

VALUE PREFERENCES AND OCCUPATIONAL ETHICAL ATTITUDES FOR FINANCIAL SPECIALISTS – EVIDENCE FROM A TAIWANESE FINANCIAL INSTITUTION

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ABSTRACT

Financial specialists are expected to have strong personal values and high levels of moral reasoning in order to deliver professional financial services to their clients. Although previous studies of personal values and moral reasoning have shown statistically significant (Abdolmohammadi & Baker, 2006), there was no report of any practical implication of personal values preferences as one of the criterion for selecting financial employees. This study examines the relationship between personal value preferences and occupational ethical attitudes of financial specialists in a Taiwanese financial institution (X Financial). Results indicate that age and moral values are positively related with identification with norms, willingness to obey norms, and intention to behave morally. Personal values are negatively related with the three ethical attitudes. The implication of these findings are that if the financial profession wants to obtain specialists who can identify themselves with professional norms, willing to obey norms and intend to behave morally, it may want to focus on candidates who demonstrate a preference for “moral” values.

Keywords: value preferences, occupational ethical attitudes, financial specialist

INTRODUCTION

Following the Enron and WorldCom scandals around 2001, the global financial crisis, which began in 2007, has once again focused public attention on the ethical standards and behaviors of financial specialists. In the third quarter of 2008, stock markets worldwide crashed and a number of banks, mortgage lenders and insurance companies fell. Nevertheless, the concern grew bigger when many market participants, including financial advisors and stock brokers, appeared to be willing to take any activities that might boost their performance or income. Some activities taken by advisors or brokers might be characterized as in the gray zone, not completely acceptable, but not clearly inappropriate. As

Stewart stated in his book, *Den of thieves*: “Greed is healthy. You can be greedy and still feel good about yourself.” [1] In fact, we have seen such unethical financial behavior repeatedly conducted by many. The most notably case was the securities fraud lawsuit against Lehman Brothers, Morgan Stanley, and Goldman Sachs. The broker-dealers were accused of putting forth misleading analysts’ reports about the RSL Common stock and caused investors’ big financial loss.

Many ethical issues have been addressed by laws concerning banks and financial institutions. Yet, many would argue that law is not enough. Bies noted that “quality and integrity cannot be legislated.” [2] Commitment to high ethical standards, not merely to legal compliance, is essential for financial integrity. Financial specialists are expected to have strong personal values and high levels of moral reasoning in order to deliver professional financial services to their clients. Although previous studies of personal values and moral reasoning have shown statistically significant [3], there was no report of any practical implication of personal values preferences as one of the criterion for selecting financial employees. This study examines the relationship between personal value preferences and occupational ethical attitudes of financial specialists in a Taiwanese financial institution (X Financial).

X Financial is principally engaged in the investment consulting, securities, banking, asset management, life insurance, securities financing, futures, various bills and bonds. X Financial claims to be committed to maintaining high standards of ethics, corporate governance and effective accountability mechanisms in every aspect of its business. Our investigation is particularly important for several reasons. The first is that the results of this study serve as concurrent validity of personal value preferences as a selection criterion, using ethical attitudes as an indicator. Another reason for conducting this study is the persistent concern about ethical conduct in the finance sector. The concern about financial ethics is a legitimate one for large developed economies, such as the United States, where the financial sector dominates the real sector. However, financial ethics is equally important for newly developed countries such as Taiwan, where the ethical integrity of their burgeoning financial markets and institutions is a critical prerequisite to a balanced, healthy economic growth. Finally, agreement on common ethical values is urgently needed in the process of developing a global economy [4]. We hope to promote common ethical understanding required of all global market participants by investigating the relationship between personal values and ethical attitudes in a non-western setting.

LITERATURE REVIEW

Personal Values

Rokeach defined a personal value as “an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence.” [5, p5] Rokeach also argued that personal values occupy a central position in an individual’s cognitive makeup and that values influence attitudes and behaviors. He believed that most individuals hold the same values but with different degrees of emphasis. Based on this belief, Rokeach developed

the Rokeach Values Survey (RVS) which consists of two lists of 18 Terminal and 18 Instrumental values [5]. Terminal values are defined as beliefs about desirable end-states of existence and are divided into two sub-classifications: Personal values are those values that are self-centered (e.g. an exciting life); while Social values are those values that are social-centered (e.g. World Peace). Instrumental values are defined as beliefs about desirable modes of conduct and are also divided into two sub-classifications: Competence values (e.g. Ambitious) and Moral values (e.g. Honest). The focus of Moral values is interpersonal and the violation of which would bring feelings of guilt. The focus of Competence values, on the other hand, is intrapersonal, and the violation of which would bring feelings of shame or inadequacy (Rokeach, 1973;8).

Since its introduction in 1973, RVS has been subjected to extensive research. These previous studies found that persons who express a preference for Personal values or Competence values have a greater tendency towards unethical business behavior, while persons who express a preference for Social Values are more politically liberal in orientation [6] [7]. Most of the prior research was conducted in accounting. For example, Wright et al. administered the RVS to a sample of senior undergraduate accounting students and found a negative correlation between Personal Values and moral intensity [8]. Shafer et al. investigated the relationship between RVS values and auditors' ethical decision making [9]. Yet, the authors found no significant relationship between any of the RVS factors and moral intensity. There is no study conducted on financial advisors or consultants.

Occupational Ethical Attitudes

The prior research in occupational ethics concentrated on moral reasoning ability, which has been defined as "individual or collective practical reasoning about what, morally, one ought to do" [10]. Moral reasoning indicates individual ethical sensitivity, and can be operationalized as individual moral reasoning capacity [11]. The extensively used Defining Issues Test (DIT), based on Kohlberg's theory of moral development, assesses moral reasoning. However, Jones et al. [12] indicted that using DIT to measure differences of ethical scores reflecting a political bias. In addition, Emerson, et al. pointed out that DIT only measures moral reasoning ability, not ethical sensitivity to business or finance related issues per se [13]. Thorne [11] and Massey [14] found that measuring cognitive moral capacity alone is insufficient to determine moral reasoning. Specifically, Massey pointed out that ethics scores in generic ethical dilemmas were lower for auditors than in context-specific scenarios, suggesting that prior concerns about lower ethical reasoning ability among accounting practitioners may be exaggerated [14]. Given the aforementioned concerns about DIT, we choose occupational ethical attitude - a construct which was firmly rooted in the business ethics literature and a valence approach to analyze ethical inclinations toward specific business contexts. Ethical attitudes measure the degree of importance of an ethically sensitive item. We used a Taiwanese version of occupational ethical attitudes scales developed by Chang [15]. Chang argued that occupational ethical attitudes are context specific, including

identification with occupational norms, willingness to obey the norms, and the intention to behave morally [15].

METHOD

Participants

The subjects in this study were financial specialists, including financial advisors and stock brokers, who had participated in the regular training session in X Financials. The respondents were not informed of the purpose of the study. Instead, they were told that the survey was a part of the training program. Of the 620 questionnaires distributed, complete and usable questionnaires totaled 434, representing a response rate of 70.00%. Of this number, 267 (61.50%) were women and 167 (38.50%) were men. The mean age was 34.01 years old ($SD = 7.79$, range 18-60 years old). Over 75% were college educated and had job tenure averaging 9.50 years ($SD = 7.09$).

Measures

We administered the 26 RVS items using Likert scales and classified Terminal and Instrumental values into four factors: Personal, Social, Competence, and Moral values. The 14-items Taiwanese version of Occupational ethical attitudes scale [15] was used to measure the participants' ethical attitudes. This scale consists of three dimensions: identification with occupational norms, willingness to obey the norms, and the intention to behave morally. We performed a series of confirmatory factor analyses using LISREL to verify the four-factor RVS construct and three-factor ethical attitudes. We find moderate support for the classifications. The tested Cronbach's α for all of the sub-scale was of .75, .74, and .74, respectively

RESULTS

The means, standard deviations, and bivariate correlations among the variables are reported in Table 1. Correlation analysis results indicate that personal values is negatively, but moderately, correlated with three occupational ethical attitudes subscales ($r = -.16, -.14, -.16$, respectively, $p < .005$).

This study conducted a multivariate multiple regression analyses to determine whether value preferences relate to ethical attitudes. The three occupational ethical attitudes subscales were entered simultaneously as dependent variables and the four value preferences were entered as independent variables, controlling for gender, age and work tenures. Standardized regression weights were computed for each equation and the results are presented in Table 2. Results indicate significant regression equations for all models ($p < .05$). Age ($\beta = .24, p < .05$) and moral values ($\beta = .34, p < .001$) are positively related with identification with norms, willingness to obey norms, and intention to behave

morally. Personal values ($\beta = -.14, p < .05$) are negatively related with the three ethical attitudes.

DISCUSSIONS AND CONCLUSIONS

Consistent with prior research [16], the findings of our study indicate that older financial specialists exhibit more ethical inclinations. These findings with respect to age tend to support Kohlberg's [17] theory of moral development that suggests that individuals may experience a moral maturation over the course of their life cycle.

Our findings indicate that there are positive correlations between moral values (cheerfulness, clean, courageous, etc.) and ethical inclinations, and negative correlations between personal values (a comfortable life, a sense of accomplishment, an exciting life, etc.) and ethical inclinations. The implication of these findings are that if the financial profession wants to obtain specialists who can identify themselves with professional norms, willing to obey norms and intend to behave morally, it may want to focus on candidates who demonstrate a preference for "moral" values.

There are some research limitations to this investigation. First, generalizability of these results is somewhat limited, given that the samples were from only one financial institution in Taiwan. Future endeavors are warranted that can expand the participants to different sectors or different countries. Second, the usual caveats that ethical attitudes do not necessarily imply behavior [18] apply here. Third, future work should attempt to include more robust controls, such as religion or gender.

REFERENCES

A set of references is available upon request from Melien Wu (melien@mail.ncyu.edu.tw)