

ENHANCING THE QUALITY OF THE HUMAN FACTOR TO MINIMIZE CORPORATE ACCOUNTING SCANDALS

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ABSTRACT

In recent years within the global community, corporate corruption has been the order of the day. Many business organizations have been forced into receiverships, mergers, or bankruptcy by crooked business dealings, accounting malpractices, and deceptive auditing services. The common practice is to seek legal solutions to the problems of the corporate world. It is expected that these new regulations will significantly reduce accounting scandals and business bankruptcies. Using evidence from recent history we argue that the premise on which government leaders and their representatives base their policies is faulty and too weak to be a long-term solution to the problem of corporate corruption.

RÉSUMÉ

Au cours des dernières années, et de par le monde, la corruption au sein des grande entreprise a défrayer le chronique. Maintes entreprises ont été forcées de se mettre en règlement judiciaire, de fusionner avec d'autres ou de déclarer banqueroute, à cause des malversations, de comptabilité

frauduleuse et de vérification comptable douteuse. Le plus souvent des lois existantes ou de nouvelles loi spécifiquement promulguées sont appliquées pour résoudre ces problèmes qui minent le monde de l'entreprise. Ces nouvelles régulations sont censées réduire d'une manière significative les scandales dans la comptabilité des entreprises et les faillites. Sur la base de l'histoire récente nous soutenons que le principe sur lequel les responsables gouvernementaux et leurs représentants fondent leurs politiques est erroné et trop faible pour constituer une solution à long terme au problème de la corruption au sein des entreprises.

1. INTRODUCTION

For centuries business leaders and their subordinates have experienced varying levels of integrity crises and corruption in their business dealings. In cases where there is a breach of trust or some form of harassment the disagreement is usually settled using extensive legal proceedings. In recent decades, however, the corporate world has been on fire consumed with excessive corruption and accounting malpractices. These unethical business dealings have caused numerous bankruptcies. Since these bankruptcies have led to the loss of people's lifetime retirement savings there have been loud outcries against those involved in corporate corruption.

The painful outcome of business scandals is the loss of innocent peoples' lifetime savings. Since the financial losses to individuals are excessive and fear-inducing, government leaders are generally supporting legal solutions to the problem. As a result, government leaders, the Securities and Exchange Commission (SEC) and members of other regulatory bodies have not only tightened existing laws but also created new ones to deal with the hydra-headed problem of greed and corruption in the corporate world. The hope is that regulations will curb corporate corruption and its devastating financial effects on employees and stockholders.

Unfortunately, government leaders do not understand the primary cause of accounting scandals and corporate corruption. This failure on the part of government officials will result in more laws to deal with the symptoms of the problems we face in the corporate world. It is our belief that this is a move still further in the wrong direction and that the core problem will continue. It is our desire to recognize the symptoms, restate the problem and to suggest a more effective set of solutions that has led to the birthing of this paper. In addition we want to continue the discussion on how to promote human factor (HF) development in education. Adjibolosoo (1995, p. 34) defines the HF to be:

The spectrum of personality characteristics and other dimensions of human performance that enable social, economic and political institutions to function and remain functional, over time. Such dimensions sustain the workings and application of the rule of law, political harmony, a disciplined labor force, just legal systems, respect for human dignity and the sanctity of life, social welfare, and so on. As is often the case, no social, economic or political institutions can function effectively without being upheld by a network of committed persons who stand firmly by them. Such persons must strongly believe in and continually affirm the ideals of society.

Note from this definition that the HF refers to positive and negative characteristics that affect individual performance in every sphere of human endeavor. We will return to a more detailed discussion on the HF and its significance to the creation of and solution to accounting scandals in the corporate world.

In this paper we argue that the premise from which government leaders and representatives function is not only faulty, but also too weak to reduce the problem they desire to overcome. Since individuals lead corporations it is at the individual level that we need to address the importance of perspective and intention in decision-making. Arguing from a HF perspective, we conclude that since the primary source of corporate corruption and accounting scandals is severe human factor decay (HFD), until attempts aimed at overcoming these problems emphasize the development of positive HF they will lead to miserable failures and therefore worsen the problem (See Adjibolosoo, 1999). With the benefit of hindsight and endless hours of media coverage it is easy to list the failures in the public system and to analyze the ways accounting rules were contorted to paint an appealing picture for investors.

The balance of this paper is organized as follows. In section 2 we present a modest review of a few of the recent corporate corruption scandals that raised the awareness of individuals and government leaders to the current crisis level. Section 3 includes a review of the laws overseen by the Securities and Exchange Commission as well as a brief history of the U. S. accounting profession and professional groups that should have prevented corporate wrongdoings if laws and standards could be the solution. In section 4 we explore the idea that personal integrity and responsibility be present in any business development process to avoid integrity crises and scandalous practices. Without these, endemic corruption will destroy the business organization, as has been the case in the last few decades. The conclusion, recommendations for business education, and an invitation for continued discussion follow in section 5.

2. RECENT CASES OF CORPORATE CORRUPTION

Recent business headlines read like the epilogue of a Shakespearean tragedy telling the tale of personal and professional failures and of the woes sown and reaped by corporate leaders. Paraphrased examples of such headlines include the following:

- Andy Fastow (former Enron Chief Financial Officer) and Lea Fastow (former Enron financial decision-maker) plea-bargained and negotiated for sequential prison time so they could continue to raise their daughters after the demise of Enron.
- Bernard Ebbers (former President) and Scott Sullivan (former Chief Financial Officer) are accused of fraud and conspiracy when they capitalized over \$700 million in expenses in 2001, overstating assets and net income of WorldCom.
- L. Dennis Koalowski and Mark H. Swartz borrowed money from Tyco International Limited and then “forgave those loans” as part of their own compensation package.
- Richard Scrushy, former CEO of HealthSouth Corporation lied about the “accuracy” of the numbers in financial statements (See various issues of *The Wall Street Journal* from December 2001 through to today).

These individuals and those close to them made bad decisions, compromised their opinions, and failed to report developing situations in the heady environment of the last decade. While the courts have not ascertained the punishment for these decisions, most represent a violation of trust with the intent to mislead investors. While there is a personal impact on the lives and families of corporate leaders, the damage to the corporation, society, and the economy is felt far beyond. Nearly every stakeholder in these corporations was victimized by relying on financial information that reflected the misguided decisions of the management, the compromises of the board of directors and the tacit approval of the accounting firms.

In many cases the sudden revelation of wrongdoings by management crushed the spirit and dreams of employees and trusting investors. Many lost life's savings through a misplaced faith in the bright futures promised by management. Where bright, energetic, and out-of-the-box thinkers once populated these companies fear, apathy, and depression were now pervasive. The personal costs were and

are extraordinarily high; the effects upon the economy and society as a whole are monumental. These costs are the result of intentional personal decisions. Although there were corporate boards, accounting principles, and government oversight, these systems were not enough to protect investors from intentionally fraudulent decisions by a few powerful corporate leaders.

The heady environment of the go-go 1990's that led to the dot com bubble had many wondering if the rules had changed. The advent and the use of the Internet created a pervasive expectation that market share or stock price was the metric driving future value. As company after company reported earnings beyond expectations the "stakes" increased for each corporation competing for investor dollars. The market-driven value of stock options put additional pressure on executives reporting quarterly results. Many executives caved in to the temptation to show quarterly earnings with little regard to future implications.

This is the environment where the habitual practices of corporate leaders, managers, and subordinates evolved. Accounting firms became more closely aligned with their corporate clients. Political alliances were being formed and campaign contributions by the accounting firms and aggressive corporations were high. While the public system was strained and a change in culture is now recognized, it is not the reason for the corrupt decisions of corporate executives.

The failure is fundamental, it stems from the personal perception and intentions of individuals. Decisions to misrepresent revenues and expenses or to obscure financial obligations are made by individuals. Often they have a full understanding of the situation but a short-term perceived necessity to continue on in the same direction. Even a small deviation from the planned path of growth has significant impact on the stock price today and the personal wealth of the decision maker.

3. REGULATORY PRACTICES AND PROFESSIONAL STANDARDS

Although the New York Stock Exchange was created in 1790, security regulation of business received little government attention for nearly two centuries! Late in the 19th Century, as the corporate form of business gained popularity, a new opportunity for financial misrepresentation and fraud emerged. Leaders of individual states responded with what were broadly described as *Blue Sky Laws*, but the US government was slow to protect investors. By the roaring 1920's, the exuberant culture, risky credit behavior, and lack of corporate oversight left stockholders vulnerable to new corporate schemes such as stock price manipulation, false claims on press releases, insider trading, and misleading financial statements.

After the stock market crash in 1929 and during the depression that followed, the US government began recognizing that trust and confidence in the financial institutions was critical to the economic well-being of the country. In 1933 and 1934 the Securities and Exchange Commission (SEC) was created and assigned regulatory responsibilities to determine the accounting and reporting standards for publicly traded companies. Although the SEC has the legal responsibility for the financial disclosures for publicly traded companies, it has encouraged the accounting profession to establish the actual accounting rules by which these companies are measured.

The American Institute of Certified Public Accountants (AICPA) formed groups to establish and document suggested accounting practices. The first two groups, the Committee on Accounting Procedures (CAP) in 1939 and the Accounting Principles Board (APB) in 1959, took more of an item-by-item approach. The final group to evolve in 1973, the Financial Accounting Standards Board (FASB), took a long-term approach to standard setting. Their first seven statements documented the conceptual framework for accounting as the basis for analyzing situations and emerging issues. These FASB statements are:

- SFAC No. 1: “Objectives of Financial Reporting by Business Enterprises.”
- SFAC No. 2: “Qualitative Characteristics of Accounting Information.”
- SFAC No. 3: “Elements of Financial Statements of Business Enterprises.”
- SFAC No. 4: “Objectives of Financial Reporting by Non-business Organizations.”
- SFAC No. 5: “Recognition and Measurement of Financial Statements of Business Enterprises.”
- SFAC No. 6: “Elements of Financial Statements.”
- SFAC No. 7: “Using Cash Flow Information and Present Value in Accounting Measurements.”

Through CAP, APB, and FASB the accounting professionals established what is known as the Generally Accepted Accounting Principles (GAAP). The FASB continues to deal with emerging issues in financial reporting and establishes accounting standards by an evolutionary and transparent process. The FASB has issued over 150 standards, interpretations, concepts, and technical bulletins mostly to deal with individual emerging issues, since its creation in 1973. Some of the more widely known financial reporting issues that the FASB has dealt with are listed below with the number that identifies each statement:

- Statement No. 52: “Foreign Currency Translation.”
- Statement No. 94: “Consolidation of All Majority-Owned Subsidiaries.”
- Statement No. 109: “Accounting for Income Taxes.”
- Statement No. 133: “Accounting for Derivative Instruments and Hedging Activities.”
- Statement No. 149: “Amendment of Statement 133 on Derivative Instruments and Hedging Activities.”

The AICPA continues to be primary in developing auditing standards and regulating the auditing functions of the accounting profession. They enforce professional ethics, develop and grade the CPA examination, and provide much of the continuing education that is required for the licensing of CPA’s.

3.1. Changing Roles and Relationships

For over 30 years the accounting profession and the SEC maintained a respectful and comfortable partnership in their standard setting and regulatory roles. In the early 1970’s issues emerged that put the SEC and FASB on opposite sides and highlighted the charged political environment of financial reporting. The issue of auditor independence and the suggested accounting treatment of stock options used as executive compensation further defined the new roles of the SEC and FASB. Finally, the publicity of the most recent round of corporate scandals prompted yet another round of US legislation, known as the *Sarbanes-Oxley Act*.

While the accounting profession was establishing and documenting GAAP and the conceptual framework for accounting, the U.S. Government was developing the regulatory structure for the US securities market. They passed 9 sets of laws from 1933 to 1980, including most recently the Sarbanes-Oxley Act in 2002. These acts broadened and defined the SEC’s responsibilities, the requirements for publicly traded companies and those who market securities publicly. The laws administered by the SEC are:

- ***Federal Securities Act of 1933***: Requires public companies to make *full and fair* disclosure of their financial affairs.
- ***Federal Securities Act of 1934***: Assigns responsibility to the SEC and required companies to update their financial information.
- ***Public Utility Holding Company Act of 1935***: Allows the SEC to restructure holding companies whose purpose is to concentrate the voting power in a few individuals.

- ***Trust Indenture Act of 1939:*** Requires a bonded expert to administer debt securities of public companies.
- ***Investment Advisors Act of 1940:*** Requires that companies which invest funds for the public to be audited annually.
- ***Securities Investor Protection Act of 1970:*** Creates an entity for insuring investors against an investment house enters bankruptcy.
- ***Foreign Corrupt Practices Act of 1977:*** Provides amendment to 1934 Securities Exchange Act by requiring management to have adequate system of internal control.
- ***Federal Bankruptcy Acts of 1997:*** Provides additional protection of security holders when a publicly held company declares bankruptcy.
- ***Sarbanes-Oxley Act of 2002:*** Requires leaders of audit committees, public accounting firms, corporations, and corporate officers take additional responsibility for financial information and internal control.

The Sarbanes-Oxley Act is the most recent major attempt of the US government to restore trust in the US financial markets through regulation. The SEC is again writing and enforcing the laws while the accounting profession, most often the Financial Accounting Standards Board, is continuing to write the reporting guidelines.

3.2. Recent Violations of GAAP

The objective of the three primary financial reports, the Income Statement, the Balance Sheet and the Statement of Cash Flows is to provide useful information to decision makers. The information should be understandable and helpful in assessing risk, past and future cash flows, and the financial position of the company. In many of the recent corporate scandals the accounting rules were stretched or broken in three ways, revenues were overstated, expenses were understated, debt and risks were not disclosed.

The income statement is often used to project future earning power as well as to describe the current earnings of a company. Stock market analysts forecast quarterly and annual earnings and the stock price can react with volatility to meeting or not meeting “Wall Street’s” expectations. Needless to say there is much pressure on corporate management to not disappoint the stock market when earning figures are reported quarterly.

3.3. Making the Earnings Numbers

GAAP specifies the accrual basis and using conservative criteria for revenue and expense recognition. Being conservative means to select the accounting treatment that is least likely to overstate assets and income. Those who indulge in the practice of financial misrepresentation often ignore these two rules for either revenue recognition or expense recognition or both. The individuals making the decisions to misstate financial information are often highly competent knowing what the rules are and how to bend them. The short-term rewards of stock price growth which affect both the company's well-being and personal wealth is too tempting as a personal choice.

Revenue is earned when a sale of a product or service to a customer is complete and there is little risk associated with the collection of funds. Clearly, companies such as Krispy Kreme and Sunbeam, who booked revenues as they shipped product into their sales channels (not their final customers) violated GAAP. Even more clearly, the round-trip-trades of Enron, Dynegy, Tyco, and WorldCom where multiple companies reported a series of related trades as revenue even though often no product or payment actually was exchanged violated GAAP. Enron's aggressive accounting treatment of earnings on derivatives (futures contracts) stretched the conservative accounting guidelines of the day to new lengths. Although there remain areas for judgment in the accounting treatment of some transactions, the conservative recognition of revenue is the stated objective of GAAP.

Expenses should be recognized when the resource is used. FASB intends estimates to be conservative and assets to be fairly valued. When WorldCom executives reported expenses as assets (capitalized expenses) and when Waste Management spread depreciation expense recognition over 18 years instead of 12 years to improve their earnings they each violated the GAAP established by the accounting profession and required by the SEC.

3.4. Undisclosed Debt and Risk

GAAP describes the Balance Sheet as fairly representing the company's financial position on a specific date. When special purpose entities are structured to avoid the accounting requirements associated with consolidation or they financially engineer transactions that are misleading they are ignoring the spirit of GAAP. When events are orchestrated with the purpose of concealing financial obligations or keeping debt off-the-balance-sheet the rules of GAAP were violated.

Liberal interpretation of the rules for recognizing investments allowed the manipulation of Enron's Special Purpose Entities (SPE) to generate off-balance sheet financing without disclosing risk, obligation or debt to shareholders. By

structuring the legal documents creating the SPE's to avoid the "substantial control" requirement, Enron was able to report the investments in a more positive light by carefully defining and arranging "ownership." In the case of Enron this fraud was compounded by booking the receipt of funds from the loans as revenue.

The SEC and FASB have made considerable efforts over the last 25 years to require that financial statements fairly and accurately present the financial position of a company, audits, definition of terms, and the description of the proper accounting treatments. Unfortunately, however, no matter how many rules and guidelines are written, they are a limited and short-term solution to the problem of corporate fraud and corruption. The solution lies in approaching corporate decisions with conscience, integrity, and good business ethics.

4. INTEGRITY CRISES: A HUMAN FACTOR SOLUTION

The various aspects of the composition of the HF are presented and described in Table 1. Each of these aspects of the HF has positive and negative elements. The goal of a human factor-based management education is to maximize the development of positive HF while minimizing negative HF. It is the distinguishing positive aspect of the HF that motivates and propels people to uphold, promote, and defend noble social systems and institutions. Clearly there are few laws, systems, governance practices, or bureaucratic regulations that can achieve their intended objectives without people who possess positive HF to uphold them. People who possess positive HF are able to blend their knowledge, understanding, and technical skills with their own principles and ethical codes. They contribute significantly toward promoting the company vision, mission, and plans.

Table 1
The Composition of the Human Factor

Human Factor (Type of Capital)	Description
Spiritual Capital	It is the aspect of the human personality that is usually in tune with the universal laws and principles of human life. It equips the individual to see beyond what the five senses are able to grasp and also furnishes him or her with deeper insights into the non-material world.
Moral Capital	It represents habits and attitudes of the human heart that are based on universal principles regarding right or wrong. It refers to the qualities individuals possess that lead them to conform or not to conform to universal principles of life. Its constituents include integrity, humility, justice, charity, patience, honesty, sensitivity, and fairness).
Aesthetic Capital	A deep sense of and love for beauty. It includes a strong passion for music, art, drama, dance and other artistic capacities (imagination and creativity are strong components).
Human Capital	The know-how and acquired skills (i.e., technical, conceptual, intellectual, analytic and communications); human experiences, knowledge, intelligence, physical well-being, and emotional health.
Human Abilities	These constitute the power or capacity of an individual to competently undertake projects or effectively perform tasks requiring mental and physical effort. They are required for the effective use of human capital. Examples include wisdom, vision, commitment, determination, diligence, courage, accountability, judgment, responsibility, competence, motivation, human energy, optimism, endurance, self-control, objectivity, reliability, and so on.
Human Potentials	They are the human talents that may or may not be harnessed and employed for human utilization. These may be referred to as the yet undeveloped and unused dimensions of the HF.

Source: Adjibolosoo, S. 1996. *Human Factor Engineering and the Political Economy of African Economic Development*. Westport, CT: Praeger (pp. 22-23).

Some of the key attributes of positive HF include dedication, accountability, responsibility, integrity, and trust. When these qualities exist in the being of leaders, managers, and their subordinates they will inevitably lead to the minimization of the number and degree of severity of corporate scandals. However, when these qualities are absent in those leading the corporation they pursue solutions that ignore, obscure or overlook moral principles and ethical standards. Though those involved may have attended the best business schools in the nation, they will lack the desire and will to pursue principle-centered practices because of the decay in the quality of their HF.

Those who possess positive HF are equipped to engage in initiatives and behavioral practices that push the business organization forward as they work towards profitability and long-term survival. Those who lack these qualities will pursue the quick fix, avoiding the immediate consequences of disappointing Wall Street. It is the attitudes and practices of these individuals that produce and sustain the fires of corporate scandals and corrupt practices. Until education is human factor-centered, it will be difficult if not impossible to reduce corporate scandals and other corrupt practices in the long-term. In light of this conclusion, those who are sincerely interested in dealing effectively with corruption in the corporate world must pursue human factor-centered education rather than legal developments. In what follows we present a brief discussion on how to groom people to acquire positive HF through leadership and management education.

4.1. Grooming the Human Factor Through Management Education

We need educational programs that will prepare the individual for the roles of principle-centered leadership and management. Teaching ethics is not enough if the student does not possess positive HF to put his/her knowledge and skills in a context of integrity. Our schools concentrate essentially on knowledge and skills acquisition. This kind of education produces people with a tremendous wealth of what economists refer to as human capital.

Unfortunately though, this type of education program, which forces students to take courses in ethics, fails to create a nurturing environment within which a student can experience positive transformations in the quality of her HF. As a result of this failure, people graduate and leave schools of business with little desire to pursue behavioral and business practices that mirror principle-centeredness. The courses they take in their schools equip them with more tools but not more character qualities. It is imperative to insure that ethics courses create appropriate forum in which students interact with the course content in such a way that its message impacts the students' HF quality in a positive transformational manner. This must be done in such a way that integrity becomes

imprinted in their being rather than just placing a tool in their business tools kit to choose to either use or neglect as they deem fitting to their personal desires and goals at the time.

To be successful in carrying out this type of management education every effort must be made by professors, administrators, and students in the nation's schools of business to be intentional in their quest to prepare principle-centered leaders and managers to lead and manage in the social institutions for the benefits of all humanity. What is required is a group of people who are continuously developing their positive HF. HF development is, therefore, a *sine qua non* to our ability to reduce corporate scandals, not legal proliferation. Without it we can make as many laws as we desire. But the laws we enact will simply force the corrupt to change their specific behavioral practices to be within laws. In this way corporate accounting scandals and other negative business practices will balloon and bloom rather than become minimized in the long-term.

4.2. A Model for Grooming and Managing the HF

Adjibolosoo (2006) argues that it is critical for those involved in our nation's schools of business to be intentional about producing moral and ethical leaders. To implement his proposed model for HF development it is important to proceed in a methodical manner, taking every step to insure that the education program has what it takes to dispense transformational business education. They must be prepared to do what is required to help students to internalize moral principles and ethical standards into behavioral practices. This is a sound business education!

The human factor-based business education model suggests that the education program aimed at grooming moral and ethical leaders and managers must commence with the precise identification of the primary embodiments of the HF (See Stage 1 in Table 2). This is done through the following queries:

- What is the current state of the HF in each business organization?
- What skills are available?
- What are the orientation and the morale levels of the labor force?
- What ethos and ethical principles are adhered to?
- Do employees possess high levels of positive HF and therefore sound work ethic?

Whatever the answers to each of these questions are, the planners must proceed to stage II in Table 2. This involves grooming positive HF by means of intentionally orchestrated leadership and management education and socialization programs (See Adjibolosoo, 1993a and 1993b).

Table 2

A Model for Grooming and Managing the Human Factor

STAGE I	STAGE II	STAGE III
Identify the embodiments of the existing human factor.	Groom the human factor using appropriate education and socialization programs.	Accomplish the management process by planning, organizing, integrating, and measuring.

The existing forms of leadership and management education that take place in the nation's schools of business must be transformed and aimed at the provision of a fertile and propelling environment within which students can become aware of the quality of their HF and how they must proceed to develop and acquire the various dimensions of the HF (See details in Table 1). This education program will facilitate the development of the human quality in terms of skills, human attributes and abilities, creativity, and the spirit of responsibility, accountability, integrity, and trust (See Adjibolosoo, 1993a and 1993b). Students who are involved in this form of business education will acquire positive HF they require to live and act in regard to principle-centeredness. This will position them to pursue excellence and also enhance their effectiveness in terms of productivity growth (See Stage III of Table 2).

5. CONCLUSION AND RECOMMENDATIONS FOR PUBLIC POLICY

Our discussions have revealed that the legal solution to accounting scandals and all other forms of corruption in the corporate world have not worked in the past. We have used the law as panacea for dealing with integrity crises for decades without promising results. To continue on with legal solutions without taking a moment to reflect and rethink its effectiveness is to open ourselves for additional failures in the future. We have also shown that until the human quality is improved the legal solution is a wasted effort. Business education must be transformational education rather than mere training in disciplinary content. To assist leaders, managers, and their subordinates to develop integrity, responsibility, accountability, and trustworthiness in decision making education needs to address perception and intention issues during the formative years of corporate leaders. We close with the question: *What is the purpose of education?*

Centuries ago the Greeks and Romans both addressed this question with different outcomes. The Greeks stated the ultimate goal was *to be*. Their philosophers including Plato, Aristotle and Socrates pondered learning as a tool for personal development in terms of becoming a better human being by internalizing new information. The Romans argued that a functional approach to learning, *to do* was more important. Knowledge for the sake of doing or building something determined the usefulness of knowledge. Speaking to the issue of what constitutes good education, Dr. Martin Luther King, Jr. notes: “The function of education is to teach one to think intensively and to think critically. Intelligence plus character—that is the goal of true education.” Character development can be accomplished within the human factor context of education. In light of this conclusion, let us begin the discussion in this section by speaking to the various dimensions of the HF.

Today, most educators and government representatives would have us believe that the purpose of education is to transfer skills and knowledge to an emerging workforce. This, they argue, improves the economic well-being of the individual, family, community, and nation. This form of education is a necessary and justifiable expenditure of public funds. This content focused approach to education leaves the character development aspect of education to those outside the classroom, primarily parents, family members, mentors, and spiritual leaders.

But, if education is part of human development then in addition to transferring skills and knowledge, education must support character development as well. Character development is crucial in the transformation of intellect to integrity. Is it possible to teach personal integrity? While we have raised awareness of business ethics in critical-thinking and decision-making situational analysis using case studies, the evidence of the 1990’s—including accounting restatements, situational misinformation, and corporate and criminal prosecutions—indicates that case studies are not sufficient to develop personal integrity and individual ethical responsibility in the workplace.

How can the educational process support human factor development? Consider the development of integrity being similar to a group’s journey up a long hill. While climbing the hill, the leader (educator) must encourage and mentor the group’s progress as well as monitor the group’s health by encouraging them to take their own pulse. The leaders must also, as worthy examples, take their own pulse from time to time and assess their own well-being. The leaders must also encourage individuals to look beyond the incline to see the personal strengths that are being developed within each individual. From time to time an individual that slows the journey may take a detour. The leaders’ role in this case is not to shepherd the strays back on track but rather to help them see the right path for themselves. As the group keeps climbing each will develop strengths

they did not previously possess. The journey will take some time and it is not possible for the leader to carry the individuals to the top of the incline. Rather each must make the trip, being aided and monitored by the leaders.

We believe that education is a tool for HF engineering and that character development is too important to leave outside the classroom. In this educational model, faculty members are role models along with parents and others who share in supporting character development. Faculty members have unique opportunities to encourage the development of others as they share their own character development in an educational setting. For those who share our view on the role of education for human factor development, we offer the following recommendations for continued discussion.

1. Discourage the adversarial role of a *know-all* faculty member. Broaden the role of faculty beyond content explainers. They must become encouragers, coaches, and teammates.
2. Raise awareness of integrity issues in own setting while promoting an understanding of how integrity, strength, and courage are attributes that must be developed and strengthened over a period of time like exercise strengthens muscles.
3. Demonstrate and reward integrity in educational settings. Broaden the educational reward system beyond grades for the understanding of content, to include recognition and rewards for decisions and behaviors that indicate personal growth and integrity.
4. Promote a broader perception in the analysis of decision alternatives. Suggest alternative criteria beyond corporate profit and personal gain to the long-term goals and development of humanity.

We believe that neither professional accounting rules nor legislation nor laws will have long-term positive impact on the business environment. More leaders with personal integrity are the solution to the financial woes of the 20th Century. We believe that faculty intentionally supporting human factor development in addition to transferring knowledge and skills will lead to more integrity in business decision-making. We encourage each of our readers to continue to research, explore, and discuss these issues with us so we all may continue to develop our own integrity.

Regardless of the purpose of education, it is evident that students must be prepared to solve problems beyond the classroom. Education has bridged this gap using case studies, teambuilding exercises, and mentoring activities. We have raised awareness of business ethics and social responsibility criteria in decision making by presenting a broader perspective (beyond profit) in the situational analysis and discussion questions that accompany case studies. Now, we need to take the next step, up the integrity hill with our students.

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