2	3	4	5	6	
Ethical				X			Unethical
Effective					X		Ineffective

V3D. It is apparent that we should give this company the loan. With the company's adequate financial strength and bills that are paid on time it is obvious that the loan should be granted. I have no understanding about the comment of the company evading income tax. Therefore, I feel it is just here say and should be disregarded.

	1	2	3	4	5	6	
Ethical						X	Unethical
Effective						X	Ineffective

V11D. We are not the legal authority and cannot dig down the rumors. Our objective is to make profit out of sound loans. If company's actual earnings are more than as it appears in the books, this just reduces our credit risk. Hence, it will be less likely to expect a default on this loan. However, the matter can still be discussed more since it's an ethical question.

	1	2	3	4	5	6	
Ethical						X	Unethical
Effective					X		Ineffective

G5D. Rumor has it that ... but we don't have proof that they are evading taxes.

	1	2	3	4	5	6	
Ethical				X			Unethical
Effective					X		Ineffective

G8D. I also got that feeling about them evading income taxes. We must take into account that this is happening. It seems though to me that they have the ability to repay the loan and so I feel we should grant them the money. On the off chance that they should get caught we may not get repaid but then we will handle that problem should it arise.

	1	2	3	4	5	6	
Ethical					X		Unethical
Effective						X	Ineffective

V8E. This company is a good company that is experiencing some changes that caused earnings to drop. However, much of this drop is due to the recession which had a similar effect on other loan applicants. The solid past and good credit rating of this firm indicate the ability to service the proposed loan. I feel this firm is in a critical position as they need capital now to carry them through the recession, then I feel they will return to financial strength. The key to this comeback is our extending this loan.

	1	2	3	4	5	6	
Ethical				X			Unethical
Effective					X		Ineffective

V9F. The collateral is the only secondary source for repayment loan. As far as the future cash flows are really stable, there will be no problem in the future.

	1	2	3	4	5	6	
Ethical					X		Unethical
Effective					X		Ineffective

V10F. Dear committee member, although the equipment's market value will drop to $50,000 once it's used, the equipment will enable the company to earn more than $50,000. The equipment is critical to the company to increase its sales thus its profits.

	1	2	3	4	5	6	
Ethical					X		Unethical
Effective					X		Ineffective

UNETHICAL/EFFECTIVE

V12A. The property is in good condition.

Ethical	___	___	___	___	___	X	Unethical
	1	2	3	4	5	6	

Effective	___	___	X	___	___	___	Ineffective
	1	2	3	4	5	6	

Appendix E

GRID IDENTIFYING SCENARIOS SCORED BY EACH JUDGE

Scenario Number	Judge Number								
	1	2	3	4	5	6	7	8	9
1	X	X	X						
2	X				X			X	
3				X	X	X			
4		X		X					X
5							X	X	X
6			X			X	X		

Note: Every judge judged only two types of scenarios (e.g. judge number 1 judged all responses to scenario numbers 1 and 2).

RESUME

James (Jim) B. Wehrley was born in Milwaukee, Wisconsin on July 10, 1961. He graduated from West Allis Hale High School. Jim attended the University of Wisconsin-Whitewater where he received a B.B.A. degree in finance in 1983.

In July 1983, Jim moved to Denver. In September, he accepted a financial statistician position with Standard & Poor's. In January 1985, Jim moved to Waco, Texas to Pursue an M.B.A. at Baylor University. He graduated in May, 1986.

In January 1987, he moved to Tampa, Florida. The first four months were spent preparing taxes for Moore Business Systems. In April, 1987, Jim accepted a position with First Florida Bank where most of his three plus years of banking experience was in the role of commercial loan officer. In 1989, Jim began teaching as an adjunct faculty member at Hillsborough Community College.

In August, 1990, Jim enrolled in the Ph.D. finance program at Virginia Polytechnic Institute and State University. Seeking a more applied program, he transferred into the doctoral program in vocational and technical education with an emphasis in business education. He is currently a member of the National Business Education

Association and the American Vocational Association. Jim completed the degree requirements for a Ph.D. in June, 1993.

James B. Wehrley

James B. Wehrley