

# **Teaching Ethics in the Introductory Finance Course**

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## **Acknowledgements**

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## **Idea**

In an era of recent corporate scandals, it may be beneficial for Business Departments to spend more time discussing ethical issues. Students may be confronted with social and individual ethical issues when they are working in a corporate environment. If they have been exposed to situations and discussed the consequences of those situations in a classroom setting, they may be better equipped to handle an ethical situation if it arises. Placing this in the context of Jesuit Education and Pedagogy this project attempts to:

1. Develop responsible citizens who are sensitive to the needs of our times
2. Pay special attention to values, ethical issues and the development of moral character
3. Inspire graduates to change society and the world for the better.

## **Implementation**

Dr. Philip Glasgo and Dr. David Hyland prepared a hypothetical business case that involved the opportunity for an inexperienced employee to engage in insider trading with a low probability of getting caught. The case study was based on one of Dr. Hyland's experiences at Owens-Corning Fiberglas.

Students read and prepared the case in advance, typed up answers and discussed the case in both Dr. Glasgo and Dr. Hyland's classes. The discussion focused on the opportunity to make money, the legal consequences of the action, and the individual and social effects of insider trading.

## Case Synopsis

David is a junior accountant at Owens-Corning Fiberglas who discovers he has access to some information about the company that will be announced to the public in the next several days. The announcement is about asbestos liability that could be perceived as bad news which might make the stock price drop drastically. If David acts on this information by selling shares, shorting the stock or providing tips to family members there is a low probability that he will be caught. The students are asked to prepare the following questions in advance:

1. Disregarding Legal and Ethical Issues What should David do if he wants to take advantage of this information?
2. What is a write-off?
3. What legal implications would David face if he acts on this information?
4. What is the difference between the primary market and the secondary market? Which market would David trade the Owens-Corning stock in?
5. What are the societal impacts of insider trading? Does anyone get hurt if David takes advantage of information he should not use?

In addition to the ethical component of the case, several other areas of corporate finance are illustrated in the case. These include:

- Market Efficiency
- Primary Markets vs. Secondary Markets
- Security Valuation
- Non-cash Accounting Charges

## Technology

Often when students prepare a case study for class, only a few are able to contribute to the discussion due to the time available and the number of students in class. For this case *Turn It On* classroom polling devices were used. A powerpoint presentation was prepared with different questions about the case. Each student had a polling device which is similar to a television remote control. They used the polling devices to answer the questions about the case. After the students registered their vote, the next slide showed the outcome of the student votes. In this way every student had the opportunity to participate in the case without wasting time. Additionally, since students did not know how the others were voting until everyone voted they were not pressured into voting one way or the other and could respond honestly.

## **Outcomes**

The classroom discussion was interesting and the students enjoyed the polling devices that allowed all of them to participate throughout the case. The students provided feedback that indicated that they found the case useful and thought provoking. In the future I would like to use more cases with ethical business situations in my introductory finance courses.

Later in the semester I invited Edward N. Waldvogel, CPA (Vice President, Capital Management) from Kroger and Daniel G. Quible, CFP (Senior Vice President) from Gradison McDonald to speak in my class. The topic was “Careers in Finance” and included a panel discussion where the students prepared questions in advance. Several students asked the speakers questions about ethical dilemmas they have faced in the workplace. Both speakers came up with several good examples of ethical situations and how they have dealt with them. I have done this type of session many times over the nine years I have been a professor and this was the first time students asked questions about ethical situations.

## **Additional Outcomes**

This case has been submitted for discussion at the Annual *Colleagues in Jesuit Business Education Conference* to be held at Gonzaga University, Spokane Washington July 28-30, 2006

In addition the case is being prepared for submission to an applied business journal.