ETHICAL EDUCATIONAL INTERVENTIONS:
PERCEPTIONS OF ACCOUNTING
STUDENTS AND GRADUATES
AND THE LEGITIMATION
OF 'ETHICAL' ACTIONS

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QUOTATIONS

It would be mindful for us to take heed of the following quotations when we think about the unethical behaviour of individuals …

"To educate a person in mind and not in morals is to educate a menace to society"
(President Theodore Roosevelt)

"We are discussing no small matter, but how we ought to live."
(SOCRATES in Plato's *Republic*[1])

"Leadership is a potent combination of strategy and character. But if you must be without one, be without strategy."
(General H. Norman Schwarzkopf, 1991)

"Each waking day is a stage dominated for good or ill, in comedy, farce or tragedy by a dramatis persona, the 'self', and so it will be until the curtain drops."
(C.S. Sherrington, 1947)[2]

"To understand is hard. Once one understands, action is easy."
(Sun Yat Sen, 1866 – 1925)

… And yes, once one understands what drives individuals into their acts of ethical or unethical behaviour, action to address these attributes should be easy… or so one thinks until they enter the 'legitimacy whirlpool'.

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[1] Quoted in Pojman (1998), p. 1.
[2] Cited in Popper, K.R. & Eccles, J.C. (1977), The Self and Its Brain, Springer International, USA, Dedication page.

ABSTRACT

The issue of ethical educational interventions in the accounting classroom is not new. As far back as 1967, the "Horizon for a Profession: The common body of knowledge for certified public accountants" study indicated that if "[t]here were no ethical foundation to the profession then there would in fact be no profession" (p. 14). The 1984 Bedford Report identified the need for higher education to develop the entering accountant's ability to think, to communicate, and to understand the nature and role of ethics. The Treadway Commission (1987) and the Accounting Education Change Commission (1990) both cited the need for young professionals to be able to make ethical and value-based judgements. The 2004 Ethics Education Task Force Report to the AACSB stated that business schools must encourage students to develop a deep understanding of the myriad challenges surrounding corporate responsibility and corporate governance and provide them with tools for recognizing and responding to ethical issues, both personally and organisationally. The 2006 "Information Paper: Approaches to the development and maintenance of professional values, ethics and attitudes in accounting education programs" commissioned by the International Federation of Accountants (IFAC) found that, while there was overall "growing interest in professional and business programs responding to the call for greater ethics coverage in the curricula" (p. 13), the conclusion was "that overall ethics coverage in accounting programs appears minimal" (p. 13).

These international research studies demonstrate that there have been ongoing requests for ethical educational interventions at the tertiary level of education. However, in New Zealand little research has been done on this issue. This research on the issue of ethical educational interventions in the New Zealand accounting tertiary level curriculum therefore will contribute significantly to knowledge in this area. Furthermore, this study makes another significant

contribution to studies on ethical educational interventions because it attempted to find out the perceptions and beliefs held by important but seemingly forgotten stakeholders: accounting students and graduates on the importance of having ethical educational interventions in the accounting curriculum. This approach was taken because it was important to find out directly from the individuals in whom accounting educators are trying to develop important competencies and skills through their university studies, whether or not they perceived that such interventions would have any influence in their ethical decision-making behaviour. Therefore a comparative and longitudinal study using questionnaire survey instruments and semi-structured interviews was conducted with accounting students and graduates. A mixed methods methodology approach was taken to analyse the quantitative and qualitative data subsequently collected from the respondents.

What makes this study particularly important is that accounting students and graduates are directly being asked what they think about the issue of ethical educational interventions in the classroom. Do they believe that such interventions would help them become more ethical accountants (individuals) in the real world? Do they believe that such interventions would influence their ethical decision-making behaviour for the better? In addition, they were also asked about the factors they saw as being the most influential on their behaviour and ethical decision-making. This study is therefore important because, from these very important groups of individuals (stakeholders), the benefits of ethical educational interventions in the classroom and whether they would help to develop a better understanding of ethical reasoning and ethics education issues could be explored. After all, the participants of this study are the individuals aspiring to become future chartered accountants of accounting firms and/or future financial controllers and chief executives of businesses.

This study makes a further contribution to the knowledge and theory on accounting and ethics education research because it also looked at the legitimation of 'ethical' actions (legitimacy theory) by exploring ethical theories initially and then using these triangulated theories to interpret accounting students' and graduates' responses to hypothetical situations in an attempt to understand their ethical reasoning. The continuing accounting scandals and corporate crises mean that accounting educators and professional practicing accountants (which accounting students and graduates will aspire to when they commence their accounting careers) all have to cringe when their professional ethics are questioned after each accounting debacle. This is because both accounting educators and practitioners have to read about their members falling from grace through inappropriate ethical behaviour. The question of whether or not these members received appropriate instruction through their learning at university always becomes a prominent issue and there is increasing research to suggest that what accounting educators have been teaching has been woefully inadequate in addressing the ethical stances of accounting students and graduates.

The questionnaire findings from Section II: Hypothetical Ethical Cases raise some concern. The inability of a significant percentage of accounting students and graduates to identify correctly whether an action was ethical or unethical is quite concerning as the three hypothetical ethical cases were not so complex that the respondents were unable to distinguish between the two conditions. The question arises as to whether these respondents were less sure because they saw such actions as being 'acceptable' to society and therefore, in their minds, legitimate 'ethical' actions to take in the situation. The findings of Section III: Hypothetical Ethical Situations are also of concern in that significant percentages of accounting students and graduates showed themselves as potentially willing participants in unethical and, in some instances, illegal behaviour. The implications of these two findings

suggest that more attention needs to be paid to the type of ethical educational interventions that accounting students receive so that the ethical reasoning of individuals can be improved and they understand better what appropriate legitimate ethical actions for society really are. Without this understanding, it can be argued that accounting students and graduates will find it difficult to withstand the legitimacy whirlpool that will draw them straight into the midst of unethical behaviour that seems 'acceptable' to society because it is legal but nevertheless raises questions about the true integrity and professionalism of accountants in practice.

The overall findings from this research study indicate that accounting students and graduates perceived ethics education to have only a moderate influence on their ethical behaviour. The majority of accounting students and graduates believed that by the time they reached university studies, their personal values and behaviour had become entrenched and therefore would have more influence on the way they interacted in the corporate world. However, the majority of respondents in this study still believed that it was important to have ethics education in their degree programmes as they believed that this exposure would help them learn how to resolve ethical situations more appropriately if they were ever to be confronted with such situations. This important finding suggests that the type of ethical educational interventions we expose students to will, therefore, have to be carefully thought out by education providers. The issue of legitimation in what might appear to be 'ethical' actions but are really questionable in terms of whether the 'social contract' between the individual (the focus being the accountant for this study) and society is honoured appropriately also becomes an important area to consider in ethics education.

Accounting educators therefore need to look carefully at their goals for ethics education so that the curriculum they deliver will have more than a moderate influence on accounting students and graduates when they join the professional and corporate world. It cannot be stressed enough that accounting educators need to maximise the opportunity to influence their students' learning; so that these students leave university with a better mindset of ethical values and socially responsible business practices. A schematic encapsulation of this ethical educational intervention doctoral thesis is provided to summarise the important research directions and findings of this study. The encapsulation highlights the research contributions to knowledge that this study makes and provides a critical reflection on the issue of accounting ethics education.

Insert Schematic Encapsulation here

ACKNOWLEDGEMENTS

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CHAPTER ONE
AN OVERVIEW OF THE RESEARCH PROJECT

1.1   INTRODUCTION

The purpose of this chapter is to provide an overview of the research project by, firstly, introducing the research issue through a discussion on the importance of professional ethics and the consequences that the unethical behaviour will have, not only on the individual or corporation that behaved inappropriately but also on the wider society. To develop the research questions for this project which examines the perceptions of two important groups of stakeholders, that is, accounting students and graduates regarding issues surrounding ethical educational interventions, background discussion highlighting the impact that accounting functions have on society will be provided. Leading on from this discussion, the importance of the research objectives, questions, methods used in this project, the scope of the study and the organisation of the thesis will also be highlighted in this overview chapter.

1.2   THE RESEARCH ISSUE

Without any need for a debate, it can emphatically be said that accountants play and will continue to play an important role in the business environment. For instance, it has been indicated that accounting plays a key role in the social and economic progress of a nation because investors, lenders, and others all rely on the integrity of accounting information (Keller, Smith & Smith, 2007). Because of this key role, society therefore expects accountants to behave in highly moral and acceptable manners. When the integrity of accounting information becomes compromised, the consequences are usually quite serious in that affected individuals can lose their life savings from the failure of professionals to bring appropriate ethical standards in the workplace to ensure that they act appropriately at all times to serve the public interest. The question of professional ethics then becomes more and more

prominent in the light of reports of how members of a profession continue to fall from grace through inappropriate ethical behaviour. This project is therefore important because one needs to understand the influences on the moral development of this group of professionals. Society needs to benefit from their professional services rather than fall prey to any ensuing pitfalls as a consequence of accounting scandals and corporate crises where accountants would have played a key role in the debacles.

The recent American cases of Enron and WorldCom involved in accounting scandals saw moves by President Bush to pass legislation (Public Company Accounting Reform & Investor Protection Act of 2002[3]) calling for tougher sentences on the perpetrators of corporate fraud. In 1998, the disgraced former auditor-general, Jeff Chapman, was penalised for fraudulent activities[4] by the New Zealand Institute of Chartered Accountants (NZICA) - previously known as the Institute of Chartered Accountants of New Zealand (ICANZ). In 1999, the Sunday Star Times reported that some of New Zealand's most reputable law and accounting firms were involved in the promotion of tax loophole schemes that were reminiscent of the Winebox deals (Smellie, 1999). In 2003, a former top tax lawyer with a doctorate from Harvard University was convicted of fraud (Hubbard, 2003). A KPMG Fraud Survey conducted in 2006 of Australia and New Zealand's largest organisations across the public and private sectors indicated that "[f]raud continues to hit the headlines and the bottom line of organisations in Australia and New Zealand" (p.4). The International Federation of Accountants (IFAC) Information Paper: *Approaches to Developing and Maintaining Professional Values, Ethics and Attitudes* released in August 2006 (citing Armstrong, Ketz

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[3] Also called the Sarbanes-Oxley Act of 2002, IAS Plus International Accounting Standards: US Public Accounting Oversight Board, http://www.iasplus.com/restruct/pcaob.htm.

[4] Chapman appeals penalty; says family hurt (1998, 11 August). *The Evening Post*, Edition 3, page 2.

and Owsen, 2003) indicate that "[t]he frequency of accounting abuses has served as prima facie evidence that greater emphasis on accounting ethics is needed" (p.30).

The NZICA has taken a significant stance with regards to the ethical competence of its members. Since the early 2000s, the NZICA has placed a 50% emphasis on ethical competence in its Professional Competence Examination I. The function statement of the ICANZ Act (1996, Section 15, part 5) stresses the promotion of quality, expertise, and *integrity* in the profession of accountancy by its members [italics for added emphasis]. In addition, the 1996 Act requires the promotion of high standards of practice and professional conduct by members. Furthermore, complaints about members are dealt with stringently by the Institute through its Professional Conduct Committee where a member can be reprimanded, penalised or referred to the Disciplinary Tribunal. The implications of the ongoing fraudulent activities, both by professionals and corporate perpetrators, and the NZICA stance indicate the importance of research efforts being directed to investigating ethical responses by accounting students and professionals and, specifically, whether their behaviour can be influenced by education.

The research literature indicates that ethical educational interventions have become an area of concern for both educational institutions and professional bodies. McNair and Milam (1993) wrote: "[r]ecent developments in the business world have caused the academic community to address the coverage of ethics in the accounting curriculum" (p. 797). The recent developments in the business world were explained by Stevens, Harris and Williamson (1993). Citing Jones (1990), they stated: "[R]ecent events such as the Iran-Contra affair, insider trading scandals, the fall of TV evangelists, leveraged buyouts and hostile takeovers with subsequent layoffs and downsizing, the paying of greenmail, pollution controversies,

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huge budget and trade deficits and others have encouraged a sense that "the sky is falling" so far as ethics is concerned" (p. 611). However, the IFAC August 2006 Information paper, while it notes that there is overall a growing interest in professional and business programs responding to the call for greater ethics coverage in the curricula, the paper also found that:

> With respect to the practices in ethics education, we provide comprehensive listings … which show details of the research into trends in ethics coverage in business and accounting programs, with a conclusion which demonstrates that overall ethics coverage in accounting programs appears minimal.
>
> …However, it is believed that most business programs do not give high priority or urgency to the teaching and learning of business ethics, due to the technical focus of accounting education and the lack of apparent academic legitimacy of ethics in accounting. (p. 13)

This finding in the IFAC August 2006 Information Paper suggest that a lot more research efforts must be conducted on the importance of ethics education in accounting education such that it reinforces and validates the academic legitimacy of teaching ethic in higher education. While there is extensive research literature on the importance of ethical awareness by professionals, as well as the need for more ethical educational interventions in the education of students, this literature from a New Zealand perspective is lacking (Bushe, 1995). Significant messages from the NZICA with regards to the new admissions policy, a greater focus on ethical matters in the professional examination, and the 2003 revision to the Code of Ethics have not generated significant research interest in this area.

Consequently, not only there has there been lack of research of this important area in New Zealand, it appears also that very little research has investigated accounting students and graduates perceptions on the significance of having ethical educational interventions in their studies. This project therefore makes many contributions to knowledge on the issue of ethical

educational interventions. Firstly, the project is an attempt to address the limited research efforts into the importance of ethical educational interventions from a New Zealand perspective. Secondly, this project will investigate the perceptions held by very crucial, but seemingly 'forgotten' (Bernardi and Bean, 2006) stakeholders, accounting students and graduates on the importance of ethical educational interventions in their studies.

Furthermore, from the perusal of research literature it can be presented that there are extensive studies that:

(i)   Debate the adequacy of ethics education due to the unabated occurrences in accounting scandals and corporate crises;

(ii)   Attempt to measure the influence that ethical educational interventions may have on the ethical decision-making behaviour of the participants in the study;

(iii)   Explore ethical theories with regards to explaining unethical behaviour by accounting students; and

(iv)   Investigate accounting educators' and employers' (with particular focus on accounting firms) opinions on the importance of ethics education.

However, to the researcher's knowledge, there appears to be very minimal research that has explored accounting students and graduates responses to hypothetical cases and situations to legitimacy theory. This project will therefore, make a significant contribution to ethics education research knowledge because of the linkage of this important theory in interpreting students' and graduates' responses in the development of a better understanding of factors that may influence an individual's ethical/unethical decision making-behaviour.

1.3   BACKGROUND FOR THE RESEARCH QUESTIONS

The significance of this research topic is articulated succinctly by Francis (1990) when he noted that, because of their potential impact upon society, accounting choices tended also to be moral choices. He explained:

> Accounting, to the extent that it is a choice about how to affect our lived experience ... is a practice grounded in moral discernment. Accounting is important precisely to the extent that the accountant can transform the world, can influence the lived experience of others in ways which cause that experience to differ from what it would be in the absence of accounting, or in the presence of an alternative kind of accounting. (p. 7)

One only has to look at the American Enron and WorldCom cases to see the significant impact these two companies had on unsuspecting stakeholders. The IFAC August 2006 Information Paper citing Brooks (2004), noted that few financial crises were the result of methodological errors but that rather they occurred from errors in judgement and explained:

> Questionable judgements sometimes arise because of the complexity of the problem; others are due to the lack of attention given to the ethical values of honesty, integrity, objectivity, due care, confidentiality, and the commitment to the public interest before one's own. (p. 30)

Two pertinent questions were asked by Jennings (1999): "[W]hat's happening in business?" and "[W]hat's happening in business schools?" (p. 25). Jennings noted:

> And while business misconduct gallops at a Triple Crown pace, business academicians stand on the sidelines, wringing their hands and clicking their tongues in exasperation at the inherent wickedness of business. Instead of helping to train ethical businessmen, business faculty attack the very foundations of business and the capitalist system (pp. 25 - 26).

Brown (1994) noted that calls for increasing integration of ethical considerations into business education were well documented. Brown also noted that research perceived business graduates at best as ethically naive and had a generally low level of appreciation for the complex moral questions that often underlie business decisions. On the other hand, at worst, business graduates were constrained in their moral development by the lack of ethical content in their courses. Furthermore, the IFAC August 2006 Information Paper highlights that "[d]espite the growing interest in ethics education, there seems to be a variety of attitudes ranging from total scepticism to an uncertainty regarding the effectiveness of ethics education" (p. 17).

This research investigation is therefore important to develop a deeper understanding of the relationship between ethics education and ethical decision-making behaviour by accounting students and graduates. It is only by seeking directly from accounting students and graduates their views and perceptions on the importance of ethics education and whether such educational intervention impacts on their ethical reasoning that one can better develop an appreciation of the effectiveness of ethics education. Sims (2002) writes that the "ultimate success of teaching business ethics depends on the extent to which key stakeholders can come to agreement on the purposes and objectives of teaching business ethics" (p. 30) and that "[w]ithout such agreement as a starting point, it is unlikely that ethics will be taught and that students will learn" (ibid). It cannot be disputed that accounting students and graduates are an integral part of this key group of stakeholders. The questions asked of accounting students and graduates in the questionnaire survey and interview research instruments have subsequently been designed to help the researcher work towards developing a deeper understanding on the importance of ethical educational interventions as perceived from this important group of stakeholders.

1.4   RESEARCH OBJECTIVE

The overall objective of this research project is therefore to develop an appreciation of the perceptions held by accounting students and graduates on the importance of ethical educational interventions in accounting education. A secondary objective of the project is to attempt to better understand the ethical reasoning of individuals (for this project, accounting students and graduates) by looking at the legitimation of their ethical decisions through the interpretation of their ethical responses to hypothetical cases and situations and the application of different ethical theories as well as legitimacy theory to these responses. These objectives are important in order to develop a deeper understanding of ethical educational interventions and the role that such interventions can play in providing graduates with appropriate skills, competencies and ethical standards to cope with the intriguing corporate/business intricacies that they will encounter in their professional lives.

1.5   RESEARCH QUESTIONS

To develop a deeper understanding of the importance of ethical educational interventions to accounting students and graduates and whether there is legitimation for their ethical reasoning and subsequent actions, the following research questions need to be asked in this project.

(a)   What are accounting students' and graduates' perceptions of the importance of ethical educational interventions in the classroom?

(b)   Do accounting students and graduates believe that ethical educational interventions in the classroom can influence their ethical behaviour?

(c)   Does accounting tend to attract students with a rule-based single approach to life and problem-solving, hence predisposing students to equate rules/regulation with ethical behaviour? The rule-based approach in ethical reasoning was identified by

researchers such as Lampe (1996) and Oliver (1996). In its simplicity, the rule-based approach in ethical reasoning gives the implication that unless something was stated to be illegal; the individual would feel that it was not unethical to perform the action. It is therefore important that such questions were asked of the participants to develop a deeper insight into the attributes that may impact on their ethical decision-making behaviour.

(d)   Do accounting students seek rules/regulations to guide their ethical responses and does the pedagogy of accounting particularly influence students to develop a rule-based approach to ethical situations?

(e)   Are there other significant variables like family values, religion, accounting career attributes, peer influences that should be considered when evaluating what impacts upon ethical responses?

(f)   Is there a legitimation of what constitutes appropriate ethical actions by individuals (in the case of this study, accounting students and graduates) in their ethical reasoning?

(g)   Is there an ethical theory that best describes the manner in which accounting students and graduates choose their ethical positioning?

1.6   IMPORTANCE OF THE RESEARCH QUESTIONS

Verschoor (2007) wrote:

> Ever since details emerged regarding how much the ethical climate at Enron contributed to the frauds that its employees perpetrated, business schools and their accreditation agency, the Association to Advance Collegiate Schools of Business (AACSB), have struggled with the issue of what higher education can do to prevent future generations of business executives from following in the footsteps of Enron's senior management. (p. 15)

Additionally, he posed the following question for readers of his paper:

> Is it really part of the mandate of the educational system to prepare students
> to behave ethically in the business world? If so, where should this outcome
> be required: elementary school, middle school, high school, undergraduate,
> or graduate? (p. 61)

The view and question posed by Verschoor make it important that research questions are asked about the importance of ethical educational interventions in higher education in the accounting discipline. Carroll (1998) indicated that ethics were important to accountants and also to those who relied on information provided by accountants, because ethical behaviour by accountants entailed adopting a moral point of view. McDonald (2007) explains that "ethical behaviours are naturally of social importance because they influence actions and decisions that, in turn, have a social and economic impact on other members of the organisation and on the organisation's performance" (p. 14).

The seriousness of unethical behaviour in businesses and by members of any profession therefore cannot be over-emphasised. For instance, the stock market crashes and financial scandals in the 20th century brought into disrepute the credibility of work done by accountants and auditors. The New Zealand Fortex case is an example of a financial scandal where the directors and accountants of the business were involved extensively in the deliberate distortion of financial information (Macfie, 1996). Their actions impacted significantly upon society because people lost their jobs and savings. Hanney (2003) asserted that "even the toughest regulator will admit it is impossible to prevent corporate collapses brought on by stupidity, villainy or greed" (p. 3). Appropriate ethical behaviour by its members is thus a critical issue for a profession. Carroll (1998) noted:

> The attainment of high ethical standards is a central problem for the
> accounting profession and for those responsible for the education of
> accounting professionals. (pp. 154 - 155)…

> Ethical problems have become costly for the profession. Ernst & Young, for
> example, had agreed to pay $400 million to the Resolution Trust Corporation
> and the Federal Deposit Insurance Corporation to settle charges that Ernst &
> Young had improperly audited federally insured banks and savings
> institutions that later failed (p. 155).

One approach, according to Carroll (1998), in countering the perception of ethical deterioration in the accounting profession and business community in general, was through the use of professional codes of ethics. Hoogsteden (1999) noted that the preparation and implementation of industry-wide Codes of Ethics and Conduct were now commonplace activities for professions. However, the presence of a professional code of ethics and whether it would actually influence ethical behaviour is another matter that will need to be considered. Beets (1992) conducted a study on practitioner familiarity with their professional code of ethics (that is, practicing Certified Public Accountants (CPAs) with the revised American Institute of Certified Public Accountants (AICPA) Code). He found that on average only 52 percent of the public accountants correctly evaluated the cases. He also found that only 38 percent of practitioners had ethics education after college and because of this many CPAs were less familiar with the revisions to the Code. The IFAC August 2006 Information Paper indicates that a code is a vehicle to assure the public, clients and colleagues, that members of the profession are competent and act with integrity but also notes:

> However, codes of conduct are only a partial solution to the problem of
> unethical behaviour. Codes can only guide one's behaviour; the ethical
> decisions ultimately rest with the individual accountant. (p. 34)

The question then arises as to whether ethical educational interventions do influence ethical responses. Can ethical responses be influenced through education so that individuals freely choose to make moral decision from the knowledge and skills that they have learnt and developed during such moral/ethical education? According to Albrecht (1992), it is essential to provide the proper environment in which to encourage ethical behaviour and to implement procedures and policies to provide guidance for specific situations. Ethical issues confront people every day and therefore ethics are important to everyone as everyone can become affected by unethical behaviour. Pertinent questions have been asked by Albrecht (1992): "[W]hose responsibility is it to teach ethical behaviour? Who has the responsibility to monitor behaviour?" (p. 164). Douglas & Schwartz (1998) stated:

> Accounting instruction in ethics has reached a crossroads. … Practitioner and academic groups call for more emphasis on ethics in the classroom, but previous research has been unable to persuasively demonstrate its effectiveness. (p. 90)

Douglas, Barker & Schwartz (1995), in earlier research noted that:

> The development of professional attitudes is part of the educational mission of professional preparation programs. ... Student attitudes inconsistent with the professional attitudes of accounting practitioners affect both the students entering the profession and the firms that hire them (p. 328).

Reiter (1996) criticised the commonly adopted approach to ethics education. She argued that the ethics of care can be usefully applied to accounting ethics cases and such connected knowing experiences can enrich accounting ethics education. The ineffectiveness of ethics education was also noted by Fisher and Ott (1996). They indicated that empirical studies suggested a deficiency in the development of the moral reasoning abilities of accounting students and accountants. Furthermore, from their research findings, these authors attributed

the failure of the traditional accounting curriculum to foster moral growth as being due to the

fact that persons attracted to traditional accounting curriculum usually have similar individual

attributes that quelled their moral growth. It is also interesting to note that other researchers

suggest that the educational process typical of many university accounting programs may not

adequately address issues related to the ethics and social responsibilities expected of

professional accountants (Lord & Melvin, 1997). Neilsen (1998) wrote, the question has

often been asked, "Can ethics be taught?" (p. 581). He concluded:

> While it may be difficult to teach ethical character, nonetheless, skill
> development with respect to joined ethics and understanding theories and
> action-learning methods can help students develop the skills and confidence
> they need to actualize their ethical characters and social concerns. Many
> students try to implement their action-learning plans in current and future
> cases. Of those students who try to implement their action-learning plans,
> most succeed, at least to some extent. Students learn to understand, to care,
> to act effectively. An action-learning approach to organizational ethics can
> help stimulate and enable ethical character. That is quite a lot (p. 602).

However, Hills (1995) noted that there was a reluctance to teach business ethics. She stated:

> The United States and United Kingdom surveys of teaching business ethics
> cited ... suggest that, in spite of an awareness of the need for such teaching
> having been apparent for twenty years or more, the subject is frequently
> handled inadequately or ignored (p. 79).

Hills further noted that for the teaching of business ethics to be successful, it had to be

integrated throughout the curriculum and that faculty had to have special training for the

teaching of the theoretical aspects of business ethics. Additionally, the United States 1987

Report of the National Commission on Fraudulent Financial Reporting found that the business

and accounting curricula had given too little attention to the ethics of financial reporting and

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also noted that "[R]estricting coverage of ethics issues to an elective course near the end of the formal education process is too little too late" (p. 82). On the issue of emphasising ethics, the Commission therefore recommended that:

> The business and accounting curricula should emphasise ethical values by integrating their development with the acquisition of knowledge and skills to help prevent, detect, and deter fraudulent financial reporting. … Attention to ethics issues must permeate the curricula, with ethical inquiry an expected part of any analysis of a business or accounting case study. (p. 82)

Stevens, Harris and Williamson (1993) asserted that most students and graduates agreed that ethics should be taught in universities. A 1990 study conducted by David, Anderson and Lawrimore (cited in Stevens et al., 1993) found that 92 percent of business graduates who had been out of school for a few years agreed that business instructors should emphasise ethics in their courses, and that these same graduates believed that business professors' actions were one of the most important factors influencing the development of students' ethical values. However, this same research study found that only 1 percent of the recent graduates believed that their instruction in ethics had been excellent.

This latter point appears to be reiterated by Woldring (1996) who stated, "[R]ecent reports coming out of the United States suggest a state of mild bewilderment amongst practicing managers about business ethics courses and some scepticism on the part of academics who teach these courses as to the practical effects of their teachings" (p. 1). He also stated:

> There is no evidence that Australian graduates are emerging from business schools with a clear understanding of, and commitment to, even the most basic ethical principles of confidentiality, disclosure, fair dealing, equity, avoidance of conflict of interest, and so on, and they are certainly given little opportunity to reflect upon and debate the complex ethical dilemmas which confront practising managers virtually every day (p. 284).

Stewart, Felicetti and Kuehn (1996) indicated that numerous studies had been conducted in recent years to try to determine how ethical business students are compared to other groups of students and to assess whether completing a business ethics course has any long term effect on behaviour in the workplace. They indicated that there are many questions for which there are, as yet, no clear answers. Bushe (1995) found that empirical research into ethical decision-making in New Zealand to be opaque and that there was a lacuna or dearth of information directly linking ethical decision-making to philosophical ethics. She also noted that research indicated that New Zealand's business managers' ethical standards were low when compared to US managers' and that many senior New Zealand managers felt that these standards were decreasing. Furthermore, according to Bushe, New Zealand research into methods for improving business managers' ethical decision-making seemed almost non-existent.

Consequently, it is important that a comparative and longitudinal study is conducted to find out the perceptions of accounting students and graduates in New Zealand of the effect, if any, of ethical educational interventions in the accounting curriculum. Little research has been conducted in New Zealand on the issue of whether ethical educational interventions in accounting education do have a significant role to play in the moral development of future accounting professionals. In addition, as noted by Bushe, ethics research is needed that directly links ethical decision-making to philosophical ethics. This study researched whether accounting students and graduates ethical decision-making followed any particular ethical theory. The research questions posed in this project will therefore help accounting educators to find answers to these important areas of accounting ethics education research study from a New Zealand perspective.

1.7   RESEARCH METHODS

The following research methods will be used to answer the research questions posed in this study and to achieve its research objectives.

(a)   A literature review on the importance of ethical educational interventions was conducted to trace the developments of accounting ethical issues with regard to the concerns raised regarding the adequacy of accounting educational programmes. This review also attempted to trace the influences, if any, of practitioners and the accounting profession upon the educational programmes offered in higher education.

(b)   An explanation of the legitimacy theory and exploration of ethical theories and business ethics issues was conducted. This discussion attempted to identify if there is legitimation of ethical actions from the different ethical theories explored in the review conducted in this section of the project. This review of the legitimacy and ethical theories was subsequently applied to the data findings of this study to evaluate whether or not there is a legitimation of ethical reasoning by accounting students and graduates when they decide their ethical responses.

(c)   The study explored and identified underlying factors that might be contributing to the perpetuation of accounting scandals and corporate crises. This discussion is important as it attempted to explain why so much unethical behaviour persists despite the fact that people are more educated and knowledgeable about a wider range of issues that will confront them in their professional life. The identification of the underlying factors contributing to accounting scandals discussion was important for two reasons. Firstly, the discussion helped to explain whether there is a legitimation of unethical actions because it is 'accepted' behaviour. Secondly,

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the discussion helped in the development of the hypothetical ethical cases and situations presented in the questionnaire instrument.

(d)   A survey instrument applicable to the New Zealand accounting education and professional environment was developed [See Appendix I (a) for a copy of the questionnaire instrument]. The instrument was used to find out the perceptions of accounting students and graduates on the importance of ethical educational interventions in higher education, specifically in the accounting education curriculum. In addition, hypothetical cases and situations were developed so that the study could identify, from the interpretation of accounting students' and graduates' ethical responses to the scenarios whether there was any legitimation of ethical actions.

(e)   A comparative and longitudinal study was conducted on first and third year accounting students, as well as on graduates who are in the workforce. The sample sizes of accounting students were dependent upon the number of students enrolled for the accounting papers in the year that the survey was conducted and this therefore approximated to 170 students for the first year level and 100 for the third year level. A random sample of 30 accounting graduates from each of the three main cities in the North Island of New Zealand (convenience sampling) was decided in consultation with my supervisors. Graduates from accounting firms in Wellington, Hamilton and Auckland were subsequently surveyed for this study.

(f)   A sample size of 40 students (that is, 20 from the first year and 20 from the third year) and 20 graduates were decided (in consultation with my supervisors) for the semi-structured interviews [see Appendix I (b) for a copy of the interview schedule] to provide a deeper analysis of ethical responses to given ethical situations.

The questionnaire survey and semi-structured interview research methods used in this study were given ethical approval. It is important to note that (i) all respondents were voluntary; (ii) all respondents and their responses were kept confidential and (iii) all documents obtained through the interviews and survey will subsequently be destroyed. The comparative study evaluated accounting students' ethical responses across different years of study and included a comparative study of graduates. This research method analysed first and third year students' ethical responses comparatively in the year 2000. The longitudinal study involved the collection of data from the same sample at intervals over time. In contrast to the comparative method, this method involved the collection of data from the same sample of students who were interviewed in the first year and then in their third year of accounting studies.

1.8 SCOPE OF THE STUDY

This research contributes to the body of literature on accounting education with particular focus on the importance of including ethics education in the accounting curriculum area in the New Zealand tertiary sector as perceived by two very important groups of directly affected individuals: accounting students and graduates. This study conducted an analysis of accounting students' and graduates' perceptions about ethics educational interventions in their degree programme. In addition, this study attempted to identify if there is any legitimation (through the exploration of the legitimacy theory, ethical theories and recurring themes that contribute to accounting scandals and corporate crises) by accounting students and graduates in their ethical positioning through an interpretation of the responses that were provided to the hypothetical ethical cases and situations asked in the questionnaire.

1.9   ORGANISATION OF THE THESIS

The thesis is presented in thirteen chapters as outlined below:

Chapter One: Introduction

An overview of the research project is provided in this chapter. It elaborates on the background of the research issue, objectives, questions, methods and scope for the project. The project's contribution to the study of ethical education interventions in New Zealand is also discussed in this chapter.

Chapter Two: Ethical Educational Interventions in Accounting Education – A Literature Review

Chapter Two provides a critical literature review on ethical educational interventions in accounting education. This chapter reviews literature that identifies that ethics education has been and still is being perceived as inadequate in addressing moral character development in accounting students and graduates. Following on from this discussion, the chapter reviews literature on requests for ethical educational interventions before reviewing literature on the issue of whether or not ethics can be taught. In spite of the extensive research literature on the inadequacy of ethics education and the conflicting views held on teaching ethics in higher education, including ethics education in the accounting curricula is increasing and therefore the final section of this chapter reviews literature on what the goals of such education should incorporate.

Chapter Three: Legitimacy Theory – A Theoretical Lens for the Study

This chapter will explore the legitimacy theory in an attempt to explain whether or not there is a legitimation of ethical/unethical actions by individuals. Chapter Three therefore provides an overview of legitimacy theory and its positioning in accounting research literature in order to

affirm the importance of using this theory in this study. This chapter constitutes one of the four chapters (see Figure 7.1, p. 151) that provide a series of theoretical lenses under which this study is to be conducted.

Chapter Four: Legitimation of Actions: Exploring Ethical Theories and Business Ethics Issues

It is important to understand how ethical theories guide business practices and decision-making. Without this understanding, it would be difficult to analyse appropriately the findings from the data collected in this study. This chapter looks at the legitimation of ethical actions by exploring ethical theories initially and then applying these theories in a later chapter to interpret accounting students' and graduates' responses to hypothetical situations in an attempt to understand their ethical reasoning.

Chapter Five: Legitimation of Actions: Exploring Underlying Factors Contributing to Accounting Scandals

Chapter Five explores a broad range of research literature (academic, professional, media and business reports and internet searches) to find any recurring themes that contribute to accounting scandals. Five recurring themes that were identified subsequently as underlying factors of accounting scandals and corporate crisis were found. This chapter explored these factors in an attempt to provide some insights as to why accounting scandals continue regardless of the accounting profession's efforts at improving accounting education requirements, financial reporting standards and its professional code of ethics. This chapter is important as this literature review aided in the development of the hypothetical ethical cases and situations presented in the questionnaire instrument.

Chapter Six: Research Methodology

Different research methodologies will be explored in Chapter Six in order to identify the research methodology appropriate for this study on ethical educational interventions. The chapter reviewed literature on research process, methodology, methodological approaches in accounting and research methods before focusing discussion on the mixed methods methodology approach that will be used to investigate the research questions for this project.

Chapter Seven: Methodological Framework for this Research Study

This chapter will explain the methodological framework, research design and methods used to understand and obtain knowledge from this research study into ethical educational interventions. In addition, the quantitative and qualitative research methods used in this study to develop a deeper understanding of accounting students' and graduates' perceptions on the importance of ethics education will be explained in this chapter.

Chapter Eight: Research Findings - A Demographic Profile of Participants in this study

Chapter Eight will discuss the findings of the demographic findings collected from the three categories of respondents surveyed in this study. The chapter will describe the findings for each category of respondents by discussing the sample size, age, gender and other variables related to that specific category of respondents before conducting a comparative analysis of the factors attracting participants to accounting as a career.

Chapter Nine: Research Findings - Hypothetical Ethical Cases

This chapter will discuss the findings of the responses by accounting students and graduates on what they perceive as ethical or unethical actions that were taken by particular individuals in the ethical cases provided in the questionnaire instrument. The chapter findings are

important to highlight the ability of students and graduates to identify whether or not actions by indicated individuals in the scenarios were ethical or unethical.

Chapter Ten: Research Findings - Hypothetical Ethical Situations

Chapter Ten will provide an analysis of the responses provided by the participants of this study with regards to the action that they themselves would take, as well their perception of the actions that their peers would take, when faced with the questionable propositions in the hypothetical ethical situation (HES) indicated in the questionnaire instrument. Kohlberg's theory of cognitive moral reasoning and development will be used to analyse the responses provided by the participants. In addition, where appropriate, references will be made to relevant ethical theories and any legitimation strategies that might explain the actions taken by the participants.

Chapter Eleven: Research Findings - Perceptions on the importance of ethical educational interventions

The research findings of this chapter focus on the analysis of the perceptions (Section IV of the Questionnaire) that accounting students and graduates have on the importance of ethical education interventions. Both quantitative and qualitative data analysis will be applied to the responses and explanations provided by respondents. The findings of this chapter are particularly important as it will inform the researcher of the perceptions held by these very important groups of stakeholders on the issue of ethics education and the influence they perceived it will have on their behaviours when they joined the workforce.

Chapter Twelve: Research Findings - Semi-Structured Interviews

This chapter will provide the research findings on the semi-structured interview responses and open-ended responses provided in the data collated. Similar to Chapter 11, both quantitative and qualitative data analysis will be applied to the responses and explanations provided by respondents in the interview schedules. It is envisaged this chapter will provide more insightful findings on the importance of ethics education and the crucial factors that play a role in the ethical decision-making behaviour of the respondents.

Chapter Thirteen: Conclusions and Critical Reflections

The project is summarized and the findings triangulated. Contribution to knowledge from this study will be highlighted. Critical reflections and future directions for ethics education research and ethical educational interventions for the accounting tertiary curriculum are also made in this chapter.

1.10 CHAPTER SUMMARY AND CONCLUSION

This chapter has identified the importance of ethics education research. In this introductory chapter, the research issue, objectives, questions and rationale of the thesis have been discussed. The thesis seeks to highlight critical reflections on the direction of ethical educational interventions for accounting students by conducting a comparative and longitudinal study on students' and graduates' perceptions of the importance of such interventions for their ethical reasoning and decision-making behaviour. This type of study appears to be lacking from a New Zealand perspective. The study will highlight important directions for the New Zealand accounting tertiary curriculum on the issue of accounting ethics education, which currently, appears to be taught on an ad hoc basis and fitted into

accounting and general business/management type papers rather than as an individual accounting ethics paper.

Research literature indicates that accounting education has been woefully inadequate in training graduates to deal with the complexities that they face from the demands of being an accounting professional engaged in corporate 'real world' activities that poses ethically compromising, and yet, arguably may be perceived by the actors and society as 'legitimate' situations. Research also argues that accounting educators should be providing appropriate teaching and learning to graduates so that they become more skilled and able in making appropriate ethical decisions when confronted with complex business dilemmas. This study is therefore significantly important as it explores the views of two very important groups of stakeholders, accounting students and accounting graduates, on the issue of ethics in accounting education and whether or not such intervention has any positive influence on their ethical decision-making behaviour. Bernardi and Bean (2006) indicate that while the views of practicing professionals and academics are invaluable to the review process on the position for additional ethics courses, students pursuing accounting degrees are the 'forgotten stakeholders' on the issue of ethics in accounting education. They argued:

> The views of students pursuing accounting degrees, however, are seldom received and should be considered when establishing the requirements to sit for the CPA [professional] exam. (p. 56)

This study therefore will contribute significant new knowledge on the issue of ethics in accounting education as it will explore the views of students pursuing accounting degrees in New Zealand, which to the researcher's knowledge, there has been very limited prior studies conducted in this important area. Accounting students and graduates are very important stakeholders who cannot continually be ignored while questions are increasingly being raised

about the adequacy of ethics education in the accounting curriculum. Accounting ethics education researchers need to develop a deeper insight as to why ethics education is continually being proclaimed as inadequate. It could be therefore be argued that students' and graduates' vital input and feedback into this important issue has been neglected and thus causing the perpetuation in inadequate ethics education. Until educators and researchers develop a more meaningful and deeper insight by questioning the students and graduates why what they have learnt in ethics education is not working, the issues of inadequacy in ethics education will continue to be raised. In addition, it could also be presented that this project is breaking new ground as it explored legitimacy theory and linked this theory to the issues raised in ethical education intervention with the responses provided by students and graduates. From a perusal of research literature, legitimacy theory had been mainly linked to research on corporate social responsibility type issues. The findings of this project with regards to this theory therefore contributes significantly to developing a better understanding of unethical decision-making behaviours by accounting (and business) professionals in spite of the increased calls and coverage of ethics in education.

CHAPTER TWO
ETHICAL EDUCATIONAL INTERVENTIONS IN ACCOUNTING EDUCATION
– A LITERATURE REVIEW

2.1   INTRODUCTION

This chapter will provide a critical literature review on the issue of ethical educational interventions in accounting education. While research literature has identified that there is a need for ethical educational intervention in accounting education, extensive research has also been conducted on the inadequacy of ethics education. This chapter will discuss initially the view that ethics education has been woefully inadequate, before bringing in discussion that in spite of this inadequacy view, there have been ongoing requests for ethical educational interventions in higher education. The chapter will then provide two opposing views on whether ethics can be taught, before discussing what the goals of such educational interventions should be. Through this literature review, the importance of appropriate ethical educational intervention in accounting education will become highlighted; because without this theoretical insight, it would be difficult to comprehend more fully the findings of this study. This chapter commences the discussion on one of the four theoretical lenses chapters that inform and guide the research direction for this study.

2.2   INADEQUACY OF ETHICS EDUCATION

Theodore Roosevelt, the 26th President of the United States of America (1901 – 1909) was prescient in warning a century ago, "To educate a person in mind but not in morals is to educate a menace to society" (Platt, 1989, website source, n.p.). Society continues to suffer from corporate and accounting scandals, despite the fact that people are now apparently more educated. Roosevelt may have been right in his warning. Contentiously, behind each scandal

and crisis is a possible lack of morals in "educated people". Elmuti, Minnis and Abebe (2005), citing Adler and Crane explain this succinctly:

> The proliferation of corporate scandals in recent years is not just the case of few "rotten apples" but rather widespread and deep rooted problem in the severe lack of proper ethical education in business schools (Adler, 2002; Crane, 2004). In fact, a recent study by Aspen Institute covering major business schools in the country revealed that the education system in business schools not only "fails to improve moral character of students but actually weakens it" (Crane, 2004) (p. 1023).

Unless there is a change in corporate values and behaviour, accounting graduates will continue to be confronted with a variety of ethical dilemmas in the work environment. Some of these dilemmas may not be particularly harmful to society. However, some dilemmas may be extremely detrimental because they fundamentally affect the organisation's existence and subsequently impact on society with destructive consequences. A very enlightened view on accounting is presented by McPhail (2001) who argues that "accounting dehumanises individuals and makes it easier for some people to treat other individuals in a cruel way" (p. 291). Gray, Bebbington and McPhail (1994) aptly state:

> Although there is much to admire about current accounting practice, there is also considerable evidence of ethical and intellectual failure among accounting practitioners. At least some responsibility for these failures can be laid at the door of accounting education. There is evidence that accounting education fails to develop students' intellectual and, relatedly, ethical maturity. (p. 51)

Plimmer (2002) observes that, "[t]eachers, like parents, are given to anguished cries of 'Where did we go wrong?'" (p. 7) when graduates end up on the wrong side of the law. Business schools are not insulated from criticisms and are now grappling with the fallout of

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recent ethical scandals rocking the corporate world. Moreover, McPhail (2003) points out that

the profession's approach to accounting and business education is one of the key areas where

things are not right. He argues that it is an area that seems to have been marginalised in the

current discussion and debate surrounding Enron.

Furthermore, it is well established within the accounting literature that accounting serves

capitalism because of the function it performs in society. McPhail (1999) suggests that

accounting education, in particular, contributes to the dominance of capitalism because it

engenders a particular kind of ethical identity within students, which they subsequently use to

discipline themselves. As an alternative, McPhail calls for creative thinking from accounting

educators as to how the pedagogy of accounting could instead inculcate a sense of 'fellow

feeling' or compassion. Interestingly, writing of business education in Australia but with ideas

which could be equally applicable elsewhere, Woldring (1996) notes:

> The answer is not simply to implement a new business ethics unit here and
> there but to radically overhaul the narrow vocationalism of many business
> schools. A new paradigm for undergraduate business education in Australia
> is urgently needed. The priority should be not just to *train* accountants and
> computer programmers - valuable as that is - but rather to graduate informed
> business managers and professionals who are sensitive to the importance of
> values as well as techniques, who are aware of the *responsibilities of*
> *leadership* as well as the tasks of management, and who are capable of
> confronting the long-term ethical dilemmas involved in their businesses as
> well as the short-term pressures of the financial bottom-line (p. 285). [Italics
> for added emphasis]

The direction taken in accounting education, and generally in business education, needs to try

to minimise the risk of unethical behaviour by business graduates. It has been suggested that

accounting/business educators must raise the critical consciousness and values of their

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students. Korten (1998) aptly summarises the requirements of business schools with the

following statement:

> What we need are educational institutions that can provide our best and
> brightest with the vision and critical consciousness needed to transform a life
> that is destroying capitalist economy into a democratic, life-affirming market
> economy. These would be places in which the discussion and debate of such
> questions as "What is the difference between money and wealth, between
> democracy and financial rule, and between the market economy and
> capitalism?" are vigorously discussed and debated. (p. 398)

Having accepted all of this, accountants must realise the significance of their contribution to

society. There is a need for accounting ethics education to instil in students not just the

knowledge of what is ethical but also the strength and conviction of character required to

actually behave ethically (Bay & Greenberg, 2001). Ethics education should attempt to

engender a sense of moral commitment towards other individuals and to "humanise

accounting students" (McPhail, 2001, p. 282). Consequently, one of the main goals of ethics

education should be to encourage students to recognise the broader social and political context

within which their profession practises. However, the view has also been put forward that if

the scope of ethics education were restricted to the discussion of codes of ethical practice then,

paradoxically, educators might simply be *legitimating* [emphasis added] the inequities and

inequalities of the prevailing capitalist system (McPhail, 2001).

A 2003 study commissioned by PricewaterhouseCoopers (PWC) on the accounting

curriculum in nine American universities found that ethics was not a consistent and integrated

part of the education of most accounting students. In this study, PWC took the position that

accounting educators had to play a clear role in restoring public trust. As the Enron crisis has

shown, it is not that the participants of the scandal did not have business ethics training; they

did, from prestigious US business schools. However, these participants were prepared to secure optimum personal gain without giving adequate thought to the ultimate consequences on society. Levitt (2004) writes that accounting firms need to help in improving education and in recruiting a new generation of auditors and accountants by funding academic chairs at leading institutions, ensuring that these appointed men and women can produce students who have a grasp of the full range of views on the key issues of the day and who have a keen appreciation of the importance of ethical standards in performing their future job. However, it is interesting to note that Levitt's position contradicts Tinker's view on the involvement of professional firms in education. Tinker (2000) states:

> One quandary still remains however: How have the Big Five secured the collaboration of professors from universities that prize academic freedom and independence? The answer lies in what history and chess puffs will recognise as the "Mercenary Maneuver". (p. 58)

Tinker views the accounting profession's funding of academic chairs at academic institutions as contributing to the problems occurring in accounting education. He argues that a revolution in accounting education and research cannot be led by a narrowly schooled, finance-oriented professoriate. His view is that tenure-ensconced staff in senior university chairs would only obstruct better-qualified candidates who might change the direction of the "university supertankers" (p. 59). Craig and Amernic (2002) suggest:

> Each and every one of us should strive to engage in debate and conversation about the university and the nature of the accounting education we provide within the university. We should actively and fearlessly pursue ways of fostering university settings that will improve accounting thought and practice and ultimately be conducive to the accounting profession better serving the society in which it serves. (pp. 200 – 201)

Gaa and Thorne (2004) stated that these are challenging times for accounting educators because of the recent events on the world stage. They noted that attention has become focused on the importance of ethical behaviour in the practice of accounting and, hence the importance of including ethics in accounting education. Their 2004 special issue journal publication on professionalism and ethics in accounting education was an attempt to assure accounting academics that ethics education works, as well as to describe several different educational interventions that might be considered by accounting educators.

The above discussion focussed on researchers' perceptions of the inadequacy of ethics education in business schools and how the curriculum had to change to produce more responsible accounting/business graduates who were concerned about corporate responsibility and corporate governance. However, it is important to point out that an implication of Tinker's view is that it is not just a question of changing the curriculum. Therefore, while any positive changes to the ethics curriculum by educators should be applauded, it is important to also stress that educators do not ignore the receptiveness of the audience: their students. This study is thus of significance because the views of this vital stakeholder group appears to have been neglected. There is a need to survey students' perception on the importance of having an ethics component in their degree curriculum; because without this more direct and insightful understanding from the 'learners' themselves, it might be that ethical educational interventions will continue to have minimal influence. Despite the views held on the inadequacy of ethics education in business schools, the next section of this chapter will show that requests for ethical educational intervention in accounting/business education have been ongoing.

2.3 REQUESTS FOR ETHICAL EDUCATIONAL INTERVENTION IN ACCOUNTING EDUCATION

In 1967, in a study titled, Horizon for a Profession: The common body of knowledge for certified public accountants, sponsored by the Carnegie Corporation of New York and the American Institute of Certified Public Accountants (AICPA), Roy and MacNeill wrote that "ethics while more elusive to impart and ascertain, was comparably fundamental" (p. 14). They argued that if there were no ethical foundation to the profession then there would, in fact, be no profession. They believed that beginning CPAs should know these ethical precepts, not in the manner of dogma or catechism but in full understanding of their significance to their own futures, as well as to the future of their profession.

The 1984 Bedford Report [provided in Bloom, Heymann, Fulglister and Collins (1994)] that looked into features of the expanding profession and the state of accounting education at that time, concluded that accounting education required major reorientation between then [1980s] and the year 2000. This report identified a corollary development that would greatly influence the emergence of a restructured accounting education via a nationwide interest in the improvement of higher education in all areas. It identified that practicing accountants recognised the need for higher education to develop the "entering accountant's ability to think, to communicate, and to understand the nature and role of ethics" (p.93). Furthermore, according to Eynon, Hill and Stevens (1997), the Treadway Commission (1987) and the Accounting Education Change Commission (1990) both cite the need for young professionals to be able to make ethical and value-based judgements. In addition, a joint study by the Institute of Management Accounts and the Financial Executives Institute (Siegel & Sorensen, 1994) indicated that firms supported ethics awareness and education as an integral part of the accounting curriculum. Bracken and Urbancic (1999) wrote, "[S]everal years ago, the National

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Commission on Fraudulent Financial Reporting (1987), also known as the Treadway Commission recommended that ethics become an integral part of all business courses" (p. 279). They cited the Treadway Commission which had stated:

> At a minimum, because all business majors are required to take at least some accounting, treatment of ethical issues throughout the accounting curriculum would expose every business graduate to at least some ethical inquiry concerning the financial reporting process. (p. 279)

According to Tan and Chua (2000), "the importance of sensitizing university students to ethical issues is shared by many academics" and "the accounting profession is also concerned about raising ethical awareness of its members and accounting students" (p. 260). Citing Grasso and Kaplan (1998), they noted:

> For instance, the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), the Accounting Education Change Commission (AECC), and the Federated Schools of Accountancy (FSA) all fully support an increase in ethics education in the accounting curriculum (p. 260).

The 2003 PWC study reported that collegiate education exerted a very significant and lasting effect on the knowledge, skills and attitudes that individuals took to the marketplace. This study recommended that the values of quality, integrity, transparency and accountability should be integrated throughout the curriculum.

> … we, as practitioners and professors, must add a sense of urgency to our continuing efforts in improving accounting education. We must ensure that graduates are committed to transparency, accountability and integrity. Now is the time for everyone – practitioners, faculty, students, deans, administrators and rating agencies – to stand and be counted in the effort to educate for the public trust. (p. 10)

The Association to Advance Collegiate Schools of Business (AACSB), the international association for management education, as the accrediting body for schools of business has always required ethics coverage in its accredited institutions. In its January 1, 2004 revised standards, this body goes even further and requires the institution or the business programs of the institution to establish expectations for ethical behaviour by administrators, faculty, and students. The 2004 Ethics Education Task Force Report to the AACSB stated:

> From the undergraduate to the master's and doctoral levels, business schools must encourage students to develop a deep understanding of the myriad challenges surrounding corporate responsibility and corporate governance; provide them with tools for recognizing and responding to ethical issues, both personally and organizationally; and engage them at an individual level through analyses of both positive and negative examples of everyday conduct in business. All of us involved in business education need to think more deeply and creatively about how to advance ethical awareness, ethical reasoning skills, and core ethical principles that will help to guide business leaders as they respond to a changing legal and compliance environment as well as complex, conflicting, and sometimes highly problematic interests and opportunities. (p. 9)

The research findings of the IFAC August 2006 Information Paper indicates that there is a general belief held by the respondents of the study that ethics education is necessary to ensure coverage of a range of ethical issues faced by accountants in public practice, business entities, the government and not-for-profit sectors. However, the requests for ethical educational interventions in accounting education have also led to a number of research studies that debated whether ethics can be taught. The next section of this chapter discusses this important ethics education issue.

2.4   TEACHING OF ETHICS – TWO OPPOSING VIEWS

There has been a commonly held view and research perception about ethical educational interventions in accounting education, which arguably is still being held today. According to Lampe (1996), there are ethical theorists who believe that little or no moral development occurs during the collegiate years and this stream of thought was popularised by Fulghum's 1986 publication of: "All I Really Need to Know I Learned in Kindergarten". It is obvious that this perception continues. Cascini (1993), citing from the 1991 November issue of Today's CPA, indicated:

> There are those who argue that all of this "fuss" about ethics is destined for naught. Ethics cannot be taught in school or on the job, they say Ethics are learned during those formative years that precede our ability to influence. No one can establish this point - or its counter- namely that teaching ethics can make a difference, particularly to young adults in professional accounting programs who are encountering their first full set of adult experiences and who can benefit from guidance in such matters. (p. 660)

To reinforce that the ethical theorists' viewpoint is still prevalent today, Tannenbaum (2004) citing William (2004) with regards to the ethics crisis in American business and the prospects for reform, stated:

> How do we teach ethics to executives? Is this a subject that can be taught? Every school has an ethics component in the curriculum. The Citadel has a dean of ethics; Duke has a whole ethics department. Queens University and UNC Charlotte have them. I don't know that there are going to be any huge strides now in ethics education at that level. Not to sound trite, but ethics really begins with parents teaching their kids between right and wrong. I don't think we can over-emphasize what a parent will teach a child. The ethics thing is great but its growth is going to be incremental now. We need to grab hold of kids before they even get into the system. (p. 25)

In addition to this view commonly held by researchers and possibly the wider society, there is the element of students' receptiveness to ethics education. Hindo (2002) noted:

> …, business ethicists complain that the subject is seldom woven into other courses by their colleagues. And when it is, they gripe, students greet such material with all the enthusiasm of a 6-year-old facing a plate of spinach. (p.2)

To compound the situation, accounting educators continue to contradict themselves about the importance of ethics education in accounting education. For instance, Sims and Sims (1991) manifest that business schools have a responsibility to incorporate applied business ethics courses as part of their undergraduate and MBA curriculum because "[I]n reality, teaching applied business ethics to students provides guidance and impetus for future managerial leadership" (p. 217). However, Brinkmann and Sims (1991) contested that "[W]ell-established, well intended and well-designed business ethics teaching can still have little effect" (p. 171) if a business school-wide dialogue about ethics teaching goals and student-related obstacles were not undertaken. Thomas (2004) wrote that in spite of the demand for more ethics in the classroom, there was a surprising diversity of opinion as to whether ethics training and education were of value at all.

The contradictory views held by different researchers and questions regarding the receptiveness of students to ethical educational intervention in their programme of study therefore create confusion that accounting academics need to confront when deciding whether or not a component of ethics or even an entire ethics course should be taught at the tertiary level. Arguably it is this confusion that casts doubt on the importance and academic legitimacy of having ethical education intervention in accounting education.

2.4.1   Can Ethics Be Taught?

A number of questions therefore arise: Can ethics be taught? Can ethics be learned? Do students even want to learn about ethics and the implications of unethical behaviour? Should accounting educators even be teaching ethics at the tertiary level? Haven't tertiary students already developed their values by the time they reach this level of education? Will ethical educational interventions have a positive influence on ethical behaviour? These are frequently asked questions with regards to ethics education. One of the findings in the IFAC Information Paper released in August 2006 indicated that IFAC member bodies and individuals worldwide were in agreement as to the influence of ethics education upon individuals: "[E]thical standards of individuals can be changed and are subject to influences including educational intervention" (p. 68). This view is supported by Monsour (2007) who, even as he raises issues about whether ethics can be taught, concludes that educational interventions can and do influence adult values.

> Is it even possible to teach ethics? Are not adult values already set in youth?
> Aristotle observed that a good adult is formed by habituating a good child to
> do the right thing. In time, praise for truth-telling and sanctions for
> dishonesty will make a person "naturally" honest. Others believe, however,
> that moral behaviour is a product of training, not just reflection. Adult values
> can and do change via educational intervention. (p. 2)

Other earlier research papers have attempted to answer the frequently asked questions in different ways. Geary and Sims (1994) wrote:

> Teaching ethics has been and continues to be problematic, particularly
> because there are conflicting views on whether ethics should be taught and
> conflicting expectations about whether and how the teaching of ethics will
> lead to more ethical behaviour. (p. 3)

Brien (1997) stated that one often hears that a person's ethical outlook is fixed by the age of sixteen (16) or so; and that teaching ethics to adults would therefore be a waste of time. He argued that he did not share this view but believed that ethics can be taught because "people usually do respond to reason, persuasion and argument; [t]hey are not driven solely by self-interest, but by what they believe is right and wrong; good and bad" (p.27). According to Tan and Chua (2000), whether ethics can be taught is a contentious issue and there were two opposing views with regard to teaching ethics at the tertiary level. Citing Armstrong (1993), these researchers noted that those who often doubted if ethics could be taught tended to believe that "people made good and bad choices based on personal character traits that were instilled long before students reached their college and university years" (p. v). In direct contradiction to this opposing view on the teaching of ethics, Armstrong (also cited in Tan and Chua, 2000) stated that proponents of ethics teaching at the tertiary level argued:

> Individuals' conceptualisation of right and wrong, good and bad and how to reason when confronted with difficult moral choices continues to develop throughout the years of formal education and often beyond. (p. v)

In support of the view that moral development continues through formal education, Piper (1993) postulated:

> These students are at a critical stage in the development of their perceptions about capitalism, business practice, leadership and the appropriate resolution of ethical dilemmas in business. This is a period for inquiry and reflection; extended time is necessary to develop sufficient and sophistication to acknowledge the presence of ethical dilemmas, to imagine what could be, to recognize explicitly avoidable and unavoidable harms.
> (p. 5)

According to Piper, "students arrive at professional schools wondering what is valued, what is rewarded, what has *legitimacy* and authority" (p. 6, emphasis added) and "what faculty are silent about and what they omit, send a powerful signal to students. Parks (1993) also emphatically stated that young adult graduates typically in their twenties and early thirties were not "too old to learn ethics" (p. 13). She stated:

> Indeed, there is no time in the human life cycle more strategic for shaping the norms and potential of the moral vision that will ground the ethical choices embedded in the daily decisions and actions of a professional manager. (p. 13)

To emphasise the importance of ethics teaching at the tertiary level, Piper, Gentile and Parks (1993) citing Bok (1984) wrote:

> But the consequences of doing nothing are plainly intolerable. A university that refuses to take ethical dilemmas seriously violates its basic obligation to society. And a university that fails to engage its members in a debate on these issues and to communicate with care the reasons for its policies gives an impression of moral indifference that is profoundly dispiriting to large numbers of students and professors who share a concern for social issues and a desire to have their institutions behave responsibly. Moreover, any administration that fails to discuss such questions openly and in detail will allow the campus debate on serious moral problems to degenerate into slogans and oversimplification unworthy of an institution dedicated to the rigorous exploration of ideas. (pp. 6 – 7)

In 1994, the Accounting Education Journal dedicated a special issue publication to the development and integration of ethics into the accounting curriculum. In the editorial comment, Lovell wrote that it was hoped that this edition would "stimulate debate amongst readers and further encourage faculty to develop and enhance their students' sensitivity to the ethical and moral dimensions to their profession's role in society and increase the students'

own abilities and confidence to debate and reason at the higher levels of ethical development"

(p. 2). In this special issue, Puxty, Sikka and Willmott (1994) stated that professional

accountants were induced to act ethically through aspects of their educational process which

prepared them for the qualifying examinations. They argued that: "[T]he education of

accountants is not simply a matter of becoming technically component; it is also a process of

induction into the accepted mores of 'professional conduct'" (p. 79).

Kerr and Smith (1995) discussed the fact that a concern for educators was whether ethics

could be taught in a classroom setting and what their roles should be in teaching ethics to

students. They also asserted that because ethical values were often linked to political or

religious groups, educators were reluctant to discuss ethics for fear of being called intolerant.

Ward, Ward and Wilson (1996) noted that the inclusion of ethics in the accounting curriculum

raised the issue of whether ethics in general and codes in particular could be taught in a

classroom environment. Their study examined the ability of accounting students to evaluate

ethical professional behaviour after receiving instruction in the American Institute of Certified

Public Accountants' (AICPA) Code of Professional Conduct. They concluded that the results

indicated that even limited ethics instruction could alter students' perceptions of behaviour.

Eynon, Hill and Stevens (1997) reinforces the conclusion arrived at by Ward, Ward and

Wilson by their references to studies in accounting on ethical interventions by Shaub (1994),

Hiltebeitel and Jones (1992), and Armstrong (1993). These researchers noted:

> Shaub (1994) shows that the completion of an ethics course in college has a
> positive impact upon the moral reasoning of accounting students. Further,
> the positive effect is retained as these students enter the profession in the
> near future. Hiltebeitel and Jones (1992) and Armstrong (1993) also report
> that ethical interventions can increase the ethical decision making abilities of
> accounting students (p. 1301).

However, Eynon, et al. also pointed out studies in accounting on ethical interventions yielded mixed results. They noted studies done by St. Pierre et al. (1990) and Ponemon (1993) that reported neither formal business ethics courses nor the integration of ethics cases into the accounting classroom improved moral reasoning skills of accounting students. A study conducted by Peppas and Diskin (2001) also indicated they found no significant differences between students who had taken an ethics course and those who had not. Despite the fact that their research findings indicated no significant differences between students who had to take business ethics as a requirement and those who were allowed to take the paper as an elective, Smith, Oakley and Ellwood (1996) proposed that it was possible for student awareness of business ethics to be enhanced by ethics instruction. They argued that business schools needed to made a stronger commitment to develop ethics into a mature discipline and that inherent in such a commitment was instruction by trained and dedicated faculty who were capable of assisting students in the development of sound moral reasoning and ethically acceptable behaviour. McCarthy (1997) pointed out that critics contended current accounting education was weak in areas such as ethics, beliefs and attitudes, and professional judgement and responsibility, and stressed technical issues and training over moral goals. She also noted that there was criticism of the quantity and quality of ethics coverage in accounting texts. Citing Pamental (1989), McCarthy noted that beginning students were made aware of the ethical aspects of their future career in a minor way in introductory accounting textbooks.

In support of McCarthy, Gallhofer, Haslam and Lehman (1997) indicated that raising awareness and conveying an appreciation of ethical issues through education was seen in the research literature to be a very important contributor to improving the ethical conduct of accountants, and yet in the practice of accounting education, researchers found disappointingly that ethics was still not appropriately included in the accounting curriculum at the tertiary

level. Knotts, Lopez and Mesak (2000) citing Kennedy and Lawton (1998) noted that "virtually all undergraduate and graduate business programs in the United States teach business ethics in some form" but that "despite this increased focus, people still question whether college students were getting the message" (p. 158). Arguably, apparently not, as the recent corporate scandals in the 2000s illustrate, to a certain extent, the ineffectiveness of ethics education in business schools.

Clikeman and Henning (2000) summed up the situation aptly when they wrote that "[t]he socialization of accounting students is an important issue because failure to transfer professional values to accounting students may hurt both students and the profession" (p. 1). Citing Stark, Lowther, Hagerty and Orczyk (1986), they stated that one purpose of professional education was to introduce students to the norms and values of their chosen profession. Furthermore, Clikemannn and Henning, citing the AAA Bedford Committee Report 1986, also noted that, "[p]rofessional accounting education must not only emphasize the needed skills and knowledge, it must also instill the ethical standards and the commitment of a professional" (p. 179).

If ethics can be taught and ethical educational interventions in higher education accounting curricula are to be effective in developing the moral character of accounting students and graduates, the goals of such interventions therefore need to be very carefully thought out. The next section of this chapter subsequently explores the different directions and goals promulgated by accounting educators and researchers on this issue.

2.5   GOALS OF ETHICAL INTERVENTION IN ACCOUNTING EDUCATION

There is concern for the provision of ethics education in today's business curricula. To understand better the direction and goals of ethical intervention envisaged in accounting education, there needs to be a literature review of what is happening in accounting ethics education and generally within the context of the management/business schools of which the accounting curriculum is a part. According to Piper (1993), the belief that business education should include discussion of leadership, ethics, and corporate responsibility had long been common among those responsible for shaping a business school curriculum. Piper et al. (1993) referred to Robert Gordon and James Howell's 1959 landmark report on management education which stated that "business education must be concerned not only with competence but also with responsibility, not only with skills but also with the attitudes of businessmen," (p. 8) and that "business schools have an obligation to do what they can do to develop a 'sense of social responsibility' and a high standard of business ethics in their graduates" (pp. 8 – 9).

However, Piper (1993) also noted that despite these early exhortations, leadership, ethics and corporate responsibility remained peripheral concerns at many if not most business schools and that it was not until the late 1980s that this situation changed abruptly because of the "[s]candal, evidence of rapidly diminishing trust, heightened environmental concerns, excesses associated with deregulation and fundamental questioning of American practice and competitiveness in the wider global context which raised doubts as to the sufficiency of management education" (p. 10). Piper wrote that their book was an explanation of how one business school was trying to place leadership, ethics and corporate social responsibility at the center of its ethos and mission and that "[I]t is a call to rebalance the educational trilogy of values, knowledge, and skills … [E]ach is important; each is insufficient in isolation" (p. 10).

Piper presented this call diagrammatically as an educational trilogy of values, knowledge and

skills (see Figure 2.1 which has been adapted for visual presentation).

Figure 2.1: Educational trilogy of values, knowledge and skills
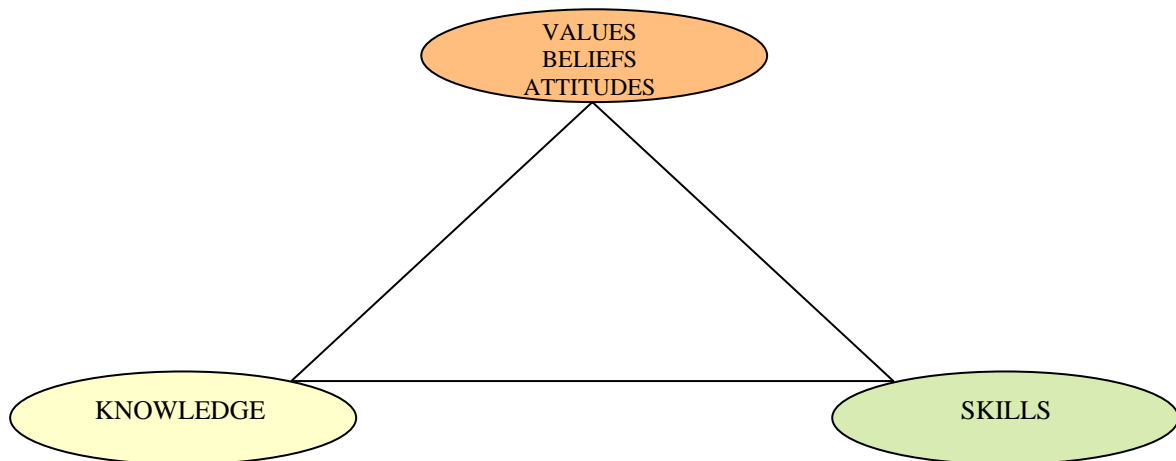
Adapted from Piper, Gentile and Parks (1993), p. 11

In arguing that there needed to be a rebalancing of learning objectives in management

education, Piper indicated what constituted an appropriate balance among knowledge, skills

and values (Refer Figure 2.2: Rebalancing Learning Objectives). Furthermore, Gentile (1993)

argued that a broad definition of business ethics was needed to include all areas of decision-

making that encompassed the individual, organisational and systematic (see Figure 2.3). She

also argued that the "discussion of business ethics needed to be tied clearly to day-to-day

business decisions and action planning, rather than perceived as a matter of philanthropic

gestures and sermonettes" (p. 81).

Figure 2.2: Rebalancing Learning Objectives
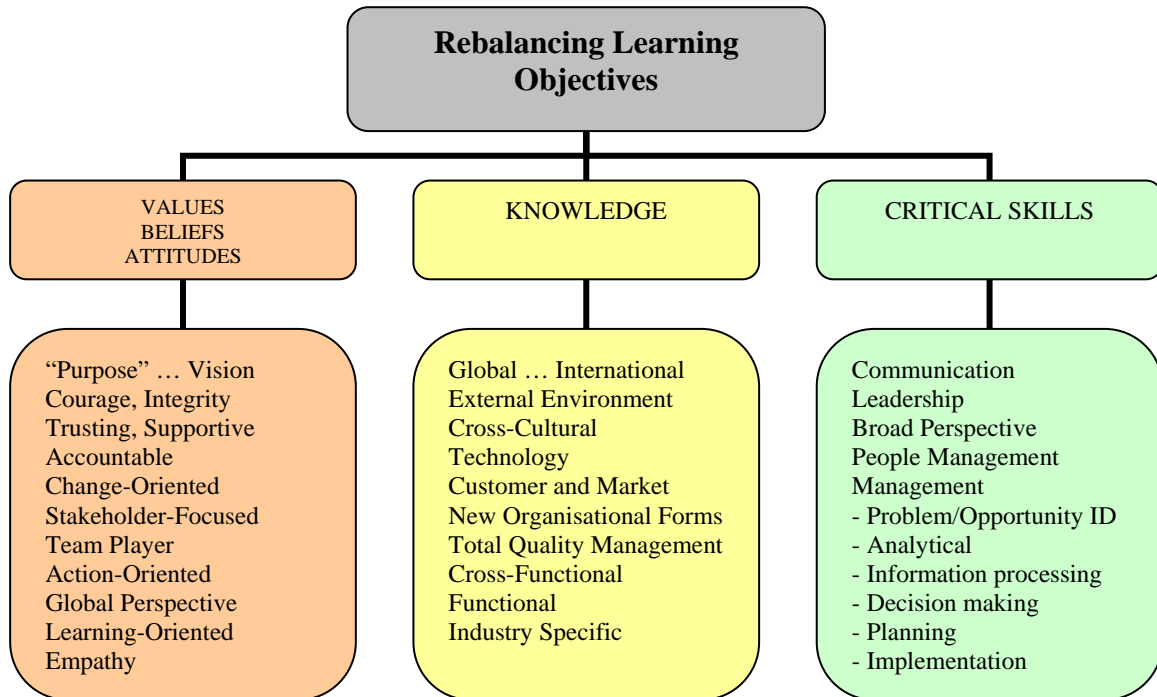
Adapted from Piper, Gentile and Parks, 1993, p.136.

Figure 2.3: Broad definition of Business Ethics to encompass the individual, organizational and systematic
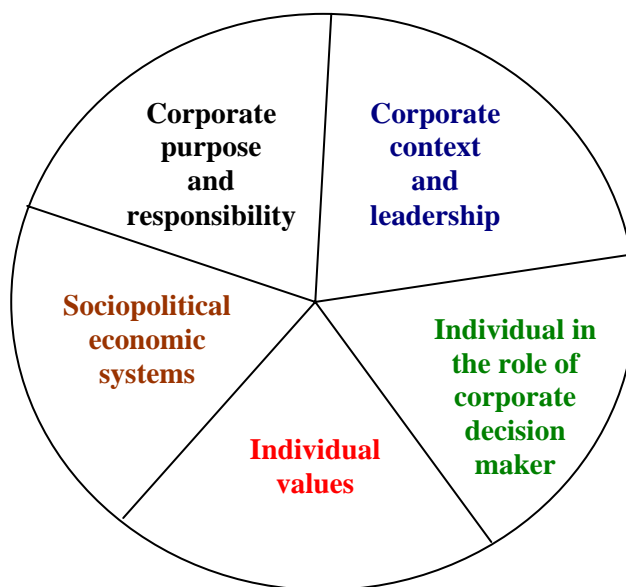
Adapted from Piper et al., 1993, p. 81.

Piper (1993) subsequently indicated that a nine-session module: Decision Making and Ethical Values: An Introduction was required in the opening sessions of the Harvard Business School's MBA program and that this module had six specific aims and objectives. The six specific aims and objectives have been reproduced in Table 2.1: Specific Aims and Objectives of Decision Making and Ethical Values: An Introduction Module for a Harvard Business School MBA program (Piper et al., pp. 138 – 139). The nine-step module to achieve the specific aims and objectives has also been reproduced and presented in Figure 2.4: Module Organisation and Themes of Decision Making and Ethical Values: An Introduction Module for a Harvard Business School MBA program.

Table 2.1: Specific Aims and Objectives of Decision Making and Ethical Values: An Introduction Module for a Harvard Business School MBA program

	Specific Aims and Objectives:
Objective One:	"discusses the breadth of responsibility of the modern corporation and the constraints and the trade-offs that attend the exercise of that responsibility".
Objective Two:	"emphasises the centrality of ethical values in the context of individual and organisational effectiveness".
Objective Three:	"demonstrates the dangers of ignoring the impact of business decisions and strategies on the full range of stakeholders; indeed, it encourages the incorporation of ethical values and stakeholder analysis in the broadest range of business decision making".
Objective Four:	"encourages respect for law".
Objective Five:	"provides a process for evaluating the economic and noneconomic consequences of proposed decisions, strategies, and implementation plans".
Objective Six:	"signals the centrality of these issues, legitimizes their discussion, and creates the expectation that matters of leadership, ethics, and corporate responsibility will be discussed as they arise throughout the existing program".

Sourced from Piper et al., 1993, pp. 138 – 139.

Figure 2.4: Module Organisation and Themes of Decision Making and Ethical Values: An Introduction Module for a Harvard Business School MBA program

Sessions 1, 2 and 3 – Ethics and the Corporation

The power and responsibility of the modern corporation.
The limitations of two principal surrogates for ethics:
the market and the law

Sessions 4, 5 and 6 – Ethics, Organisational Context, and the Individual

The key role of leadership as a bridge between individual and organizational values. Ethical values in domestic and global business enterprises. Organisational pressures toward and away from personal moral integrity.

Sessions 7, 8 and 9 –Ethics and the Individual

Determinants of moral awareness. The analytics of specific ethical dilemmas. Effectiveness in raising ethical concerns.

(Extracted from Piper et al. (1993), p. 140)

Piper, Gentile and Parks (1993) further wrote:

> When business, government, and other professions fail to meet their responsibilities, it is most often not from an inadequacy of tools, techniques, and theory but from an absence of vision and a failure of leadership that saps all sense of individual or organizational purpose and responsibility. *To address this concern, management education must be more than the transfer of skills. It should be a moral endeavor, a passing-on from one generation to the next of a kind of wisdom about responsible moral commitment in complex contexts.* (Front flap of book cover) [Italics for emphasis]

One can only ponder then what went so wrong, given the facts that quite a few of the executives involved in the recent American corporate scandals graduated from top business schools that incorporated significant ethics education in their programs. Gray, Bebbington and

McPhail (1994) wrote that while there was much to admire about current accounting practice there was also considerable evidence of ethical and intellectual failure among accounting practitioners. More importantly, they stated that "at least some responsibility for these failures can be laid at the door of accounting education" (p. 51). They concluded:

> There is a real need to re-examine honestly what we teach, the educational experience we provide and the ethical values we implicitly inculcate through our tendency to concentrate upon the algorithmic, the procedural and the repetitive. If we, as educators, are not constantly examining our own ethical position, how can we claim professional status? If we take a large cohort of the (apparently) most intellectually gifted of a nation's youth, how can we justify not passing on that excitement? Not extending that intellect? Not demanding a higher ethical tone? And not turning out potential accountants capable of being 'professional'? (p. 51).

Pizzolatto and Bevill (1996) indicated their concern for the provision of ethics education in today's business curricula through a number of citations:

> "Schools of business are being blamed for much of the unethical behaviour in business today" (Harcourt, 1990, p. 17); "Ethics can and should be integrated into coursework throughout students' college careers" (Spencer & Lehman, 1990, p. 7); "… business schools have been charged with inadequate attention to ethics" (Bishop, 1992, p. 291); "The American Assembly of Collegiate Schools of Business (AACSB) encourages schools of business to incorporate business ethics throughout the curricula" (David et al., 1990, p. 26).

Subsequently, Geary and Sims (1994) argued that it was critical that faculties did not overlook the need to build consensus regarding the goals of ethics education in accounting and that these goals should reflect the values of the accounting programme, the business school and the

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institution. Seven goals for ethics education in accounting were proposed by Loeb (1988) and

reproduced in Geary and Sims (1994):

1. Relate accounting education to the moral issues.

2. Recognise issues in accounting that have ethical implications.

3. Develop 'a sense of moral obligation' or responsibility.

4. Develop the abilities needed to deal with ethical conflicts or dilemmas.

5. Learn to deal with uncertainties of the accounting profession.

6. 'Set the stage' for a change in ethical behaviour.

7. Appreciate and understand the history and composition of all aspects of accounting
   ethics and their relationship to the general field of ethics. (p. 5)

Herndon (1996) looked at objectives for ethics education using an ethical decision-making

model approach. He noted that an ethical decision-making model developed by Ferrell and

Gresham (1985) was adapted by Ferrell and Gresham and Fraedrich (1989) so that it became a

synthesis integrated model of ethical decision-making in business. This adapted model (see

Figure2.5) was viewed as a synthesis integrated model because it included the content of

models developed by the original researchers, Ferrell and Gresham (1985), Hunt and Vitell

(1986) and Trevino (1986). Herndon suggested this synthesis integrated model should be used

as a basis for writing objectives for business school ethics education. He stated that the key

idea in the synthesis integrated model was that changes in individual factors would influence

an individual's ethical decision-making. He thus attempted to place objectives for ethics

education in business schools within this synthesis integrated model of ethical decision

making in business by using the goals for ethics education proposed by Callahan (1980).

Figure 2.5**:** A Synthesis Integrated Model of Ethical Decision Making in Business
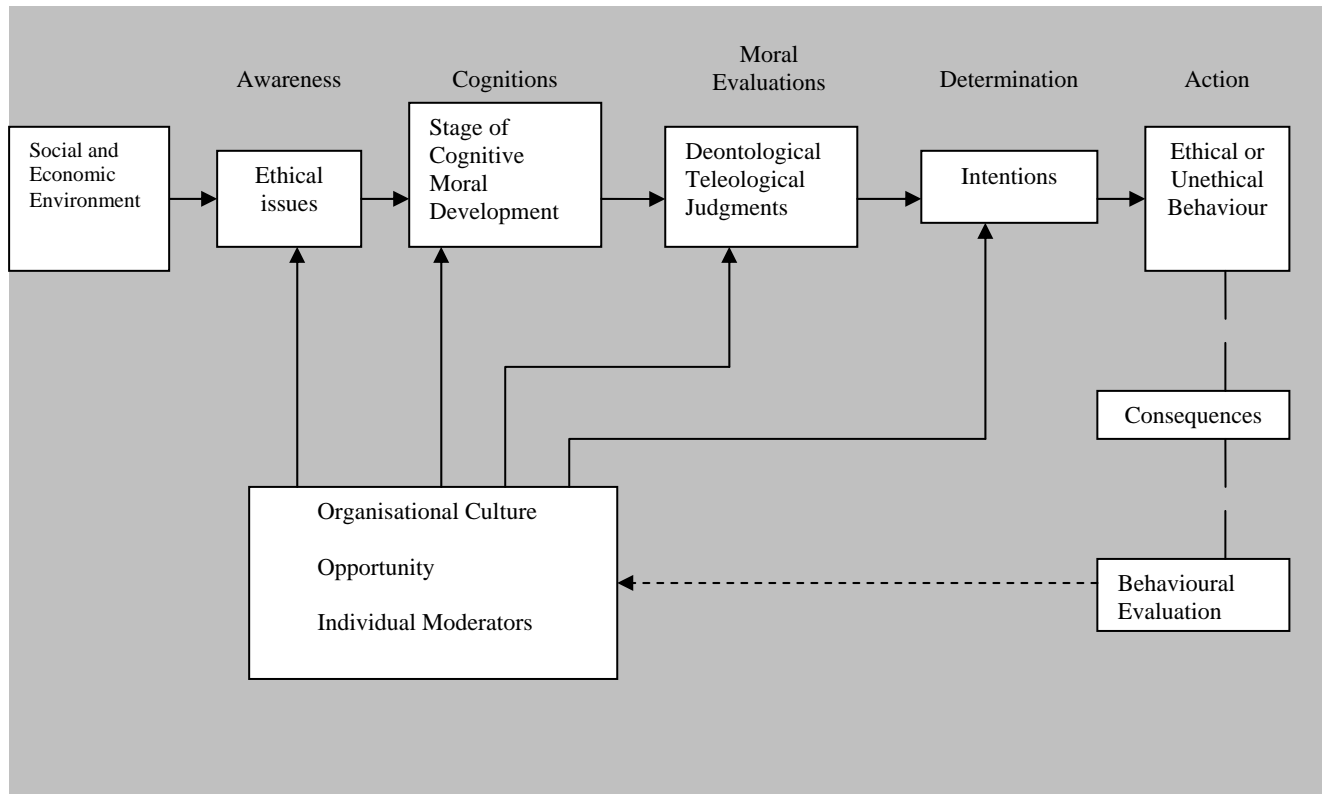
Adapted from Ferrell, Gresham and Fraedrich, 1989, p. 505.

Herndon explained that Callahan in 1980, after conducting a systematic two-year study to identify the goals guiding ethics education across disciplines, proposed several goals important for ethics courses in American higher education. According to Herndon, these goals have been frequently cited in other work as appropriate for business schools and hence his adoption post hoc of these goals to ethical decision-making models to provide a more unified theoretical/empirical base. Herndon's adoption of Callahan's goals for ethics education in business schools in relationship to the synthesis integrated model of ethical decision making in business is summarized in Table 2.2. Callahan's goals of education in this table have been cited and summarised directly from Herndon's discussion of objectives for ethics education.

Table 2.2: Summary of Herndon's objectives for ethics education in business schools within the
context of the synthesis integrated model

Callahan's Goals for Ethics Education:	Callahan's Explanation of the ethics education goal:	Herndon's objectives for ethics education in business schools within the context of the synthesis integrated model
1. Stimulating the moral imagination.	Callahan's first ethics education goal involves students understanding that there is a moral point of view and that moral choices have consequences.	Herndon's objective stated that the synthesis integrated model treats student understanding as if there is a moral point of view within the context of recognizing that an ethical issue exists and that recognition also involves an individual's level of moral development.
2. Recognising ethical issues.	Callahan explains that his second goal of ethics education is related to the first goal and that recognition would involve being able to rationally articulate a felt response of injustice which would involve some understanding of prescriptive moral statements and/or ethical principles and rules.	Herndon noted that the model also places this goal within the context of moral development in that the individual uses deontological and teleological theories to arrive at judgements about issues or dilemmas having ethical content.
3. Eliciting a sense of moral obligation.	Callahan's third goal involves a desire or an intention to act benevolently or with justice toward others.	According to Herndon, the synthesis integrated model indicates that once moral evaluations are made, the individual develops an intention to behave in a particular fashion which is shaped by the individual's moral evaluation of the situation, by perceived alternatives, and by perceived consequences.
4. Developing analytical skills.	The fourth goal that Callahan presents for ethics education involves the development of coherence and consistency in the analysis and in the justification of ethical propositions. Callahan suggested this goal can be thought of mainly in terms of the development of logical skills as it included concept definitions, the meanings of general ethical principles and the consequences associated with the application of moral rules.	Herndon indicated that for this fourth goal the synthesis integrated model follows the problem recognition, search, evaluation, choice, and outcome sequence of the basic decision-making paradigm and the model recognises that individual moderators, including knowledge, influence the ethical decision-making process.
5. Tolerating and reducing disagreement and ambiguity.	Callahan saw the fifth goal involving students by helping them to handle the uncertainty and the divergent views that are inherent in the study of ethics and teaching them to argue and disagree in an appropriate fashion.	According to Herndon, the synthesis integrated model also treats this fifth goal under individual moderators such as knowledge, values, attitudes, and intentions and these factors were being used by the individual to generate alternatives from which behaviour was selected.

Gautschi and Jones (1998) noted that while some business school faculty continued to doubt the advisability of requiring ethics coverage, business ethics scholars now focused on two different issues. These issues were: what should constitute the goals for courses in business ethics, and whether instruction satisfied those goals. They noted that consensus on appropriate goals for ethics education had yet to emerge. Their research findings however noted that compared to students who did not complete a business ethics course, students who took such a course experienced substantial improvement in their ability to recognise ethical issues. Their research study examined the effects of a course in business ethics based on a single goal: "the enhancement of the student's ability to recognize ethical issues in a business setting" (p. 205).

In a different manner to the identification of goals for courses in ethics education, but in a manner which nevertheless could be argued as representing goals or objectives for ethics education, Duska and Duska (2003) provided five reasons why accountants should get involved in the study of ethics. These five reasons have been summarised in Table 2.3. They argued that by learning principles of ethics, accountants should be able to improve the ethical decision-making dimension of their behaviour by studying why certain actions and practices were correct. This essentially formed the overall goal for ethics education from Duska and Duska's perspective.

More recent research on the goals of ethics education was conducted on behalf of the IFAC and this research was subsequently released as the IFAC August 2006 Information Paper. In its analysis of the ethics education literature, this research found four key goals of learning ethics: "establishing the intellectual background to understand ethical positions; developing ethical sensitivity; developing ethical competence and skills; and translating into ethical

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behaviour" (p. 77). The paper findings for the key goals are summarised in Table 2.4: IFAC

August 2006 Information Paper – Four key goals of learning ethics.

Table 2.3: Duska and Duska's five reasons for why accountants should study ethics

Issues:	Reasons why accountants should study ethics:
1. Moral beliefs may be inadequate because they are simple beliefs about complex issues.	Duska and Duska wrote that the study of ethics can help a person sort out these complex issues, by seeing what principles operate in those cases.
2. Conflicting ethical principles may make it difficult to determine what to do.	According to Duska and Duska, ethics can provide insights into how to associate between conflicting principles and show why certain courses of action are more desirable than others.
3. Individuals may hold inadequate beliefs or cling to inadequate values and subjecting these beliefs or values to ethical analysis may show their inadequacy.	Duska and Duska explained that ethical reflections can make us more knowledgeable and conscientious in moral matters.
4. To understand whether and why our opinions are worth holding on to.	Duska and Duska identified this issue as a very important reason to study ethics. They noted that the philosopher Socrates was known for showing that the unexamined life is not worth living and that therefore we need to ask ourselves, what are our basic goals in life; are they compatible with other values that we have; what would choice would be if we had to choose between our job and violating our professional responsibilities and our responsibility when there is conflict between family and the job?
5. To identify the basic ethical principles that can be applied in action.	According to Duska and Duska, the study of ethics can make us aware of the number and types of principles that can be used in determining what should be done in a situation involving ethical matters and that because ethical issues grew ever more complex in an ever more complex world, it behoves one to have a grasp of the underlying structure of ethical reasoning to help navigate the ethical sea.

Summarised from Duska and Duska, 2003, pp. 28 – 29.

Table 2.4: IFAC August 2006 Information Paper – Four key goals of learning ethics

Key goals of learning ethics	Summary of findings
1. Establishing the intellectual background to understand ethical positions	"Ethics education enables learners to achieve a wider understanding and appreciation of the role of accounting, including the responsibilities that professions have to the wider society." (p. 77)
2. Developing ethical sensitivity	"Developing ethical sensitivity is important (Callahan, 1980) because the ability to make ethical judgements, and to behave ethically, presupposes the accountant's ability to recognise an ethical issue when it arises (Shaub et al., 1980)." (p. 77)
3. Developing ethical competence and skills	"Ethics education provides the opportunity to develop: • critical thinking regarding values which can stimulate moral imagination and develop an understanding of situations and contexts in order to make informed decisions (Konrad, 1978; Callahan, 1980); • ethical reasoning skills and competence in arriving at responsible judgment and choices (Armstrong, 1993; Blasi 1980; Rest, 1986b; Weber, 1990b; Shenkir, 1990; Jennings, 2004); • empathy and appreciation of contexts and different societal norms (McPhail, 2001); • an internalized analytical system to deal with, and manage, ethical threats and dilemmas (Callahan, 1980; Cook & Ryan, 1989); • the conflict resolution skills necessary to contribute to the establishment and maintenance of an ethical framework within individuals and an ethical environment within organizations (Callahan, 1980; Hanson, 1987; McDonald & Donleavy, 1995; McPhail, 2001; Jennings, 2004), so that ethical components are an integral part of managerial decision-making (Gandz & Hayes, 1988)." (pp. 77 – 78)
4. Translating into ethical behaviour	"Ethics education should be designed in a way which enables learners to relate accounting education to moral issues and to develop the abilities needed to deal with uncertainties – 'potentiality for change'." (p. 78)

Summarised from the IFAC August 2006 Information Paper, pp. 77 – 78.

In addition, from analysing the respondents' qualitative comments in this IFAC information paper, the researchers found four recurring themes as key objectives in four areas. These four areas have been summarised and presented in Table 2.5.

Table 2.5: Key objectives of ethics education in four areas

Key objectives in the area of:	Findings:
(a) Learning basic values	Role of educator: • Further develop basic ethical values initially provided by the family, religious and/or social environment. • Ideally, developing ethical ideas in such a way that they become second nature to the accounting practitioner by building on a foundational core set of values.
(b) Teaching ethics at university	Appropriate area where ethical values and knowledge of professional standards could be instilled and thus enabling ethical values to become internalized by accounting students.
(c) Teaching ethics in post graduate programs	Objective of ethics education: • To reinforce principles previously taught, with particular relevance to new practitioners confronting ethical issues in the workplace.
(d) Instilling lifelong professional skills	Objectives of ethics education: • To encourage a questioning frame of mind that goes beyond complying with rules. • To provide ethics education that enables accountants to make informed judgements in the decision-making process.

Summarised from IFAC August 2006 Information Paper, pp. 78 – 80.

The researchers of this IFAC paper consider that the "overall purpose of formal ethics education is to provide a learning structure in which ethical threats or issues may be identified and analysed, so that accountants possess the skills and competence to resolve ethical issues to the point of action" (p. 95). They argued that ethical decisions ultimately rested with the

individual because codes of ethics (the traditional tool of ethical leadership) may only guide
one's behaviour and consequently ethics in accounting education played a significant role in
helping graduates to make ethically-informed choices once they entered the workforce. They
thus indicated that the specific goals of ethics education should include:

    (a)   Enhance knowledge of relevant standards, including relevant
        principles and concepts, and expectations of ethical and professional
        conduct

    (b)   Develop a sense of professional responsibility with ethical sensitivity
        and an appreciation of ethical threats in different situations.

    (c)   Improve professional judgment with sharpened ethical decision-
        making skills.

    (d)   Develop a commitment to ethical behaviour. (p. 96)

The researchers also believed that these specific goals of ethics education were important to
form the basis of an Ethics Education Framework (EEF). The framework they recommended
has been reproduced and presented in Figure 2.6. The IFAC paper indicates:

> … the research team believes that ethics education should be learned as a
> life-long process, which commences early in a professional's training, and
> continues throughout one's career as a professional accountant. The
> continuous process from the point of entry to post-qualifying levels of
> education should take into account the goals of ethics education discussed
> above, together with the diverse nature of the qualifying systems, cultural
> and economic development of different regions, and the practices of member
> bodies. Therefore, a key consideration of ethics education programs should
> be to align the objectives and approaches perceived as appropriate by
> member bodies and education providers. (p. 96)

Accordingly, the researchers highlight the fact that the EEF encompasses different levels of
learning that can be implemented by member bodies, depending upon their individual

circumstances and that the various levels of ethics education can act as building blocks for

implementation.

Figure 2.6: The Ethics Education Framework

	Stage	Objective of stage	How to teach	Focus of content
The Learning Continuum: Pre- and Post Qualifying Stages	Stage 4: Ethical behavior	To understand organizational and situational contexts and to sharpen one's ethical competence in translating knowledge and sensitivity into behavior.	Continuous professional ethical training.	Factors affecting ethical decision-making and ethical behavior
	Stage 3: Ethical judgment	To integrate knowledge of ethics with sensitivity in order to develop competence in ethical judgment and decisions.	A separate required or optional capstone module/ course in ethics.	Application of ethical theories, social responsibilities, code of professional conduct and other ethical decision models to ethical dilemmas
	Stage 2: Ethical sensitivity	Sensitize learners to ethical issues and threats in the relevant functional disciplines of accounting.	Integration of ethical issues across existing subject matter such as financial accounting, managerial accounting, auditing and taxation.	Common issues and dilemmas facing accountants in practice e.g. tax evasion.
	Stage 1: Ethics knowledge	To develop ethical intelligence by attaining the necessary knowledge in ethical concepts and theories relating to the accountant's work.	A separate required module in ethics taught early in the program.	Traditional theories of ethics, virtues, and moral development

Sourced from the IFAC August 2006 Information Paper, p. 99.

The authors of the IFAC paper emphasized that "rebuilding public trust in the accounting

profession will take time and that the implementation of a robust ethics education process in

the training and ongoing professional development of accountants is critical to the

profession's future" (p. 113). They also stressed that the profession "cannot afford any more

Andersen type implosions", but noted that "the warning signs are still there" (p. 113). The

paper cited as evidence a recent article by the New York correspondent, Glater (2005):

> The international accounting giant KPMG, under investigation for selling
> questionable tax shelters, will pay $US456 million ($A602 million) and
> accept an outside monitor of its operations under terms of an agreement that
> heads off prosecution. The agreement means that KPMG has dodged a
> potentially fatal indictment and avoided the fate of its former competitor,
> Arthur Andersen, which collapsed after prosecutors charged it with
> obstruction of justice in their investigation of failed energy giant. (p. 113)

Further evidence that accountancy firms can play a pivotal role in influencing the ethical
actions of accounting students and graduates is provided by Sikka and Hampton (2005) who
argue that, in their pursuit of higher profits and earnings, these firms have diversified into
selling tax avoidance schemes, even though this action brings them into conflict with the state
and with civil society. This type of 'legitimate' and 'acceptable' accounting practice therefore
makes it very difficult for ethical educational interventions to leave a more lasting and positive
influence on its learners. How can accounting educators convince their cohort of students that
good ethical conduct and social responsibility is important if these students already know that
once they leave university to join the work force they will be called upon to act in ways that
will conflict with their learning. Sikka and Hampton (p. 329) write:

> To sell tax avoidance and other services, firms need to develop
> organisational cultures and practices that place increasing emphasis upon the
> commercial acumen of their staff and that it is this commercial acumen,
> rather than the ethical conduct, or even the technical ability of the firms'
> staff that is increasingly promoted as the primary measure of their
> trustworthiness. As a partner of a major accountancy firm put it, "a firm like
> ours is a commercial organisation and the bottom line is that … first of all
> the individual must contribute to the profitability of the business. In part, that
> is bringing in business but essentially profitability is based upon the ability
> to serve existing clients well" (Hanlon, 1994, p. 121). (p. 329)

It would appear that those planning implementation of a robust ethics education process in the training and ongoing professional development of accountants have a much steeper hurdle to overcome. This is because ethics education can only ever truly be said to be successful when educated professionals are considering foremost their wider duty and responsibility to society. Sims (2002) explains that while "[A]cquiring moral character or courage has to do with the individual self confirmation effect of proper moral conflict handling and the consistency of feeling, thinking, and acting on the individual level" (p. 30); "[B]oth undergraduate and graduate students must learn how to develop a certain amount of resiliency to comfortably resist external pressures to act immorally" (ibid). However, as Sikka and Hampton's discussion demonstrates, external pressures to act immorally does not necessarily suggest that such questionable and unethical actions may not be deemed 'wrong' because organisations and society condone it. This issue therefore leads to the exploration of a second theoretical lens; the legitimation of organisations' activities. This lens is crucial to explore if a more meaningful insight of what perpetuates unethical behaviour in spite of increased ethics education in the accounting/business curriculum.

2.6   CHAPTER SUMMARY AND CONCLUSION

As far back as 1959, the significance of ethical educational intervention in accounting education and in management/business education was recognized and signalled by professional bodies and research committees set up to determine the appropriate curriculum for a accounting/business undergraduate. The literature review demonstrates that the concern of some researchers who question whether or not ethics can be taught at the tertiary level pales in significance when contrasted with the consequences of not having appropriate ethical educational intervention in the study programmes of business/accounting undergraduates who will be placed in a number of ethical situations once they join the workplace. Notably,

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research by Bok (1984), Piper, Gentile and Parks (1993), Duska and Duska (2003), Gaa and

Thorne (2004) and many others argues that ethics education works and must be taught. Bok

very strongly argued that the consequences of doing nothing about ethics education were

plainly intolerable.

Furthermore, research studies that attempted to evaluate whether students' ethical responses

were influenced by ethics education concluded positively that ethical educational intervention

was needed. The researchers argued that exploring ethical issues through education was a very

important contributor to improving the ethical conduct of accountants. Given that such

importance is placed on the role of ethical education intervention for an accounting/business

graduate, this literature review also reviewed the goals of ethics education. It was found that

while professional bodies, research bodies and education committees strongly recommended

the incorporation of ethics education in the accounting/business/management curriculum, the

goals of ethics education in educational institutions were developed very much on an ad hoc

basis by the academe involved in teaching the ethics course. This could explain why

researchers who doubted the outcomes of ethics education continue to doubt the effectiveness

of ethical educational interventions when there is obviously a lack of consensus on what the

actual goals of ethics education should be in a business degree curriculum. It would appear,

therefore, that more attention needs to be given to the development of goals for ethics

education and the manner in which the courses are delivered, so that more effective learning

takes place.

However, as noted by Tinker (2000), accounting educators must take and show leadership and

not allow the influence of the 'Big Five' (now 'Four') to compromise accounting education at

the tertiary level. Also, of issue is the fact that, on the one hand, accounting firms (as

evidenced by the PWC 2003 report) want ethics to be taught but, at the same time, are also engaging in, the selling of tax avoidance schemes, as evidenced by Sikka and Hampton (2005). These are surely confusing and conflicting messages being provided to accounting students by their future employers.

This chapter reviewed literature on the importance of ethical educational interventions for accounting education. However, to better understand the ethical reasoning of individuals that leads to what may subsequently be viewed as their ethical or unethical behaviour by affected stakeholders and society, it is important to explore the philosophical underpinnings that may be driving their actions. It can be argued that without this understanding, accounting educators may find it more difficult to set appropriate goals for ethics education. However before exploring the philosophical underpinnings of individuals, it is important that legitimacy theory is looked at. This will provide an important theoretical lens to explain why in spite of exposure to ethics education, individuals in organisations behave the way that they are, even though some of their actions and behaviour are quite questionable. The following chapter therefore reviews legitimacy theory and its contribution towards the understanding of organisational legitimacy and the social contract concept. The subsequent chapter (Chapter Four) explores different ethical theories and how these theories may be used to legitimate the actions taken by individuals. In addition to understanding the philosophical underpinnings of ethical reasoning and action by individuals, it is also important to review literature on why accounting scandals and corporate crises continue to blight society, in spite of the existence of what appear to be better "ethically educated" business/accounting graduates. Chapter Five attempts to explain, whether "actions" are legitimised by exploring underlying factors that contribute to accounting scandals.

CHAPTER THREE
LEGITIMACY THEORY – A THEORETICAL LENS FOR THIS STUDY

3.1 INTRODUCTION

Chapter Three provides an overview of legitimacy theory and its positioning in accounting research literature in order to affirm the importance of using this theory in this study. This chapter constitutes the second of the four chapters (see Figure 7.1, p. 151) that provide a series of theoretical lenses under which this study is to be conducted. It has been presented that if ethics is to become an integral part of business conduct then appropriate ethical behaviour must be inherently knitted into the fabric of organisational life, and as a consequence, attention needs to focus on a philosophical analysis of the power and authority wielded by managers in organisations (Phillips, 2003).

In the previous chapter, the importance of ethical educational intervention was discussed but the chapter also found that such intervention has been woefully inadequate in influencing the ethical behaviour of accounting professionals. One would assume that better prepared and ethically aware graduates would know how to act 'appropriately' within the professional/corporate environment they work in. Perhaps there is a deeper underlying issue that needs to be investigated when trying to understand what drives ethical actions of accounting professionals and business executives. Do they deliberately choose to act in certain ways even though their actions might be deemed to be 'inappropriate' and harmful to others, because there is legitimation of such actions by organisations and society? It has been suggested that many businesses may regard themselves as ethical if their legal staff can keep them safely within the law (McDonald, 2007). This chapter will explain the concept of legitimacy before delving into literature that discusses legitimacy theory and how this theoretical framework legitimates the 'social contract' between organisations and their

stakeholders. It is envisaged that the issues raised in this chapter will go some way to explaining why questionable unethical behaviour by individuals continue to occur even when these individuals may have had extensive ethical educational interventions not only in their tertiary studies but also in their professional preparations for institute membership.

3.2   THE CONCEPT OF LEGITIMACY EXPLAINED

What is legitimacy? The 1998 Oxford Dictionary of Sociology states:

> Legitimation refers to the process by which power is not only institutionalised but more importantly is given moral grounding. Legitimacy (or authority) is what is accorded to such a stable distribution of power when it is considered valid. (p. 363)

According to Zelditch (2001), legitimacy is one of the oldest problems in the history of social thought. He explains:

> By the end of the fifth century BC, the Greeks were already asking under what conditions the use of power was legitimate (Thucydides [423 BC] 1954:bk. 5). The nature, conditions, and consequences of its legitimacy were the problem that both Plato's *Republic* ([c. 390 BC] 1935:bks. 1 – 2, 4) and Aristotle's *Politics* ([c. 335 – 23 BC] 1946:bks. 2 – 6) were written to solve. The Greeks, in the first instance, were more concerned with how power *ought* to be justified than with a descriptive, empirical theory. By the time of Aristotle's *Politics*, however, they also had an empirical theory of political stability in which authority was legitimate only if it was founded on constitutionalism and consent, and stable only if it was legitimate. But by that time they had not only an empirical theory of political stability; they also had an empirical theory of distributive justice in which rewards were only just if they were proportional to contributions (Aristotle [c. 335 – 23 BC] 1934:bk. 5), and in which justice was the cause of revolutions (Aristotle [c. 335 – 23 BC] 1934:bk. 5). (p. 4)

It would appear that fundamental to the concept of legitimacy is its effect on the stability of both authority and rewards in formal and informal settings. Zelditch (2001) expostulates that while the effect of legitimacy on the stability of both authority and rewards has been an important consideration, "legitimacy also matters to the stability of informal status orders and many other group processes" (p. 4) such as norm formation, deviance and social control, and sentiments and emotions that give rise to emergent structures where legitimacy is a factor in the stability of many of these structures. Zelditch (2006) therefore writes:

> Legitimacy means that something is natural, right, proper, in accord with the way things are or the way things ought to be. Anything can be said to be legitimate: acts, persons, positions, relations, the rules governing them, or any other feature of a group, including the group itself. The distinguishing feature of legitimacy is that if something is natural, right, proper, in accord with the way things are or ought to be, it is accepted not only by those who in some way gain from it but also those who do not. (p. 324)

The important relationship between the values of the organisation and society is explained by Lindblom (1994). Lindblom, cited in Deegan (2002), defined legitimacy as:

> … a condition or status, which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy. (p. 293)

It has been presented that the major institution of business in society takes the form of the company or corporation, either private or public under company statutes (Warren, 2003). The type of authority that an organisation has is the ultimate determination of the moral character of that organisation and this is succinctly explained by Warren (2003):

But the moral character of a company is largely determined by the kind of authority its executive sustains and how that authority is used inside and outside the company. If a company's authority presumes consent, then when this consent is called into question and the claim to authority needs to be justified, then legitimacy questions are being asked. When a legitimisation crisis occurs, and it might be a long time before this is recognised and acknowledged, then a new consensus for company legitimisation may be in need of negotiation, so that a new consensus can be built or formed in society. The term "legitimisation" is indicative of this fact, in that, it implies legality or acceptance of a state of affairs; that the power is held "rightly" in the view of the community, and that the institutions of business are legitimised because they are granted by the consent of the governed. (p. 156)

Suchman (1995) explains legitimacy as a generalised perception and writes:

Legitimacy is a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, belief, and definitions. (p. 574)

Furthermore, Suchman identifies three types of legitimacy: pragmatic, moral and cognitive; he suggests that in most real-world settings they co-exist and reinforce one another. His summary figure, which depicts the various types of legitimacy along two cross-cutting legitimation dimensions so as to reflect the "focus" (which divides the organisation's actions from its essence) and the "temporal texture" (which divides the episodic or transitory from the continual or long lasting basis), has been adapted and reproduced in Figure 3.1. The figure shows Suchman's identification of four consistent archetypes of organisational legitimacy employed by entities and illustrates that while there is a distinction in the research literature of three different types of legitimacy, they co-exist in most real-world settings. A more detailed explanation of Suchman's three types of legitimacy have been summarised and presented in Figure 3.2.

Figure 3.1: Legitimacy Theory – a fully elaborated matrix
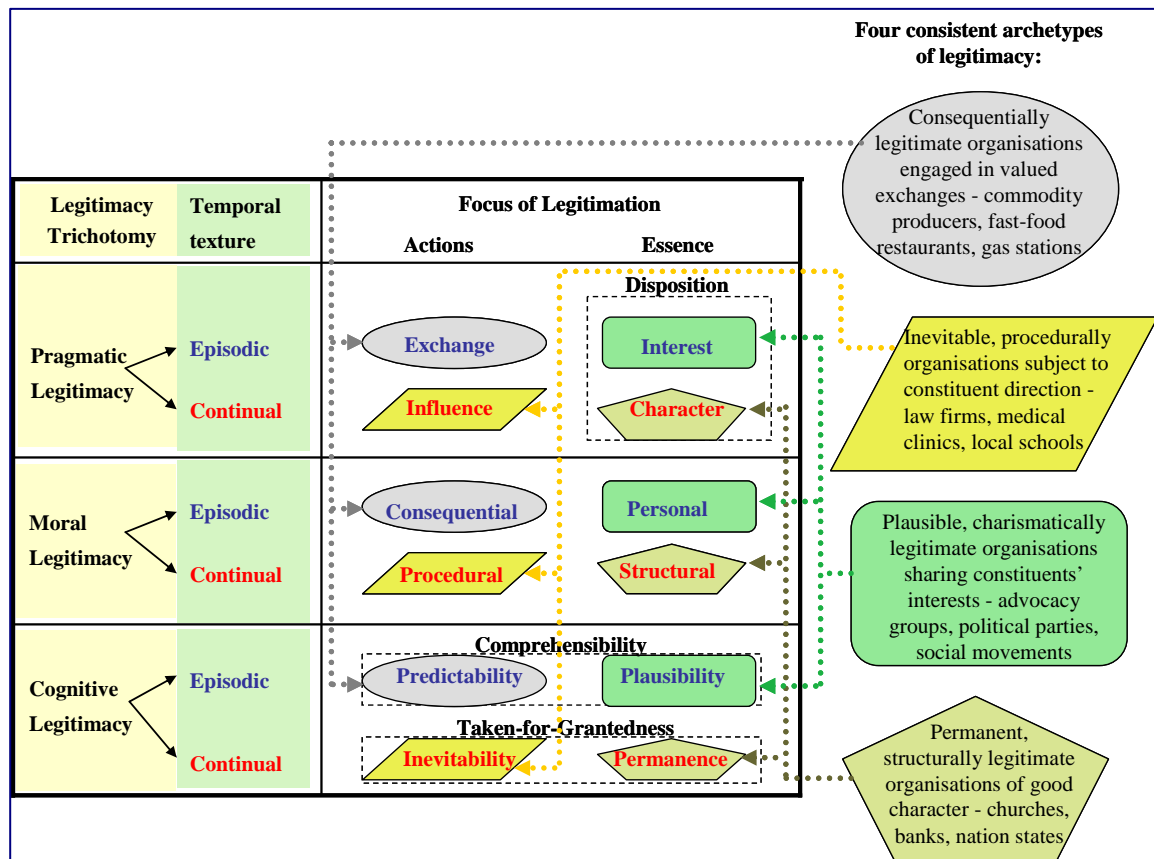
 [Adapted and summarised from Suchman (1995), Figure 1: A Typology of Legitimacy, pp. 583 – 584]

Brinkerhoff and Brink (2005) stipulate that the concept of legitimacy encompasses normative, legal, sociological, and cultural meanings. According to Brinkerhoff and Brink, the classic reference to this concept was Weber (1947) who indicated that "[L]egitimacy has long been recognised as a core element in political and governance regimes, dealing with the relationship between social acceptance of regimes and institutions and their ability to exercise power and authority effectively" (p. 1).

Figure 3.2: Types of Organisation Legitimacy

Types of Organisational Legitimacy

Pragmatic Legitimacy
Self-interested calculations of an organisation's most immediate audiences and which involve political, economic, or social interdependencies where organisational actions affect constituents' well-being (Suchman, 1995).

Exchange Legitimacy
Support for an organisational policy based on that policy's expected value to a particular set of constituents

Influence Legitimacy
The organisation incorporates constituents into its policy-making structures or adopts constituents' standards of performance as its own.

Dispositional Legitimacy
Constituents are likely to accord legitimacy to those organisations that "have our best interests at heart," that "share our values," or that are "honest," "trustworthy," "decent," and "wise." (Suchman, 1995, p. 578)

Moral Legitimacy
Rests on judgements about whether the activity is "the right thing to do" and which "reflect beliefs about whether the activity effectively promotes societal welfare as defined by the audience's socially constructed value system." (Suchman, 1995, p. 579)

Consequential Legitimacy
Evaluations of outputs and consequences – judged by what they accomplish

Procedural Legitimacy
Evaluations of techniques and procedures - sound practices that produce socially valued consequences

Structural Legitimacy
Evaluations of categories and structures - location of a morally favoured taxonomic category

Personal Legitimacy
Evaluations of leaders and representatives - charisma of individual organisational leaders

Cognitive Legitimacy
Involve either affirmative backing for an organisation or mere acceptance of the organisation as necessary or inevitable, based on some taken-for-granted cultural account (Suchman, 1995, p. 582).

Comprehensibility Legitimacy
The social world is a chaotic cognitive environment and participants have to arrange their experiences into coherent and understandable accounts to achieve legitimacy

Taken-for-grantedness Legitimacy
Institutions manage disorder and transform it into a set of intersubjective "givens" that submerge the possibility of dissent. (Suchman, 1995)

(Summarised from Suchman, 1995, pp. 577 – 583)

Brinkerhoff and Brink also reason that "[O]rganisations that adhere to societal expectations (regarding mission, actions, structure, performance and so on), and that build an ongoing reputation for their appropriateness and correctness, are viewed as trustworthy and reliable, which contributes to being accorded legitimacy" (p. 2). They further elucidate, "[T]hese expectations can either be explicit and formal, established by governments and legal frameworks, or informal and implicit, emerging from deep and widely diffused shared meanings within society" (p. 2). They infer, therefore, that "[L]egitimacy is conferred when organisational actors are being perceived by influential constituencies as being consistent or in alignment" (p. 8) with law which was inclusive of constitutional frameworks, as well as enabling legislation, statutory law, and regulations; standards, codes, and licensing; and performance expectations (Brinkerhoff and Brink, 2005). Similar to Suchman (1995), Brinkerhoff and Brink identify three broad types of legitimacy in research literature. Their summary table of what they term 'organisational legitimacy' has been reproduced in Table 3.1. They also substituted the term 'moral legitimacy' for 'normative legitimacy'.

Table 3.1: Types of Organisational Legitimacy

Type	Definition	Relationship with constituents
Normative Legitimacy	Organisation reflects acceptable and desirable norms, standards, and values	Organisation meets normative judgements about outputs/results, procedures and technologies, structures, leaders and personnel.
Pragmatic Legitimacy	Organisation fulfils needs and interests of its stakeholders and constituents.	Organisation exchanges goods and services that constituents want, and receives support and legitimacy.
Cognitive Legitimacy	Organisation pursues goals and activities that fit with broad social understandings of what is appropriate, proper, and desirable.	Organisation "makes sense" and/or is "taken for granted" according to socially constructed "realities."

(Sourced from Brinkerhoff & Brink, 2005, p. 4)

The importance of legitimacy therefore stems from the ways that organisations seek to legitimate their existence in society. It would appear from the explanations provided of the concept of legitimacy that, organisations generally consider that there is a 'value' relationship between them and society. In seeking legitimacy, therefore, organisations need to obtain support from society by "incorporating structures and procedures that match widely accepted cultural models embodying common beliefs and knowledge systems" (Ruef & Scott, 1998, p. 878). Suchman (1995), however, raises an interesting controversy with regards to how organisations may still retain legitimacy even when they deviate from appropriate values of some individuals. He contends:

> Legitimacy is a *perception* or *assumption* in that it represents a reaction of observers to the organisation as they see it; thus, legitimacy is possessed objectively, yet created subjectively. An organisation may diverge dramatically from societal norms yet retain legitimacy because the divergence goes unnoticed. (p. 574)

Importantly, Suchman therefore argues that legitimacy is a social construction in that it "reflects a congruence between the behaviours of the legitimated entity and the shared (or assumedly shared) beliefs of some social group" (p. 574); he also postulates that "[a]n organisation may deviate from individuals' values yet retain legitimacy because the deviation draws no public disapproval" (p. 574). In addition, the multiplicity of legitimacy dynamics enables the managers to 'manoeuvre strategically' within their cultural environments to make a substantial difference in the extent to which organisational activities are perceived as legitimate, that is desirable, proper, and appropriate within any given cultural context (Suchman, 1995). Brinkerhoff and Brink (2005) provide three categories of legitimisation strategic type actions (see Figure 3.3) that managers can pursue to either increase or maintain legitimacy: conforming, informing and manipulating. However, one can argue that it is the

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type of strategic manoeuvrings by managers to achieve organisational legitimacy that may

become of concern to society.

Figure 3.3: Management Strategy for Organisational Legitimacy
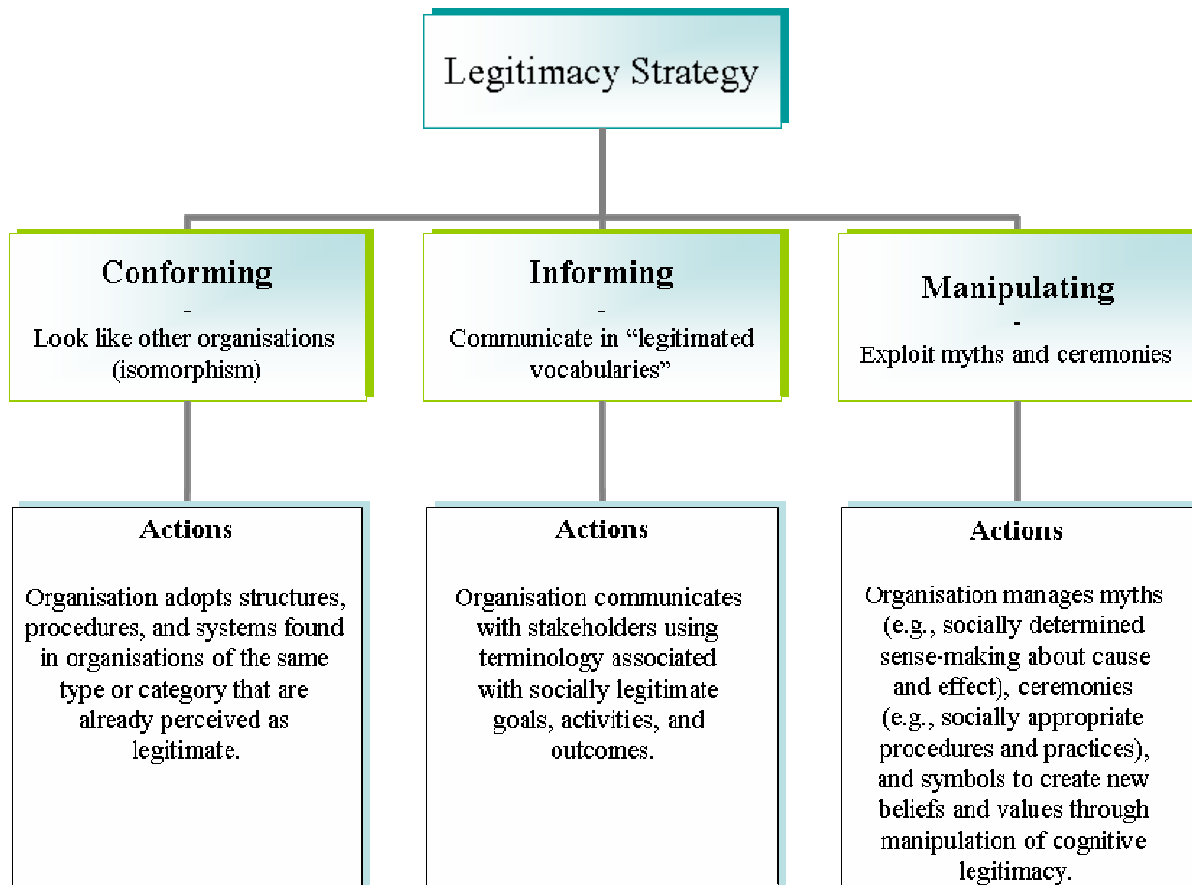
[Sourced from: Brinkerhoff & Brink, 2005, Table 2: Managing Organisational Legitimacy, p. 9 and re-presented diagrammatically for visual presentation.]

Following Suchman's deliberations, one can perhaps begin to understand more clearly why

the better prepared and ethically aware graduates now in society perpetuate the ongoing

accounting and corporate debacles; it would appear that the organisations that they work in

have provided them with a legitimation process that they must follow if they wish to retain

their positions within the organisation. Because "[m]any things can be legitimated: power,

rewards, rules, status and sanctions" (Hegtvedt & Johnson, 2000, p. 303), it can be argued that

such legitimated structures within organisations allow and encourage business executives and accounting professionals to get involved with unethical actions and behaviour (as per the Enron and Arthur Anderson debacles). Weber (in Hegtvedt & Johnson, 2000) suggests that "a social order is legitimate or "valid" when individuals believe that they must obey the operating norms or rules associated with that order (regardless of whether they believe them to be appropriate)" (p. 303). Dornbush and Scott (1975), in Hegtvedt & Johnson, 2000, identify the important concepts of *propriety, validity, authorisation and endorsement* in Weber's definition of legitimacy. They define these concepts in the following ways:

> … *propriety* as an actor's belief that the rules and norms of conduct are desirable, proper, and appropriate patterns of action. *Validity*, in contrast, refers to an individual's belief that he or she is obliged to obey these norms, even if he or she does not approve of them personally. The views of others in the social context enhance the validity of rules. When support for the norms comes from individuals who occupy higher positions within the organisation, *authorisation* occurs. Similar support from people of equal or lower status than the focal person is labelled *endorsement*. (p. 303)

Hegtvedt & Johnson raise important issues that may explain why individuals might choose actions that, on their own behalf, they might not have taken but, because of their professional and corporate affiliations, might have had to undertake. Therefore, they argue, people are more likely to comply with rules for which authorization and endorsement exist and that, subsequently, "legitimacy of authority is fundamentally a collective process rather than a matter of private individual consent" (p. 303). They explain:

> The authority of any person, act, position, or structure of positions rests on cooperation by others. When a source is strongly authorised and endorsed, individuals are more likely to comply, even if propriety is weak, because they anticipate formal sanctions from superiors or informal sanctions from peers. (p. 303)

3.3   AN OVERVIEW OF LEGITIMACY THEORY

Research literature indicates that legitimacy theory derives from political economy theory and was founded on the notion of a "social contract" (Patten, 1991; Patten, 1992; Deegan, 2002; Shocker & Sethi, 1974; Guthrie & Parker, 1990; Gray, Owen & Adams, 1996). Shocker and Sethi (1974) provide a succinct explanation of the social contract concept:

> Any social institution – and business is no exception – operates in society via a social contract, expressed or implied, whereby its survival and growth are based on:
>
> (1) the delivery of some socially desirable ends to society in general, and
>
> (2) the distribution of economic, social, or political benefits to groups from which it derives its power. (p. 67)

In addition, Shocker and Sethi contended that in a dynamic society, neither the sources of institutional power nor the needs for its services are permanent. They expanded on this idea:

> Therefore, an institution must constantly meet the twin tests of legitimacy and relevance by demonstrating that society requires its services and that the groups benefiting from its rewards have society's approval. (p. 67)

Deegan (2002) also explain that the insights provided by legitimacy theory emanate from the political economy theory and, citing Gray et al (1996, p. 47), define the "political economy" (p. 292) as "the social, political and economic framework within which human life takes place" (p. 292). He argues that the perspective embraced in both the political economy theory and legitimacy theory is that "society, politics and economics are inseparable and economic issues cannot meaningfully be investigated in the absence of considerations about the political, social and institutional framework in which the economy activity takes place" (p. 292).

In support of Deegan's arguments, one can look to Guthrie and Parker (1990) who write:

> The political economy perspective perceives accounting reports as social, political, and economic documents. They serve as a tool for constructing, sustaining, and legitimising economic and political arrangements, institutions, and ideological themes which contribute to the corporation's private interests. (p. 166)

The view that legitimacy theory was founded on the social contract notion is reinforced by Magness (2006) who indicates that legitimacy theory has its roots in the idea of a social contract between the corporation and society. Citing Dowling and Pfeffer, Lindblom; and Deegan, she explains:

> Legitimacy theory begins with the assumption that an organisation has no inherent right to exist. The right is conferred upon it by society, but only when the company's value system is perceived to be congruent with that of the society in which it operates (Dowling & Pfeffer, 1975; Lindblom, 1994). Furthermore, this right can be revoked if the company is thought to have breached any of the terms of social contract (Deegan, 2002). (p. 542)

The dramatic collapse of Arthur Anderson illustrates this case in point succinctly. This accounting firm was one of the 'big five' accounting firms. It could be argued that the accounting firm's involvement in the Enron debacle led to breaches of its social contract with society, its profession's code of ethics and the law. As a consequence, this accounting firm no longer exists. According to Deegan (2006), "legitimacy theory is a theory that gives explicit consideration to the expectations of society (as embodied in what we will refer to as the 'social contract' between the organisation and the society with which it interacts), and whether an organisation appears to be complying with the expectations of the societies with which it operates" (p. 161). Wilmshurst and Frost (2000) confirm this view when claiming that "[l]egitimacy theory has come to stress how corporate management will react to

community expectations" (p. 11) and "that firms will take measures to ensure their activities and performance are acceptable to the community" (p. 11). Furthermore, Ratanajonkol, Davey and Low (2006) write:

> Within legitimacy theory, the organisation is seen as part of a broader social construct whose expectations it must meet if it is to have ongoing operations without excessive societal sanctions being imposed. The assumption of legitimacy theory stems from the notion that organisations do not have an inherent right to exist but only do so with the sanction of society. If an organisation perceives that its legitimacy is under threat it can adopt numerous strategies. (p. 69)

Figure 3.4 encapsulates the social contract notion between the organisation and the broader social construct within which the organisation operates. Alam (2006) explains that the role of management, seen from social contract and legitimacy perspectives, needs to be broadened to satisfy special obligations to other stakeholders and not just merely to the maximisation of wealth for shareholders. Figure 3.4 therefore incorporates societal, environmental, legal, political, economical and cultural elements for consideration within the broader social context. These elements encompasses much more than just the social, political and economic framework put forward by Gray et al.(1996). In addition, it is presented that *it* [emphasis added] is the individuals within the organisation who are the key players (contentiously, the chief executives, managers, lawyers, accountants and to a lesser extent, other employees within the organisation) in any of the activities conducted by the organisation. These key players should subsequently be seen as the *core* [emphasis added], that ensures that the organisation is fulfilling its 'social contract' with its stakeholders. Arguably, the ultimate issue that should be addressed by these key players are the appropriate ethical values that should be in place in the organisation that would allow for a 'genuine and true honouring' of its social contact with society. Chapter Five will explain further the important roles played by

lawyers and accountants in the organisations but in the interim it is important that these key players are included in Figure 3.4 to show that they, as key professionals are extensively involved in the legitimation process for the organisation.

Figure 3.4: The 'Social Contract' between Organisations and Society – Legitimacy Theory
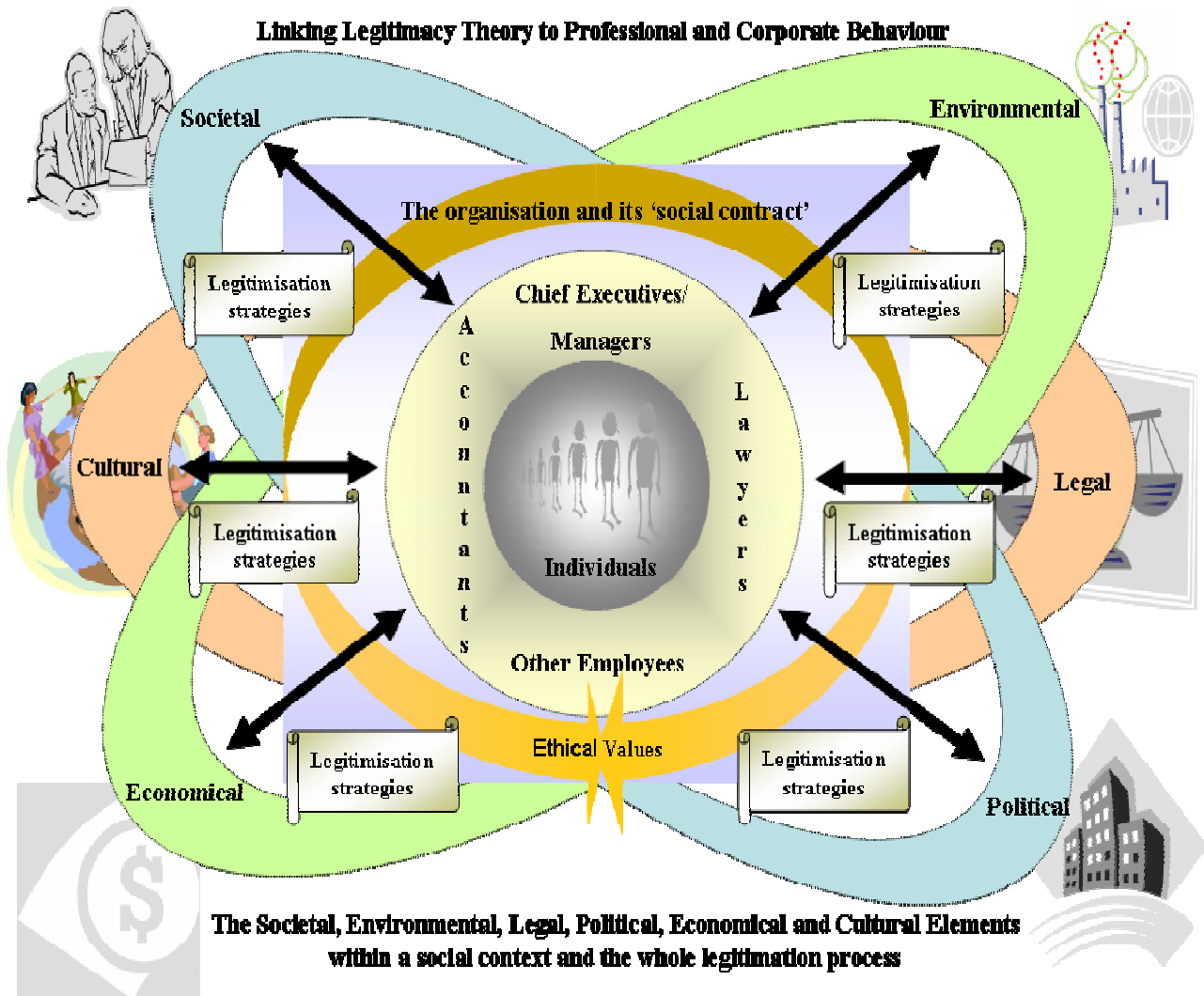
It can also be argued that the legitimation process and strategies that the organisation will subscribe to, in order to bring about legitimacy for its existence, also need to consider carefully the cultural and ethical values of the people in the society in which operates. The two-way arrows suggest that legitimisation strategies can be proactive and reactive (Suchman,

1995). This is to say, in some instances, the organisation may put forward legitimacy strategies in advance to address the social contract it has with society; for example, the organisation might put in place policies that address cultural issues. In New Zealand the Maori culture and language are also very important considerations for organisations even though the main medium of communication is the English language. Another example is shown in the General Election booklet provided to eligible voters in the country. To address cultural diversity, the government provides information in a number of different languages to address as wide as possible the different ethnic groups of people that might want access to information about the voting system in New Zealand. On the other hand, some organisations might choose a reactive strategy and wait to see if issues are raised before working to repair or maintain their legitimacy by bringing in new organisational policies that will address concerns raised by the particular group of stakeholders. In other cases, organisations might be proactive and also reactive in their legitimisation strategies as they would continually work at maintaining societal expectations and ultimately their right to exist.

Deegan (2006) raises important issues with regards to legitimisation strategies. He emphasises that "different managers will have different perspectives about the terms of the social contract and hence will adopt different strategies to ensure that organisation's operations are acceptable to various stakeholder groups" (p. 171). Deegan explains with the following examples:

> For example, compare an armaments manufacturer with, say, The Body Shop. The products of armaments manufacturers are designed to kill – such an organisation arguably has less to worry about in terms of its legitimacy than The Body Shop. By contrast, an organisation such as The Body Shop trades on its reputation for caring about the environment, society, and the welfare of animals. Hence, we might argue that if there is a breach of its stated responsibilities and if this breach is found out by the media for

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example, that one of its products was treated on animals then this could be extremely costly to the organisation. It has a lot of 'investment in legitimacy' to lose. Indeed a great deal of its market value will be related to the esteem with which the community holds the organisation (which would have been developed in part by costly advertising-style promotion undertaken by the organisation – the value of which could be slashed by a legitimacy threatening event). (pp. 171 – 172)

Deegan and Rankin (1997) also posit that the organisation must appear to consider the rights not merely of its investors but also the rights of the public at large. These researchers highlight that if the organisation did not appear to operate within the bounds of behaviour which was considered appropriate by society, then society would act to remove the organisation's rights to continued operation. More importantly, Deegan and Rankin stressed the ways in which an organisation operated and reported are very much influenced by the "social values of the community in which it exists" (p. 567). This latter point is important as it might explain why corporate crises and accounting scandals continue to occur. If societal/community values are not 'appropriate', then individuals within the organisations take their guidance for perceived 'legitimate actions' directly from the societal values in their surroundings.

3.4 THE POSITIONING OF LEGITIMACY THEORY IN ACCOUNTING RESEARCH LITERATURE

Legitimacy theory is the most widely used framework to explain disclosures with regard to the environmental and social behaviour of organisations (Hooghiemstra, 2000; Gray, Kouhy & Lavers, 1995). Mobus (2005) articulates that "[t]he theoretical structure of numerous accounting studies rely on the legitimacy theory framework provided by Lindblom (1993) to explain why managers voluntarily disclose social and environmental information" (p. 495). Guthrie and Parker (1989) explain that "[t]his theory is based upon the notion that business

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operates in society via a social contract where it agrees to perform various socially desired actions in return for approval of its objectives, other rewards and its ultimate survival" (p. 344). They further claim that a business "[t]herefore needs to disclose enough social information for society to assess whether it is a good corporate citizen" (p. 344). Hooghiemstra (2000) concurs that corporate social reporting under the legitimacy theoretical framework aims at providing information that legitimises the company's behaviour through influencing stakeholders' and society's perceptions about the company.

In a sense, however, one could also argue that the legitimacy framework would apply equally to the explanation of acceptable and unacceptable behaviour of individuals in the corporate and professional environments. Gray, Owen and Adams (1996) indicate that it is the moral responsibility of companies to make corporate social disclosures beyond the minimum legal requirements. However, discussion on the moral responsibility of companies is an abstract concept because companies as such are not living creatures that conduct activities; it is the humans who bring the companies to life through their actions. This type of argument is summed up aptly by Perelman (2005) who indicated that although corporations obviously are not human, they can wield enormous power well beyond what any human being could dream because of the charters that grant them the possibility of immortality not available to ordinary human beings. He writes:

> During the height of the scandal involving Enron's multibillion-dollar frauds, a *Wall Street Journal* opinion piece entitled "Corporations Aren't Criminals" noted: "Under the common law, a corporation could not be guilty of a crime because it could not possess mens rea, a guilty mind" (Baker 2002). (p. 80)

If a corporation cannot be guilty because it does not possess a 'guilty mind', then the question of who is indeed guilty of the crime must turn to the 'actors' within the organisation. Subsequently, one must link the concept of 'moral responsibility of companies' directly to the moral responsibilities of the individuals within the organisations (companies) if any real progress is to be made in understanding this issue. This is because one can argue that voluntary disclosures of social and environmental information will arise from individuals within organisations seeking ethical business practices and therefore, should be intrinsically linked to the individuals' own ethical actions and behaviour. However, Hooghiemstra (2000) points to research by Deegan and colleagues (1996; 1998; 1999) and Patten (1991; 1992) which indicates that the higher number of environmental and social disclosures is not so much a reflection of individuals within the organisations seeking sound ethical business practices but more an outcome "when the organisation or the industry in which it operates has to face a predicament, e.g. environmental pollution, violation of human rights, prosecution of the company, et cetera" (p. 56). Ratanajonkol, Davey and Low (2006) stress:

> A number of papers (Hogner, 1982; Deegan & Rankin, 1996; Brown & Deegan, 1999; Savage et al., 2000; Wilmhurst & Frost, 2000; Deegan, 2002; O'Donovan, 2002) have identified specific types of social responsibility disclosures that have appeared within annual reports and which have been explained by the respective researchers as being part of the portfolio of strategies undertaken by *accountants* and *managers* to bring legitimacy to, or maintain the legitimacy of, their respective organisations. (p.69) [emphasis added]

Thus, it cannot be stressed enough that accountants and managers are the individuals acting/legitimating on behalf of their organisations and that organisations are inanimate objects that cannot act/legitimate on their own. Williams (2002) reinforces the need to focus

accounting ethics research on the decision processes of individuals. Citing Adams and Balfour (1998, p. 168), Williams observes:

> Why is the individual conscience primarily responsible for ethical behaviour when it is political and managerial authority that are responsible for public policy and organisations? The answer is that operationally (theory in use), the central value is the primacy of legitimated authority. This is buttressed by the focus of the utility-maximising individuals as the locus of ethical decision making. In short, the ethical problem is construed as one of individual conformance to legitimate authority as a function of self-interest. (Williams, p. 6)

Brown (1997) explains that the self-esteem of individuals (a concept which arguably is closely related to self-interest) and the participation of these individuals in groups and organisations throw new light on the dynamics by which collectivities gain and maintain internal legitimacy because "organisations offer individuals and groups the opportunity to share in the means by which their self-esteem may be continuously recreated and sustained in ways that make it motivationally compelling to accept their organisations as desirable, proper, and appropriate – that is, as legitimate" (p. 664). Brown (1997) also argues that the exchange relationship view of legitimacy is most plausible with the assumption that rewards function best by reinforcing the self-esteem of individuals. Citing a number of researchers and their arguments about why individuals attribute legitimacy to their organisations, Brown suggests "that the provision of rewards to participants, the construction of a morally acceptable image with which members can identify, and the offer of explanations that make working life seem meaningful are valuable in and of themselves" (p. 664) and explains:

> Traditional accounts of the reasons why members attribute legitimacy to their organisations tend to suggest that these reasons are:

----

     (1) based on rational calculations of *self-interest* (Dowling & Pfeffer, 1975; Emerson, 1962; Pfeffer & Salancik, 1978; Wood, 1991);

     (2) a detection of congruence between the *members'* notions of what is right and good and the consequences, procedures, structures, and personnel associated with the *organisation* (Aldrich & Fiol, 1994; Parsons, 1960; Scott, 1977; Scott & Meyer, 1991); and

     (3) because the *organisation* offers explanations and models that allow *participants* to reduce anxiety and provide meaningful explanations for their experiences (Scott, 1991; Suchman, 1995; Wuthnow, Hunter, Bergeson & Kurzweil, 1984). (p. 664)

The words 'self-interest', 'members', 'participants' and 'organisations' have been italicised above to stress the roles that individuals in organisations play in the legitimation of business activities. It is, therefore, of interest to note Magness' (2006) explanation of the role of legitimacy theory within established accounting literature. She highlights that early accounting theory identified the users of accounting information as being mainly creditors and shareholders (financial stakeholders) but that, over time, users expanded to include insurers, suppliers, consumer associations, regulators, environmental groups, and the media, plus others such as professional accounting bodies. Because of the broadening of users under the stakeholder concept, Magness indicates, the objective of accounting has expanded to include not only information that is financial in nature but also information that satisfies social interest and which has placed considerable pressure on company managers to find ways to respond to a diversity of interests. She therefore explained that "[l]egitimacy theory was subsequently integrated into the accounting literature as a means of explaining what, why, when, and how certain items are addressed by corporate management in their communication with outside audiences" (p. 542).

3.5 EXAMINING LEGITIMACY THEORY'S APPLICABILITY TO THE UNDERSTANDING OF ETHICAL BEHAVIOUR

This study seeks to understand the importance of ethical educational interventions in the accounting curriculum at the tertiary level, as perceived by two very important groups of stakeholders: accounting students and accounting graduates. As shown in the above discussions, legitimacy theory will allow the development of a deeper understanding of why there is still so much unethical behaviour by accounting professionals and business executives in spite of the fact that there seems to be many more educated and ethically aware individuals in society [this observation is deduced from the increased numbers and proliferation of educational institutions nationally and globally]. It may be that individuals within their respective organisations seek to legitimate their actions in one way or another. Pava and Krausz (1997) asserted that it was becoming impossible to evaluate business activities from a traditional ethical perspective because of human nature and human influences upon these activities. Jensen and Meckling (1994, p. 7), identified by Pava and Krausz as pioneers in modern finance and agency theory, unabashedly described human beings in the following manner:

> Like it or not, individuals are willing to sacrifice a little or almost anything we care to name, even reputation or morality, for a sufficiently large quantity of other desired things, and these things do not have to be money or even material goods. Moreover, the fact that all individuals make trade-offs (or substitute in virtually every dimension imaginable) means that there are no such things as human "needs" in the sense that word is often used. *There are only human wants, desires, or, in the economists's [sic] language, demands. (p. 338) (italics and emphasis as per original quote)*

Perelman (2005) presents a very controversial viewpoint regarding the role that managers must play in the corporate world. Following on from the earlier reference to corporations

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lacking 'mens rea', Perelman further contends that, "[I]n the eyes of some judges, the law goes even further than merely ruling that corporations that violate the law lack a guilty mind" (p. 80); "[T]hey insist that corporate managers, who do possess a *mens rea*, actually have an ethical responsibility to violate the law when doing so will prove profitable for stockholders" (p. 80). If managers have been given such 'legitimation' (that is, '*an ethical responsibility to violate the law*') by certain groups of stakeholders in society, it is therefore not too difficult to understand why corporate and accounting debacles continue to happen. Yeager (1995) illustrates how one manager sought to 'legitimise' his own as well as his superior's actions by repeatedly asserting that the actions taken were not unethical and had nothing to do with 'basic badness' because of higher organisational purposes and because people's jobs were saved. His illustration of this ethical dilemma has been left unabridged so that the unethical and legitimacy issues with regards to this situation are clearly identifiable by the reader:

> One middle manager falsified the profits of his unit by large amounts under pressure from his superior in a manner that violated standard accounting procedures and federal law (i.e. by manipulating several accounts). This individual had earlier asserted that he had never felt pressure to compromise his personal values in his work with the company. But this situation clearly gave him pause as he described it later in the interview: '[What I was asked to do] was wrong … [I thought it was] unethical, if you will. I had to compromise my financial ethics.'

> This manager clearly saw the action as wrong – and did vigorously resist it at first – but placed his struggle in terms of professional norms. Indeed, he appeared to wrestle with the concept of the ethical in his attempt to ward off the personal moral implications of the situation. Thus, while financial ethics are consequential and their breach is problematic to this individual, basic badness had nothing to do with it. This interpretation was perhaps more pronounced in his assessment of his superior's role in making the decision:

> What he did was not unethical. It just … um … well, he knew
> exactly what he was doing. It's not that he did it out of ignorance or
> anything. What he did was not unethical. What he did was he made
> the best of a bad situation without having to sacrifice the company's
> progress. If we wouldn't have gotten the [profits increased this
> way], I don't know how we would have gotten the money. We
> might have had to cut back on some things we didn't want to
> sacrifice, like our marketing budget, or on people. You know, I
> mean the alternatives to [the decision] were probably a lot uglier.
>
> <div align="right">(p. 157 – 158)</div>

This situation surely illustrates Perelman's case in point, that is, that corporate managers are applying their 'ethical responsibility' but for the organisations they work in, to violate the law in order to show profits. There appears to be no consideration of their 'ethical responsibility' to the wider society. Yeager subsequently notes that the deed was clearly wrong in the face of law and professional norms but that the manager tried to dilute the 'badness' of the unethical situation by asserting that his colleague's action served 'legitimate' higher organisational purposes. He explains that there may be two perspectives provided in the interpretation of this situation whereby the first perspective "interprets this as little more than after-the-fact rationalisation by someone who should have shown more moral courage" (p. 158) but the second perspective would see the situation as being more complex:

> True, it involves illegitimate extension of the logic of moral justification
> from reasonable contexts of real dilemmas to what is essentially a pseudo-
> conflict. But the extension is facilitated not only by the existence of such
> logic and real conflicts but also by the difficulties entailed in separating true
> dilemmas from their imitators (not all so pale) and heightened by (while also
> contributing to) the failure publicly to deliberate moral questions in
> organisational settings. (p. 158)

The illustration extracted from Yeager makes the emphatic point that if one is to try and understand why there is still so much unethical behaviour when supposedly there should be better educated, ethically aware and more socially responsible individuals in society, then one should look at the issues raised under legitimacy theory. If one was to focus on the unethical behavioural aspects of accounting/business professionals and uses legitimacy theory to explain this issue, then it can be presented that individuals within organisations appear to work through a legitimation process, involving either proactive or reactive legitimacy strategies (or both) that allow their 'social contract' with society to become 'acceptable' even though their actions might be unethical and highly questionable.

The arguments put forward by Yeager (1995) and Perelman (2005) seems to suggest that there is a 'legitimacy whirlpool' that will drag individuals into its depths because of inappropriate legitimation strategies being used by organisations to justify their existence and survival. As mentioned earlier in Section 2.5, Sims (2002) emphasised that undergraduate and graduate students must learn how to develop a certain amount of resiliency to comfortably resist external pressures to act immorally. The issues raised under legitimacy theory therefore indeed suggest that these future accounting professionals will need a lot of resilience if they are to withstand legitimation strategies that may seem 'acceptable' and 'above board' to the organisation and certain groups in society but which one can argue are really questionable strategies in terms neglecting wider responsibilities to society. Figure 3.5 illustrates the type of issues that individuals may confront in the legitimacy whirlpool. The figure illustrates that individuals who have stronger moral values and character may indeed more truly honour their 'ethical responsibilities' to society whereas individuals lacking this moral strength might instead focus on their 'ethical responsibility' to the organisation. Such individuals will subsequently drown in the depths of the whirlpool because the organisation will ultimately

collapse when society no longer accepts its right to exist. To reiterate, Arthur Anderson's

dramatic collapse showcases this situation aptly.

Figure 3.5: The Legitimacy Whirlpool

Individuals at the cusp of the whirlpool

Legitimacy whirlpool

Individuals able to withstand the whirlpool of 'legitimacy' strategies that does not represent a corporately social responsible organisation which truly cares about honouring its 'social contract' with society.

Individuals' strength of character, moral values, integrity and leadership enables them to pull themselves out of the whirlpool to honour their moral and professional obligations to society.

The whistleblower in the Enron case illustrates an individual who had strong moral integrity.

Individuals lured into corporate strategies that might appear 'legitimate' but actually leads the individuals to become involved in unethical and even illegal actions.

The organisation's profit-maximising goals if placed above all else will ultimately lead to greed, corruption and fraudulent activities where the individuals will end up drowning in this whirlpool.

This side of the whirlpool suggests that the organisation is usually involved in inappropriate 'legitimacy' type strategies where the organisation still seeks acceptance of its actions from society even though it is mired in a web of deceit. The Enron case illustrates this case in point succinctly.

3.6   CHAPTER SUMMARY AND CONCLUSION

This chapter explained legitimacy theory and its positioning in accounting research literature.

Legitimacy theory focuses on the values that society holds and the notion that organisations

survive only because they recognise that there is a social contract between them and society.

The issues discussed in this legitimacy theory chapter will provide an important backdrop to

the two subsequent theoretical lenses chapters. Research literature indicates that currently ethics education (Chapter Two) and the changes in law and accounting standards (Chapters One and Five) do not appear to be having much impact in halting the accounting scandals and corporate crises. The discussion in this chapter highlights that perhaps accounting/business ethics education researchers need to look at legitimacy theory in order to better understand the behaviour of professionals (accountants and lawyers) and corporate executives. The legitimacy theory theoretical lens is a crucial element of this project. It will contribute significantly to explanations and validate findings provided by participants in this study. This theoretical lens will enhance understanding on why certain ethical responses were chosen with regards to resolving hypothetical ethical dilemmas.

It is therefore important that the next two chapters provide further theoretical lenses which explore the "values" that society might hold by investigating the different ethical theories that explain how "society ought to live", and determine whether there has been legitimation of 'business practices' by reviewing research literature that debates why accounting scandals and corporate crises are ongoing. The issues raised in this chapter suggest that is a legitimacy whirlpool that accounting students and graduates need to learn to develop resilience against. Ethics educators and researchers need to therefore pay more careful attention to the types of ethical challenges that will confront accounting students and graduates once they leave university and become the next generation of accounting professionals. These individuals apparently will need much more guidance and ethics preparation to withstand the legitimacy whirlpool and the inappropriate legitimation type strategies that might be imposed upon them when they commence their professional careers. Thus, to better understand the perceptions and ethical responses provided by the participants, it is important that the philosophical underpinnings of ethical behaviour are explored next.

CHAPTER FOUR
LEGITIMATION OF ACTIONS - EXPLORING ETHICAL THEORIES AND BUSINESS ETHICS ISSUES

4.1 INTRODUCTION

Chapter Four provides a detailed overview of ethical theories. It is an important chapter as it helps to understand the different philosophical underpinnings of ethical behaviour. This chapter constitutes the third of the four chapters (see again Figure 7.1, p. 185) that provide the series of theoretical lenses for this study. Chapter Four will explain what ethics is as well discuss the different ethical theories that have been put forward. In exploring the different ethical theories, some of the principles of ethical/moral theories such as teleological or utilitarianism, deontological, virtue ethics, rights and justice will be discussed in more detail. In an attempt to relate to the type of ethical behaviours that accounting students and graduates would face in a complex business world, the chapter also discusses the ethical/moral theory or theories appropriate to business situations through a discussion on the business ethics area.

The discussion in this chapter provides an important link to the previous chapter as it also attempts to explain that there is possible legitimation of ethical actions by individuals due to their philosophical underpinnings and reasoning. This linkage is important as it highlights the importance of the different theoretical lenses being explored to develop a deeper understanding and appreciation of the perceptions and responses of accounting students and graduates with regards to ethical educational intervention issues raised in this study. The issues discussed in Chapters Two and Three allow for a progressive demonstration of why ethical educational interventions to date is still been perceived as inadequate by academics, employers and researchers. It would appear that educational interventions in ethics education have more than just the scepticism barriers on the part of the instructors and learners; legitimation strategies by organisations and individuals also play a crucial role in that they

inhibit individuals following appropriate ethical actions. An examination of ethical theories is therefore important to enhance understanding of the philosophical underpinnings of ethical behaviour. This examination of different ethical theories will help to provide more meaningful insights into how individuals (for this study, the focus being accounting professionals and corporate executives) attempt to legitimatise inappropriate ethical actions because of their arguments and perceptions of what constitutes "rightness" and "wrongness" in their actions, business policies and activities.

4.2   WHAT IS ETHICS?

The most common definition of ethics is that ethics is the attempt to build a systematic set of normative prescriptions about human behaviour, codes to govern everyday morals and morality (Parker, 1998). Carey and Doherty (1986) highlighted that the word *ethics* in general usage meant the philosophy of human conduct with emphasis on "right" and "wrong", and which were moral questions. This view is reinforced by McDonald (2007) who defines ethics as involving "the critical analysis of human decisions and actions in order to determine "rightness" and "wrongness" in terms of existing morality developed by philosophical reasoning" (p. 12). Fowler (1965) cited in Hoogsteden (1999) noted that "ethics is the science of morals and that morals are the practice of ethics" (p.7).

Melden (1967) stated:

> The term "ethics" is derived from the Greek word "ethos", which originally meant customs, habitual conduct, usages, and, later, character. The term "morals" is derived from the Latin "mores," which signifies customs or habits. But customs and practices, particularly those of one's own group, evoke approval, hence "ethics" and morals have reference, in one of their important uses, to the things, whether customs or conduct, motives or character, of which we approve as good, desirable, right, obligatory, worthy, and so forth. (p. 1)

According to Pojman (1998), ethics, or moral philosophy as it is sometimes called, is the systematic endeavour to understand moral concepts and justify moral principles and theories. Further, Pojman noted that ethics undertakes to analyse such concepts as 'right', 'wrong', 'permissible', 'ought', 'good', and 'evil' in their moral contexts, and that ethics is concerned with action and practice. He also noted that ethics is concerned with values – not what is, but what ought to be, for instance, "how should I live my life; what is the right thing to do in this situation; and should one always tell the truth?" (p.2). Thus, Pojman stated, "ethics [it] builds and scrutinises arguments setting forth large-scale theories on how we ought to act, and it seeks to discover valid principles (for example, never kill innocent human beings) and the relationship between those principles (for example, does saving a life in some situations constitute a valid reason for breaking a promise)" (p.1).

Aronson (2001) explained simply that ethics is essentially the study of standards for determining what behaviour is good and bad or right and wrong. The following example relating to Ford and Firestone illustrates what happens to human life if people in organisations fail to observe what ought to have been appropriate ethical practices when confronted with ethical dilemmas.

> A couple of months ago Ford and Firestone made the news when the treads started to peel off of several varieties of Firestone tires. At least 88 Americans died before Firestone recalled the tires, which were installed on new Ford Explorers and other SUVs. Most troubling from an ethical standpoint is that both companies may have known of the defects in 1993, when an overseas recall began. The decisions in this case provide the latest horrific example of how unethical actions can result in enormous losses. (Verschoor, 2000, p. 22)

The Ford/Firestone case accentuates the importance of appropriate ethical practices in businesses if impairments to individuals' standard of living or lives are to be avoided. Ethical theories are important considerations that need to be incorporated into the governing of acceptable business practices. The theory or theories should affect business practices through determining appropriate ethical control factors that must influence professional working practices. These ethical control factors should include codes of ethics and socially responsible company policies. According to Dean (1992), many professional groups such as legal, medical, financial, and engineering societies have established their own code of ethics to which all members are supposed to subscribe and to which they can be held accountable. He explained that these codes were meant to translate the more formal philosophical theories of ethics into a set of guidelines that can be applied to the day-to-day decision-making that business managers and government officials engage in. However, questions have been raised as to whether these codes actually deter their members. It would appear that they did not because there are ongoing ethical crises, not only in the corporate world but also in society. An appreciation of ethical theories is therefore important to understand how ethical judgements and the resultant behaviour of individuals are driven. This discussion will take place in Section 4.3 of this chapter.

Aronson explains that in the literature on business ethics, the two major ethical theoretical viewpoints on deontology and teleology appear to be employed frequently. Dawson (2005) identified three main Western ethical theories as deontology (Immanuel Kant), rule utilitarianism (John Stuart Mill) and virtue ethics (Aristotle), and explained:

> Kant's deontology is based on a duty to follow the rightness of an action that could become a universal imperative. Mill's version of utilitarianism measures the ethical worth of an action by its consequences for social happiness but constrained by social conventions. (p. 59)

Of importance to note is Dawson's view that there was no universal philosophical agreement among ethicists about which theory trumped the others as the universal master. He argued that both Mill's utilitarianism and Kant's deontology conflicted at the margins for various critical ethical dilemmas and thereby limited their value for business, particularly in terms of philosophical guidance in trying to resolve complex ethical problems. However, Brady (1985, cited in Aronson, 2001) writes that the deontology and teleology ethical theories are actually complementary and uses the analogy of the two-faced head of Janus, the Roman god of gates, to argue his point. He describes deontologists as:

> … as looking principally to the past in terms of cultural and religious
> tradition for the establishment of ethical guidelines, while teleologists are
> seen as forward looking and endeavouring to find solutions that will lead to
> the most positive outcomes for all. (p. 249)

Accordingly, "[e]thical problems are thus resolved most effectively by employing both points of view simultaneously." (Aronson, p. 249) This view is reinforced by Woller (1998, also cited in Aronson, 2001) who writes:

> … [p]eople are neither entirely deontological nor entirely teleological in
> their moral points of view, since the human disposition is motivated by a
> sense that certain principles of right and wrong do exist and at the same time
> by a concern for the consequences of behaviour. (p. 249)

Thus, to better understand "what is ethics" and what drives the philosophical underpinnings of "rightness" and "wrongness" of ethical actions and behaviour, the next section explores the more prominently discussed ethical theories in accounting and business research literature.

4.3   ETHICAL THEORIES

A study in ethical theory is an attempt to study different styles of argument concerning the foundations of morality by methods that are sometimes analytic and sometimes historical (Mackinnon, 1957)). Hare (1997) defined ethical theory as the study of moral concepts and argued that the task of ethical theory, which is to reveal the logic of moral concepts, is an essential tool. Hare noted:

> The prime task of philosophy, since Socrates started the business, is the study of arguments; and the prime task of moral philosophy is the study of moral arguments, to learn how to tell good from bad ones. (p. 44)

Hare also highlighted that many writers now use the expression 'moral theory' in place of ethical theory. It would appear that writers have used these terms interchangeably, although Hare argues that he was never quite sure about what they mean by moral theory:

> It seems to cover a vast area of indeterminate size, but at least includes the views of the writers on a lot of substantial moral questions, systematised often into a number of moral principles, such as Rawls's 'Principle of Justice' (p. 44).

He explained:

> Thus a moral theory cannot be, as I hope ethical theory will be in my hands, a purely formal discipline dealing only in logical and conceptual studies. … I am not for a moment denying the importance of using rational arguments to decide on substantial moral principles. That is the ambition of all serious moral philosophers. But there is a prior task: that of finding the rules governing the argument. Without those rules, anything goes (p. 44).

More importantly, Hare emphasised that it was surprising how many moral philosophers tried to persuade people that they did not need to study ethical theory. He cited Rawls (1971) as an example. Hare stressed:

> Instead of jumping to the conclusion, because all ethical theories you know of have faults, that there is no adequate ethical theory, so you had better give up looking for one, the moral philosopher who is less of a defeatist will go on to try to find a theory which preserves the truths in each of these theories but avoids their errors (pp. 45-46).

It is therefore of interest to consider Everson's (1998) discussion on theory. According to Everson, there is one very important difference between ancient ethics theories and modern moral theories which has been much emphasised by recent critics:

> Whilst the ancient discussions focused on the questions of what sort of character one should have and what makes a good life, the major schools of modern moral philosophy (at least those which do not take their lead from Aristotle) have been principally concerned to determine how one should act in particular circumstances. (p. 14)

Beauchamp & Bowie (1997) found it important to distinguish morality and ethical theory. Accordingly, they noted that the term 'morality' referred to the principles or rules of moral conduct and that this term had a broad meaning that extended beyond the rules in professional codes of conduct adopted by corporations and professional associations. They indicated that the term 'morality' suggests a social institution composed of a set of standards pervasively acknowledged by the members of a culture that is concerned with practices defining right and wrong. Byrne (1998) stated that morality is a body of knowledge about how human beings ought to act. In contrast, Beauchamp and Bowie identified the terms 'ethical theory' and 'moral philosophy' to suggest reflection on the nature and justification of right actions. They

noted that the terms 'ethical theory', 'philosophical ethics' and 'moral philosophical' are reserved for philosophical theories that include reflection on and criticism of social morality. Byrne also noted that moral philosophy had the task of setting out the structure of a body of knowledge and outlining the leading principles and ideas.

Dellaportas, Gibson, Alagiah, Hutchinson, Leung and Homrigh (2005) identified three approaches to ethical judgement. They indicated that theories of ethics were not based on "utopian notions of idealistic living" (p. 29) but that "they reflected the way people make decisions on their everyday lives" (ibid). Accordingly, they noted that a normative theory was represented by a value judgement on what 'should' or 'ought' to happen and was not concerned with what does happen. They explain:

> In ethics, a normative theory provides a principle, standard or value on how we ought to behave toward others by considering the right and wrong of our actions. Ethics is about doing good instead of harm and it does this by setting a standard of virtuous conduct. Therefore, a normative ethical theory provides a principle on how we ought to behave irrespective of current social norms and practices. (p.29)

In addition, Dellaportas et al. indicated that it was customary to divide normative ethical theories into two broad classifications of consequential and non-consequential theories where consequential theories define "good in terms of its consequences" (p. 29) and non-consequential define "good not by its consequences, but by its intrinsic value, regardless of whether its obedience produces undesirable outcomes" (ibid). Their summary table of the division and classification of theories under the normative theories of ethics approach is presented in Figure 4.1. The ethical theories summarised in this figure will be explained further under Sections 4.3.1 – 4.3.5.

Figure 4.1: Normative Theories of Ethics
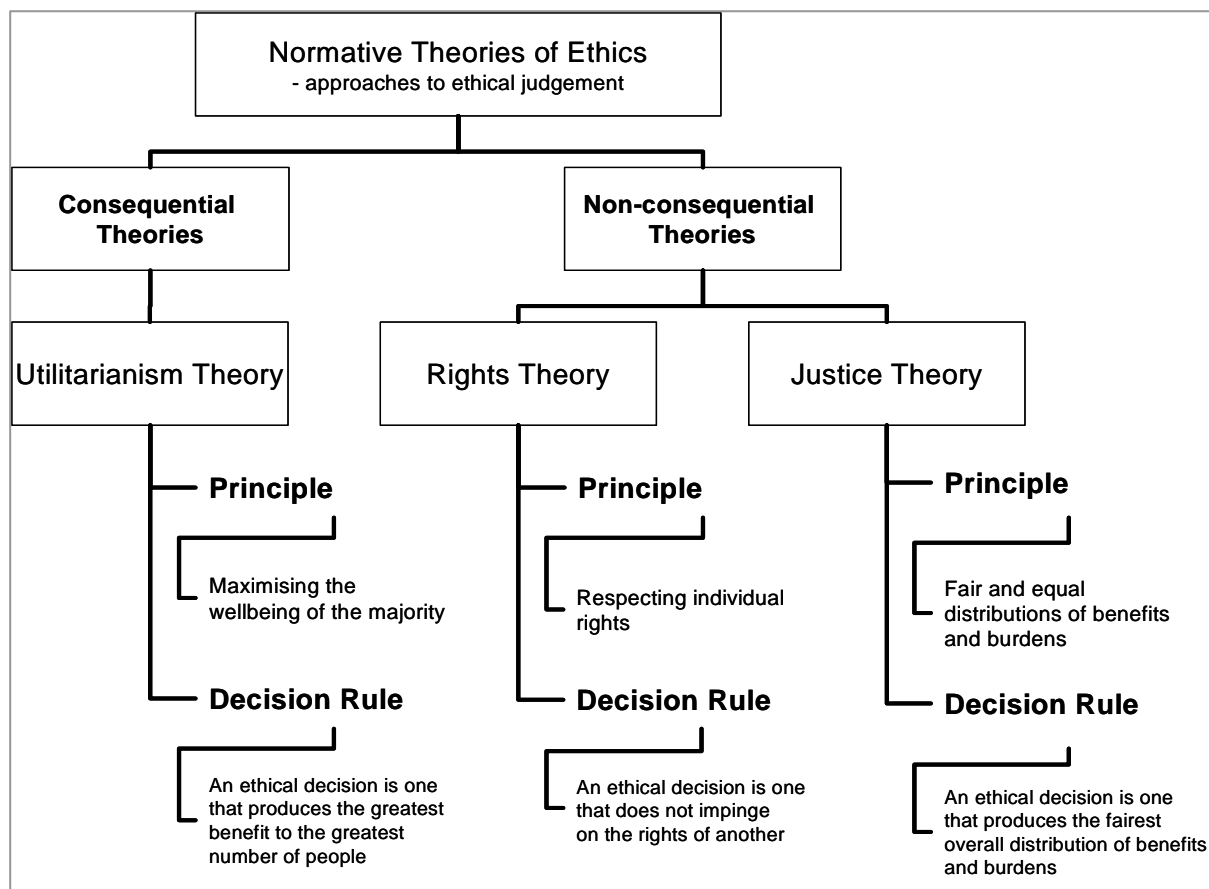
Adapted from Dellaportas, Gibson, Alagiah, Hutchinson, Leung and Homrigh (2005), p. 37 and has been re-presented for visual presentation.

Graham (2004), on the other hand, presents a different approach to the discussion on ethical theories. He writes that the course of life presents humans with both possibilities and constraints and that some of these arise from human nature while others arise from the circumstances of life that are sometimes referred to as the 'human condition'. He suggests that, given these possibilities and constraints, the following issues arise with regards to the course of life:

> "[W]hat is the best sort of life to aim for?
>
> What values should we focus on and cling to?
>
> How should we strive to live, given the facts of human nature and human condition?" (p. 15)

Graham's key question is "What sort of life would it be best to have and to pursue?" (p. 69). Accordingly, different ethical theories have been put forward to consider what the ethical stance to take to have the best sort of life. Graham proposes eight major theories of ethics: egoism, hedonism, naturalism and virtue theory, existentialism, Kantianism, utilitarianism, contractualism and religion, to explain how the issues have been addressed by the different theories. His views of the different ethical theories and the central issues that he identified with each ethical theory have been summarised and presented in Figure 4.2.

Aronson (2001), however, explained that various ethical theories exist because throughout the ages philosophers have adopted different perspectives regarding the criteria upon which ethical judgments should be based. He argued that despite the diverse points of view, one thing remained constant; morality is fundamentally concerned with the effects of actions on other people. He saw ethical theories and the manner in which they espouse values as being associated with directive, transactional and transformational leadership styles, and proposed a model of ethical leadership that related the dimensions of these styles to the level of the leader's moral development. Aronson also found transformational leadership to be closely connected to deontology (decisions are guided by a set of moral values that are highly principled and concerned with doing the right thing), transactional leadership to be related more to teleological ethics (decisions are moral if they lead to the greatest degree of benefit for all concerned), and directive leadership to be related to ethical egoism (decision is moral depending upon the probability that it will lead to the achievement of personal objectives and the extent to which it takes into account the interests of subordinates but it is the leader's decision).

Figure 4.2: Central issues of the eight ethical theories

Ethical Theories

1. Egoism

Central issue:
Getting what you want.

The idea that the best life is one in which I succeed in getting what I want.

2. Hedonism

Central issue:
What are the best things to want?

The good life is one in which you successfully present your own interests.

3. Naturalism and Virtue Theory

Central issue:
What is the good life for human beings?

The outcome of a good and rewarding human life is eudaimonia (happiness).

4. Existentialism

Central issue:
We are radically free with respect to our choice of values and style of life.

Human beings have freedom from their natural determinants and have ability to rise above natural constraints and are therefore responsible for their own fate and conduct.

5. Kantianism

Central issue:
Always act in accordance with what rational thinking shows to be your duty.

The moral worth of an action must reside in the will with which it Is performed or as we would naturally say, in the intention behind it.

6. Utilitarianism

Central issue:
Action is best, which procures the greatest happiness.

Is an action always justified if it has good consequences, regardless of the intention with which it was carried out or the kind of action it is?

7. Contractualism

Central issue:
The basis of morality is social agreement.

Morality is to be thought of as the set of rules and principles that we need to agree upon if society is to function properly.

8. Religion

Central issue:
Ultimate source of moral authority is from God.

God lays down for us the rules of a good life, and He is uniquely placed to do so since He has created the world in which that life is to be led.

Summarised from Graham, 2004.

To understand Aronson's reasoning for a model of ethical leadership, a summary of his discussion on leadership styles is provided in Table 4.1. Importantly, Aronson noted that ethical leadership does not depend on the leader's style per se, but rather on his or her level of moral development or the extent to which the influence process employed is motivated by ethical values.

Table 4.1: Leadership Styles

Directive Leadership	Transactional Leadership	Transformational Leadership
Flamholtz (1990) described this mode of influence as a continuum from a very directive leadership to one which is essentially nondirective. The following categories are specified by Flamholtz (page 265): (a) Autocratic – "I'll tell you what we are going to do because I'm the boss"; (b) benevolent autocratic – "I'll tell you what we are going to do because it will be best for all concerned"; (c) consultative – "I'll decide, but I'll discuss it with you to get your opinions"; (d) participative – "We'll decide together, but not all votes are equal"; (e) consensus (team) – "We'll all meet and discuss it until everyone agrees on a decision"; (f) laissez-faire – "Do whatever you want to do".	Conger and Kanungo (1998) claim that transactional leadership is not leadership at all but rather "managership", implying an emphasis on maintaining the status quo of the organisation and ensuring the stable administration of practices and resources essentially via strategies of control. Bass (1998) identified the following manifestations of transactional leadership: (a) contingent reward – the leader specifies or obtains agreement from followers on the tasks to be accomplished and issues rewards in exchange for their successful completion; (b) management-by-exception (MBE) – this component is corrective and generally less effective than contingent reward; (c) laissez-faire leadership – this type, which cannot really be considered transactional, indicates non-leadership, where the leader avoids or declines to exhibit any leadership behaviour whatsoever, neglecting decisions, responsibilities, and authority.	Conger and Kanungo (1998) indicate that the transformational influence process is where the leader endeavours to stimulate change in subordinates' attitudes and values through strategies of empowerment thus augmenting their self-efficacy beliefs and fostering the internalisation of the leader's vision. Conger (1999) identified the following elements under the transformation leadership perspective: (a) influencing followers by establishing a vision for a better future, (b) inspiring followers as opposed to controlling them, (c) leading by example through role modelling, (d) contributing to subordinates' intellectual stimulations, (e) enhancing meaningfulness of goals and behaviours, (f) fulfilling followers' self-actualisation needs, (g) empowering followers through intrinsic motivation, (h) exhibiting confidence in subordinates' ability to attain higher levels of achievement, and (i) enhancing collective identity.

Source: The references in this summary table were sourced directly from Aronson's (2001) research article.

The importance of the ethical leadership issue is best explained by Elmuti, Minnis and Abebe (2005):

> Recent events in the business world have once again focused the spotlight on leadership. In particular, heightened scrutiny in the wake of corporate scandals resulting in a precipitous decline, such as Enron, Arthur Anderson, and WorldCom has caused many to question the role of education in developing and equipping business leaders. (p. 1019)

Elmuti, et al. (2005) believed that the recent corporate scandals were the results of unethical leadership and irresponsible decision-making and argued that leaders had to display their commitment to ethical behaviour and present themselves as role models for their followers. This view is reinforced by Doh (2003) who writes that Professor Cameron from the University of Michigan made the strongest case for linking leadership to moral and ethical values when he said:

> "I … believe effective leaders in the 21st century must have a well developed sense of moral values and possess personal virtues (such as humility, compassion, integrity and forgiveness). When everything is changing, it is impossible to manage change. Some stable or non-changing point must be identified in order to understand what is changing. Moral values and virtues provide the solid points that allow effective change to occur. (p. 65)

To understand better the differences in leadership styles and the manner in which ethical values are expressed, the various ethical theories will be explored further in the next section.

4.3.1   Utilitarianism or Teleological Theories

Utilitarianism is the ethical theory advanced by Bentham, Mill, Sidgwick and others. According to these ethical theorists, the utilitarianism ethical theory answers all questions of what to do, what to admire, or how to live, in terms of maximising utility or happiness and that, in effect, this theory is the view of life presupposed in most modern political and economic planning when it is supposed that happiness is measured in economic terms (Blackburn, 1996). De George (1995) noted that utilitarianism adopted a teleological approach to ethics. He claimed that actions were to be judged by their consequences and that they take on moral value only when considered in conjunction with the effects that follow upon them.

This view is reinforced by Preuss (1998) who noted teleological or consequentialist ethics judges the 'rightness' or 'wrongness' of an act by its consequences. Thus, if good effects outweigh bad effects, an action would tend to be good and vice versa if the opposite resulted. However, it would also appear that the application of the utilitarianism theory creates complications. The questions raised by De George were:

> How can we calculate consequences that are radically different from one
> another? In a business calculation everything is typically reduced to dollars
> and cents. This makes calculations relatively easy. But how are we to
> evaluate actions from a moral point of view? (p. 62 – 63)

According to De George, alternative views/approaches have been proposed to the questions, which include: hedonistic utilitarianism that holds basic human values as pleasure and pain; eudaimonistic (explained by Blackburn (1996) as ethics based on the Aristotelian notion of eudaimonia or human flourishing) utilitarianism that views the basic value in terms of happiness; and ideal utilitarianism that maintains that what had to be calculated was not pleasure or

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happiness but all intrinsically valuable goods which included friendship, knowledge and a host of other goods valuable in themselves. He also emphasised the importance in the assumptions relating to this theory. He noted that "[i]n carrying out the calculation of good and bad consequences of an action, the utilitarian rule tells us to consider all the persons affected by the action" and that "[t]he assumption is that our good counts for no more than anyone else's good, and no one else's good counts for more than ours" (p. 63). This approach, according to De George, was neither egoistic nor altruistic but was universalistic.

In relating the above discussion to the Ford/Firestone case, one could very much question whether the organisations concerned (or should one really be saying the people in the organisations) actually considered the consequences of their decision not to recall the tyres when they were first notified of the defects. Whose "good" were they considering? It could appear that the utilitarian rule was being ignored in that not "all the persons" being affected by the action were given due consideration by the organisations. If one were to review the literature on utilitarianism from a teleological theory perspective, then according to Helms and Hutchins (1992), this perspective of ethics stresses the outcome as opposed to the intent of individual behaviour. Aronson (2001) noted that there were various classifications of teleological theories in the literature but that the major ones were: ethical egoism, act utilitarianism, and rule utilitarianism. His examination of the teleological theories have been summarised and represented visually in Figure 4.3. Aronson also indicated that utilitarianism in its basic form may be seen as the aggregation of two principles: the consequentialist principle when deciding whether an act is right or wrong based upon whether the consequences of the act are good or bad; and the hedonist principle where only pleasure is inherently good and only pain is inherently bad. Aronson claimed that utilitarianism

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combined the principles into a simple statement termed "the greatest happiness principle" (p. 249).

Figure 4.3: Teleological theories
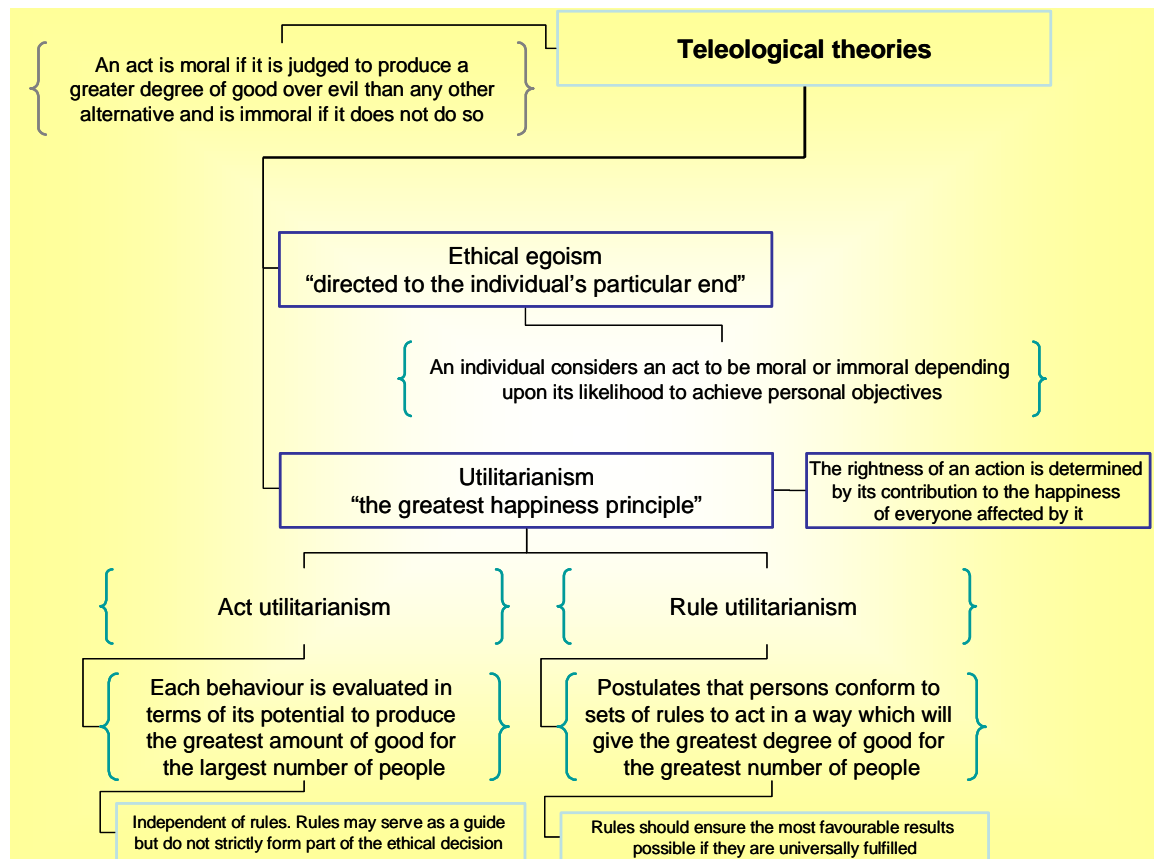
Explanations in Figure 4.3 was summarised from Aronson, 2001, pp. 244 – 256.

4.3.2   Deontological Theory

Deontology is defined as the doctrine that ethics is grounded in notions of duty and that some acts are morally obligatory, regardless of consequences in terms of practice (Donaldson, 1992). Weiss (1998) indicated that deontological ethics or universalism holds that the means justify the ends of an action and not the consequences. Pojman explains the difference between teleological and deontological systems succinctly:

> Whereas teleological systems place the ultimate criterion of morality in some nonmoral value (for example, happiness) that results from acts, deontological systems assert that certain features in the act itself have intrinsic value. Accordingly, there is something right about truth-telling and promise-keeping even when so acting may bring about some harm, and there is something wrong about lying even if it may produce some good consequences. Acting unjustly is wrong even if it will maximise expected utility. (p. 285)

According to Snoeyenbos, Almeder & Humber (1983), two theories comprise the deontological ethical theory: theologism and Kantianism. They explain that theologism asserts that an act is right if, more than any alternative open to the agent at the time, it is the one most consistent with what God wills, either directly or indirectly (see also Figure 4.2). Kantianism differs from theologism in the sense that while the latter justifies its rules by an appeal to God as the moral lawgiver, the former uses the principle of categorical imperative; the terms 'imperative' and 'categorical' indicate a command without any qualifications. According to Snoeyenbos et al., there are two best known formulations of Kant's categorical imperative:

> "One ought never to act except in such a way that one can also will that one's maxim should become a universal law." (p. 34)

> "Act so that you treat humanity, whether in your own person or that of another, always as an end and never as a means only." (p. 35)

Both maxims lead to the formulation of a set of moral rules that must be obeyed if one is to act in morally right ways. The best known criticism applicable to both deontological theories, according to Snoeyenbos et al., is that both theories provide moral rules that cannot be violated without doing something wrong. The Kantian injunction against lying was used as an example to illustrate why we may sometimes have to lie because of our circumstances. For

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example, consider the need to lie in order to protect someone's life during a home invasion by people seeking to steal and do harm to the occupants. Snoeyenbos et al. concluded that there was something wrong with any moral theory that told us to wholly disregard consequences and to only concern ourselves with obeying pre-established, unbreakable moral rules; for instance, we must never lie, no matter what the consequences. In the Ford/Firestone case, it would appear that this theory could not have been applied at all, because from 1993 up to the year 2000, the organisations would have been lying to consumers about the safety of their products. The notion of duty and moral obligations to humanity under this theory were practically ignored in this case scenario.

Pojman (1998) and Aronson (2001) identify two different main categories of deontological theories in the literature: rule deontology and act deontology. Aronson, referring to Ralapalli, Vitell & Barnes (1998), explains that "rule deontology holds that in all circumstances individuals should follow a set of predetermined standards or rules so that behaviour is ethical or unethical not as a consequence of the action, but as compared to the standards themselves" (p. 248). Further, citing Garner & Rosen (1972), he indicated that "an ethical judgement is therefore dependent upon some general principle" (p. 248). Citing Frankena (1973), Aronson went on to claim that "this overall standard may be composed of a series of more particular guidelines, each specifying that individuals should behave in a certain manner in a given set of conditions" (p. 248). Pojman (1998) explains that act deontologists "see each act as a separate ethical occasion and believe that we may decide on what is right or wrong in each situation by consulting our consciences or intuitions apart from any rules" (p. 285). He adds that "[t]he decision lies in a moral perception and not in some abstract, general rule" (p. 286). To add to the different explanations provided on deontological theories, Dellaportas et al. (2005) applied a normative theory of ethics approach and identified deontological type ethical

theories as non-consequential theories (see Figure 4.1) but which provide the same underlying

issue that "good" is defined not by its consequences but by its intrinsic value, regardless of

whether the action produces appropriate outcomes.

4.3.3   Virtue ethics

A major criticism forwarded by Beauchamp and Bowie (1997) in the discussion of utilitarian,

Kantian, common morality and rights-based ethical theories is that these theories have looked

chiefly at obligations and rights and do not emphasise that the *agents or actors who perform*

actions, have motives and follow principles [emphasis added]. Beauchamp and Bowie noted

that, in recent years, philosophers have proposed that ethics should redirect its preoccupation

with principles of obligation, directive rules, and judgements of right and wrong and should

look to decision-making by *persons of good character* [emphasis added, again]. The virtue

ethics theory, according to these authors, is descended from classical Hellenistic traditions

represented by Plato and Aristotle who looked at the cultivation of virtuous traits of character

as morality's primary function. Importantly, Beauchamp and Bowie also noted that:

> The practice of business is morally better if it is sustained by persons whose
> character manifests truthfulness, justice, compassion, respectfulness, and
> patience. (p. 39)

Beauchamp and Bowie also stressed:

> Many experienced businesspersons say that such trust is the moral cement of
> the business world. (p. 39)

Furthermore, Beauchamp and Bowie noted that a morally good person with the right desires

or motivations is more likely to understand what should be done, more likely to be motivated

to perform required acts, and more likely to form and act on moral ideals than would a

morally bad person. Pojman (1998) explains virtue-based ethical systems succinctly when he writes:

> Rather than viewing the heart of ethics to be in actions or duties, virtue-based ethical systems center in the heart of the agent – in the character and dispositions of persons. Whereas action-oriented ethics emphasises <u>doing</u>, virtue - or agent-based ethics emphasise <u>being</u> – being a certain type of person who will no doubt manifest his or her being in actions or nonactions. (p. 361).

Pojman further indicates that where there is a virtue, there must be some possible action to which the virtue corresponds and from it derives its virtuosity. He explains, for example, the character trait of truthfulness is a virtue because telling the truth in general is a moral duty. He subsequently notes that there is a correspondence between virtues and principles and that the virtues are derived from the principles, presenting his explanation in a diagrammatic form and which has been reproduced below in Table 4.2.

Table 4.2: The Correspondence Theory of Virtues

The Correspondence Theory of Virtues		
THE VIRTUE	that is derived from	THE PRINCIPLE
Truthfulness		Telling the truth
Conscientiousness		Being sensitive to one's duty
Benevolence		Being beneficent
Faithfulness		Being loyal or faithful

Extracted from Pojman, 1998, p. 363

Dick Hubbard of Hubbard's cereals could be likened to a virtuous person. He advocates business social responsibility. He also provides work for the underprivileged and provides wonderful holiday destinations for his workers, yet not too long ago, he was in the media (Hubbard, 2000) and being exposed by his employees as not providing an adequate wage rate.

What was his reasoning behind the wage rates being paid to his employees? Did he want to help more people and, in order to do so, have to pay a lower wage rate to all? Yet, the workers had a right to demand more pay in line with what other factory workers were earning in similar work situations. In attempting to be virtuous, was one individual then not meeting the 'rights' of other individuals? This case is but one of many that illustrate the complexity of what may become perceived as "rightness" or "wrongness" of an action in a business situation. The business entrepreneur thought he was doing right by the people (employees) he was trying to help from that community, but that very same group of people thought otherwise of his actions. The reverse situation is also a reality.

4.3.4   Rights Theory

The rights theory is the moral authority that indicates individual rights as entitlements and unquestionable claims and sees moral rights as based on legal rights and the principle of duties. According to Pojman (1989), "almost all rights systems grant human beings the rights of life, liberty, property, and the pursuit of happiness" (p. 701); he explains that "[r]ights are important to our lives" in that "[w]e are ready to defend them, to demand their recognition and enforcement, and to complain of injustice when they are not complied with" (p. 701). Because of their importance, Pojman indicates that we need to ask: "What precisely are rights? Where do rights come from? And are there any natural rights, rights that do not depend on social contract, prior moral duties, utilitarian outcomes, or ideals? (p. 701). He notes that various 'rights' definitions are found in the literature. Citing Mackie (1978), Pojman explains, "A right, in the most important sense, is a conjunction of a freedom and a claim-right. That is, if someone, A, has the moral right to do X, not only is he entitled to do X if he chooses – he is not morally required not to do X – but he is also protected in his doing of X – others are morally required not to interfere or prevent him" (p.702).

Pojman distinguishes the basic types of rights into six different categories and these have been

reproduced in Table 4.3. In addition, according to Pojman, rights gives a special advantage:

"[i]f you have a right, then others require special justification for overriding or limiting your

right; and conversely, if you have a right, you have a justification for limiting the freedom of

others in regard to exercising that right" (p. 702). The rights theory may be the most

significant for organisations to consider. Increasingly there are announcements of lawsuits

being taken against organisations by individuals who think that their individual rights have

been violated by the organisations' business practices.

Table 4.3: Basic Types of Rights

Type of Right:	Explanation:
1. Natural rights:	those rights, if any, that humans (or other beings) have simply by nature of what they are. According to the Declaration of Independence, God bestows these rights upon us.
2. Human rights:	this is an ambiguous term. Sometimes it means 'natural rights,' at other times it means rights that humans have, and at still other times it means moral rights.
3. Moral rights:	those rights that are justified by a given moral system. They may be derivative of duties or ideals or utilitarian outcomes.
4. Positive rights:	those rights that society affords its members, including *legal rights*, such as the right of a woman to have an abortion or the right to vote.
5. Prima facie rights:	presumptive rights that may not necessarily be an actual right in a given situation. My right to hear loud music may be overridden by your right to peace and quiet.
6. Absolute rights:	rights that cannot be overridden. For example, for those who hold that justice is an absolute right, my right to fair treatment may not be overridden by utilitarian considerations.

Summarised from Pojman, 1998, p. 702 and re-presented in a table format for visual
presentation purposes.

Weiss (1998) noted that lawsuits were won or lost on the principle of individual rights not

being upheld or protected. A recent example of perceived unethical business practice was the

case taken by a certain group of stakeholders against airline companies. The airline companies

were being taken to court with citations that they did not consider the health and safety of

passengers in their economy class tickets. The 11th January 2001, Waikato Times reports:

> … more people joined a Melbourne law firm's legal action alleging airlines
> had not done enough to warn passengers of possible health risks. Economy
> class syndrome, known medically as deep vein thrombosis (DVT), is caused
> by sitting in cramped conditions for long periods. … Eleven New Zealanders
> are among 1000 people who have joined planned legal action against
> international airlines, Melbourne law firm Slater and Gordon said. Slater and
> Gordon is acting on behalf of potential claimants in a case aimed at more
> than 20 airlines flying in and out of Australia, including Air New Zealand.
> (p. 2)

Dellaportas et al. (2005) explain that the "rights principle stems from the belief that people

have an inherent worth as human beings that must be respected" (p. 32) and that "a good

decision is one that respects the rights of others" (ibid). They explain that "[i]n general, rights

can be divided in two categories: rights that exist independently of any legal structure and

rights that are created by social agreement" (p. 33). They identified the former as natural

rights which were commonly referred to as human rights or constitutional rights. Figure 4.4

summarises the two categories and provides their list of common natural rights advocated in

Western Societies.

In her discussion on rights theory, Almond (1993) in Singer (1993) presents a framework of

three broad categories: "universal rights (which are claimed as moral rights but also aspired to

as legal rights); specific legal rights; and specific moral rights" (p. 261). She argues that the

notion of universal rights provides a moral framework for law under any political regime and

contends that 'rights' presupposes social responsibility in that the assertion of rights involves

the recognition of rights of others as well as one's own. She explains specific moral rights as

those which no-one would ever think of converting into legal rights, for instance, a right to

one's own opinion on some uncontentious matter of fact, and specific legal rights by the establishment of legal rules detailing that right, with penalties being specified for any violation of those rules.

Figure 4.4: Rights Theory: Two Categories
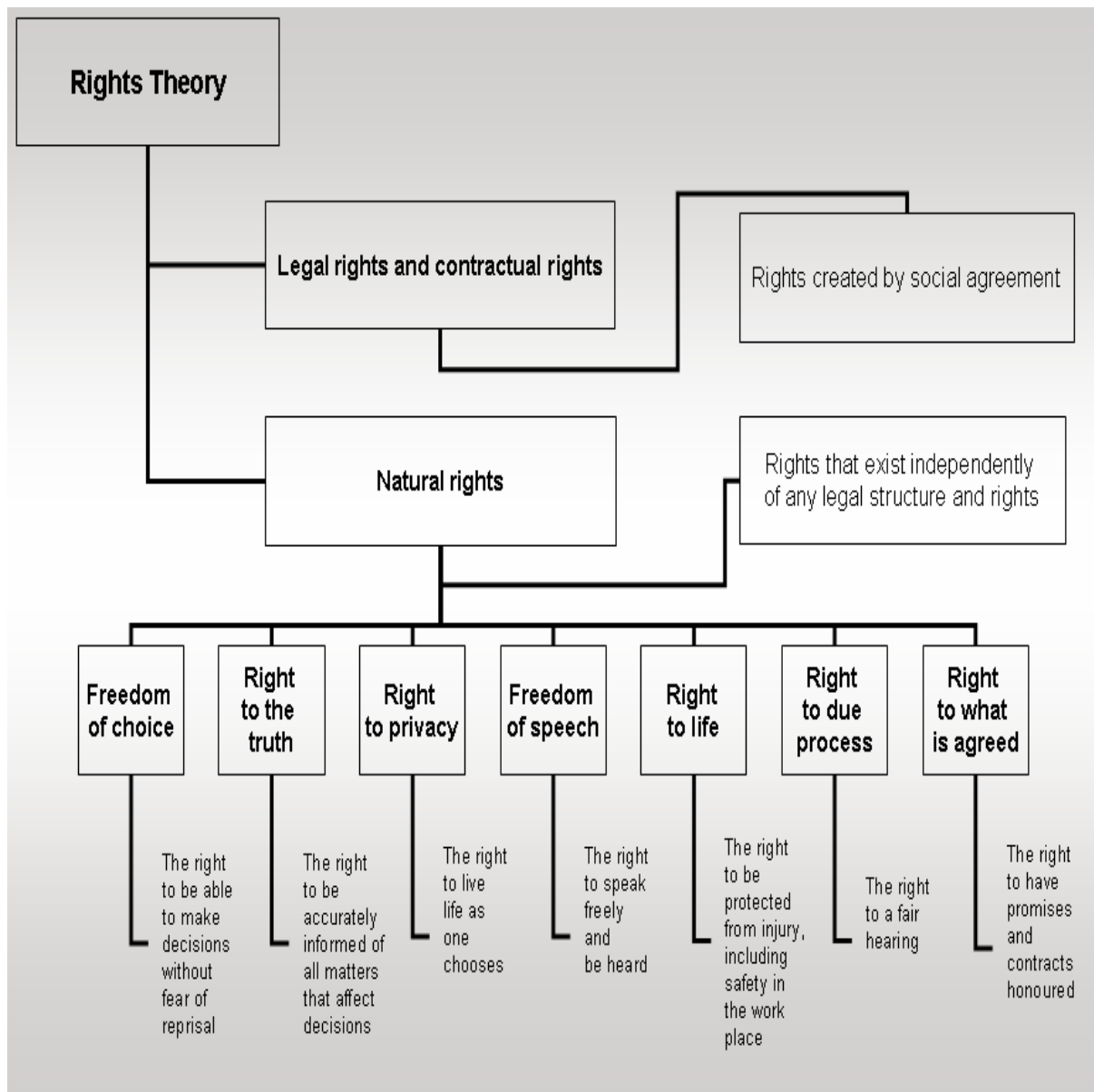
Sourced from Dellaportas, et al., 2005, p. 33 and re-presented diagrammatically for visual presentation.

The Rights Theory is one of the two non-consequential normative ethical theories put forward by Dellaportas et al. (2005). Justice Theory is the second non-consequential theory (see Figure 4.1) and the underlying principle of this theory is that it advocates fair and equal distributions of benefits and burdens whereas the Rights Theory as highlighted in this section explained that individual rights had to be respected for ethical decision-making behaviour. The next section will explore Justice Theory, the second of the non-consequential normative ethical theories.

4.3.5   Justice Theory

According to Rawls (1971) in Pojman (1998), justice is the first virtue of social institutions. He argues that rational beings will choose to follow two principles of justice:

I.   Special Conception of Justice
   1.   Each person is to have an equal right to the most extensive basic liberty that is compatible with a similar liberty for others.
   2.   Social and economic inequalities are to be arranged so that they are both (a) reasonably expected to be to everyone's advantage, and (b) attached to positions and office open to all.

II.   General Conception of Justice
   All social values – liberty and opportunity, income and wealth, and the bases of self-respect – are to be distributed equally unless an unequal distribution of any of these values is to everyone's advantage. (p. 673)

Rawls calls these guiding principles of justice "justice as fairness" (p. 674). He explains that this term conveys the idea that the principles of justice are agreed to in an initial situation that is fair and expresses an egalitarian conception of justice. He termed the first principle: 'Special Conception of Justice', the 'Difference Principle', and the second principle 'General Conception of Justice', the 'Equal Liberties Principle'. Weiss (1998) points out that the

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principle of justice deals with fairness and equality and that the moral authority deciding what

was right and wrong concerned the fair and equitable distribution of opportunities and

hardships to all. However, according to Weiss, the practical problem of using the principle of

justice includes this point:

> Outside the jurisdiction of the state and its legal judicial systems where
> ethical dilemmas are solved by procedure and law, who decides who is right
> and who is wrong? Who has the moral authority to punish whom? Can
> opportunities and burdens be fairly distributed to all when it is not in the
> interest of those in power to do so? (p. 79)

Obviously in the Ford/Firestone case, the organisations were wrong to continue to sell a

product that they knew had defects and yet they continued to do so. Why? Was the monetary

gain to a few more important than fairness and equality to all the stakeholders in this

situation? Where was the justice of fairness? In this case, while the companies were

subsequently punished by law, in the meantime their action had taken a very onerous toll on

society: the loss of lives which, despite monetary compensations paid to family members,

could never replace the hollowness left behind by the deaths that were preventable in the first

place.

Krause (2005) argues that cognitivist theories of justice appear to suffer from a motivational

deficit and explains:

> In seeking to neutralise affectivity and in requiring us to act for the right
> without reference to the conceptions of the good that normally attract our
> allegiance, some critics say, contemporary cognitivist theories of justice
> undercut human agency and leave justice hanging. (p. 363)

Matson (1983, cited in Pojman, 1998) is more cutting in his criticism of the theory of justice put forward by Rawls. He writes, "Our most universally acclaimed theoretician of justice has shown at length that justice is a will perpetual and constant to forcibly take goods from those who have earned them and give them to those who have not" (p. 686). Matson explains:

> Rawls's theory thus turns out, unsurprisingly, to be a confection of incompatible elements. The principle of equal liberties is bottom-up, but the difference principle is top-down. It would be humanly impossible to instantiate both principles simultaneously: the redistribution required by the second can only be brought about by force, thereby contravening the equal liberties. (p. 697)

It would appear from the above discussion that the justice ethical theory would be the most difficult for companies to consider in their business practices. Dellaportas et al. indicate that understanding the theory of justice was complicated by the various notions of justice and that the justice principle will have different meanings in different contexts until such time as a comprehensive theory incorporating the various domains of justice is developed. They identified four notions of justice:

> Fairness – which refers to the correlation between contributions and rewards.
> Equality – which assumes that all people have equal worth.
> Procedural justice – which is concerned with due process.
> Compensatory justice – which aims to redress the loss from a wrongful act.
> (p.35)

Pojman (1998) provides a different approach in his explanation of the justice theory. He explains that theories of justice may be divided into formal and material types and provides a series of readings from Aristotle, David Hume, John Rawls and Wallace Matson to explain the Justice Theory. A summary of his discussion on the theories of justice is presented diagrammatically in Figure 4.5.

Figure 4.5: Theories of Justice, summarised from Pojman (1998)
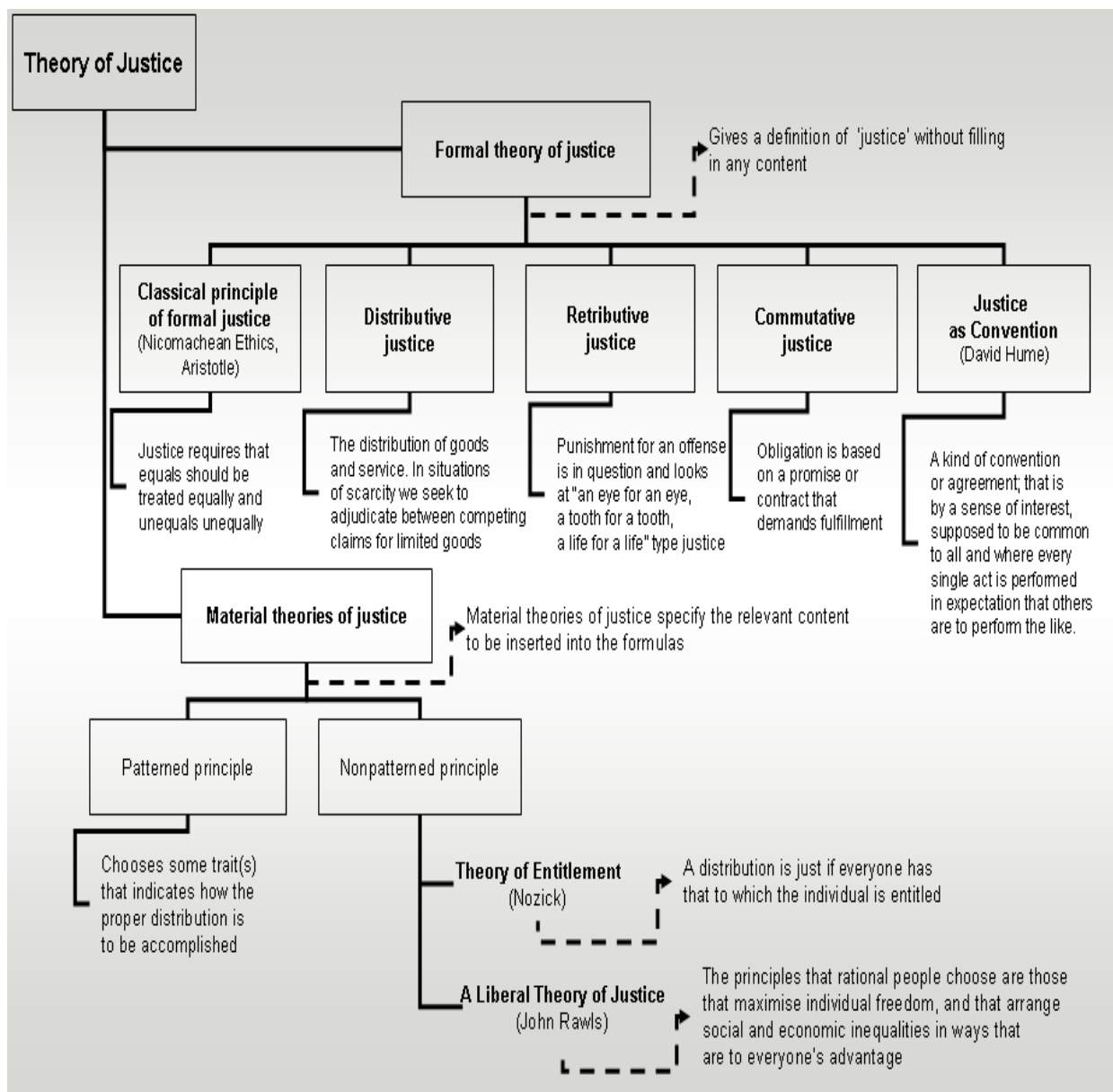
The discussion in Section 4.3 explained the philosophical underpinnings of the different ethical theories. The next section in this chapter attempts to show how these different theories might apply in business situations. This will be done by using real business situations that have given rise to questions of inappropriate ethical behaviour on the part of the organisation or the individual(s) concerned. In addition, relevant research literature on the area of business ethics will also be explored to demonstrate how there may be legitimation of such inappropriate behaviour by the individual or organisation under scrutiny.

4.4 BUSINESS ETHICS

Business ethics is defined as a field of interaction between ethics and business. Hoffman and Frederick (1995) indicate that business ethics is a branch of applied ethics that studies the relationship of what is good and right for business. According to De George (1995), business ethics can help people approach moral problems in business more systematically and with better tools than they might otherwise use, but business practices will only change if those engaged in the practices choose to change them. Business ethics therefore deals with what is "right and wrong" in business decisions, behaviour, and policies; and business ethics provides principles and guidelines that assist people with making informed choices to balance economic interests and social responsibilities (Weiss, 1998). Consider the following news report:

> Borrowers fight to keep homes
>
> A finance company that loaned money to low-income people prepared to sign over their homes faces High Court action.
>
> Low-income families seeking loans are losing their homes to a finance company in a complex deal under which they sell their houses to it and then try to buy them back. …
>
> One … couple, …, say they went to the company to borrow $10,000, … . The deal involved selling their Glendene home (which had a 1997 valuation of $154,000) to NZ Debt Repay for $215,000 in February 1998. They were to buy their house back for $225,000 in 12 months after paying a $65,000 deposit, which was non-refundable if the purchase did not proceed. In the interim, the couple, who were initially paying weekly mortgage payments of $250, had to pay $460 a week as a "licence" to occupy their own home.
> …
> But Mr Hughes [one of the company directors] told the Herald that the company had acted legally and he rejected accusations that people had been duped into selling him their homes. He said the court action that the company faced was being taken only because of a technicality involving

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> disclosure. … "I won't have anyone telling me that I'm a fraud or that the thing has not been done properly because everything's been done [properly]." (Stickley & Yandall, 2001, p. A2)

The above director stresses that the company had acted legally and had done things *properly*. The Concise Oxford Dictionary (1996) defines *properly* as: "**1** fittingly; suitably (do it properly). **2** accurately; correctly (properly speaking). **3** rightly (he very properly refused). **4** with decency; respectably (behave properly). **5** *colloq.* thoroughly (they were properly ashamed)" (p.957). If one was to look at the word, *properly* in line with its definition of decency and respectably, it can be observed that the people in this company demonstrated an apparent lack of business ethics etiquette. How decent or respectable can a business lending transaction be, if it involved making low-income families pay, in this couple's case, 2250% interest on a $10,000 debt that had to be paid off within a year or risk losing their property? Indeed, where is the balance between economic interests and social responsibilities? McDonald (2007) explains the issue of appropriate business ethics succinctly:

> Many businesses may regard themselves as ethical if their legal staff can keep them safely within the law, but ethics is not only concerned with operating within, or just above, legal requirements. It involves more detailed questioning of actions and consequences that may not be covered by law. (p. 12)

In business practice, it would appear that it could be difficult for a person to identify what is a 'good business action' as this identification is often dependent on the outcome (see De George, 1995 and Preuss, 1998). Solomon (2007) writes that "[i]n the real world, it is unlikely that businessmen and investors will be interested in acting ethically unless there are positive financial returns to be made from so doing" (p.15). The utilitarian ethical approach which focuses on "the greatest happiness principle" is thus often referred to as the "ethical theory of

business" as it judges the rightness of an action by its contribution to the happiness of everyone affected by it. It is difficult to see how virtue ethics, deontology, rights and justice theories in themselves could govern business practices. Within a business situation many individuals can be interacting. These individuals may come from different moral backgrounds. Each of these individuals would have their own reasons for choosing what they would consider the right action in a particular situation. Hoffman and Frederick (1995) identify this viewpoint as ethical subjectivism and explain that "what is right from me may not be right for you" (p. 6). They further explain:

> Ethical subjectivism: What is ethically right or wrong is strictly a matter for individuals to decide based on ethical principles they have chosen. This is because (1) each individual is the sole judge of whether the principle he or she has chosen is the right one for him or her, and (2) each individual is the sole judge of whether his or her action is ethically permissible according to his or her principle. (p. 6)

The Dick Hubbard case (mentioned earlier) illustrates this viewpoint succinctly. Hubbard thought he was doing right by society through his philanthropic actions in his business operations when he was prepared to help with employing the long-term unemployed and unskilled individuals. However, the very people he thought he was helping to achieve a better standard of living believed that he was not acting in their best interests in providing them with a lower wage rate comparative to other corporations in the same industry. It could therefore be argued that it is important that there is a universal code of conduct and company policy that can be applied by the individuals interacting in the situation; such a code would provide clear guidelines as to what right or wrong actions are and the consequences of what individual's actions can be for that situation. However, this can only happen in an ideal world. Hoffman and Frederick (1995) identify this ethical viewpoint as ethical relativism and explain:

> This is the position that there is no universal ethical principle or set of
> principles by which to judge the morality of an action. Instead each society
> or culture has its own set of moral rules. (p. 6)

According to these authors, if ethical relativism is true, then it implies that no society's ethical code has the special status of being "better" or "truer" than another and that therefore each society's code is on a par with every other society's code. For instance, a bribery case for members of a certain society may be a non-issue as the individuals in that society might believe that bribery is ethically permissible. But how does ethical relativism work when this particular society exists within a wider society that views bribery as both unlawful and unethical? The case of Taito Phillip Field, once a member of the Labour Party and now an independent member of the New Zealand Parliament, illustrates the issue of ethical relativism quite well. The 18th February 2007, Sunday Star Times reports:

> FORMER LABOUR MP John Terris: This decent young chap [Field] is now
> denounced as unethical by the Prime Minister and is being hurled out of the
> Labour Party.
>
> Unionist and former Alliance activist Matt McCarten: "He's [Field] not
> making the connection. He's thinking, `I'm an MP, and we help each other.'
> It's a bit like a union official taking gifts from workers: `I've helped you out.'
> And in his own mind he can also say it's the Pacific way. So you can kind of
> convince yourself."
>
> Some suggest Field's acts were a result of cultural confusion: that Siriwan's
> labour was a form of lafo - the Samoan equivalent of koha, or gift- giving -
> in return for the MP's efforts to help him gain entry to New Zealand.
> (Hubbard, February 18, 2007, p. A2)

As reported by Jones in the May 27, 2007 Sunday Star Times, in addition to facing 14 charges of bribery into allegations that he offered immigration assistance to over-stayers in return for cheap labour, Field is also being charged with attempting to pervert the course of justice.

How then, can one identify "good" and "right" ethical actions and what changes could be made to prevent reoccurrences of breaches of conduct? It would therefore seem to be more appropriate to follow Beauchamp and Bowie (1997) arguments. They indicated that "ethics should <u>redirect</u> its preoccupation with principles of obligation, directive rules, and judgements of right and wrong and should look to decision making by persons of good character" (p.38) [underlined for emphasis]. Organisations assume a lot when they assume that codes of ethics and company policies on their own will influence working practices. Changes must be made that incorporate education and cultivation of virtuous persons. Business practices need to change for the betterment of society universally.

To see how codes of ethics and company policies on their own have not worked for the betterment of society, one has only to look at the very recent case of an electricity company turning off the power supply that may have caused the death of a woman dependent on her oxygen machine. This case brings out clearly the issues relating with business ethics. It illustrates that it is important to look at how people should approach moral problems in businesses more systematically. It highlights that business practices will only change if those engaged in the practices choose to change them. In particular, it is important to remember the earlier discussion on business ethics: how it deals with what is "right and wrong" in business decisions, behaviour, and policies and that business ethics should provide principles and guidelines that assist people with making informed choices to balance economic interests and

social responsibilities. On the front page of the Weekend Herald on June 2, 2007, Misa (June 2, 2007) reports:

> … When a contractor hired by Mercury Energy called at the Muliagas' house on Tuesday to cut off their power, Folole was breathing with an oxygen machine. She would have expected him to understand her plight. She had asked him, her children said, for a chance to pay off their overdue power bill … the contractor was unmoved, that he went ahead and cut the power anyway. … A little over two hours later, she was dead. … (p. A1)

What makes this situation appalling was the stance taken by the company with regards to this saga and this was reported in the same news article:

> Until yesterday, when Mercury Energy finally fronted up to the Muliaga family home at their Mangere home, on the advice of its Samoan workers, with $10,000 towards the funeral, it had been more intent on being right than being sorry, insisting it was in the clear, that it had done nothing wrong. (p. A1)

It would appear that the "company" was arguing that what it had done was within its company policies and therefore it was doing 'no wrong' in the manner in which it dealt with overdue accounts. Perhaps, the company was following the 'right' procedures according to company policies and appropriate business practices to recoup overdue accounts; however, one could ask whether the company's actions were ethical, that is, 'good', given the ill health of one of the home owners. The reporter also writes in this article:

> As if this was about being right. No one at Mercury seemed to notice how offensive it was for a state-owned enterprise which made a net profit of more than $100 million last year to wage a public relations battle against a grieving widower who now has to support himself and four children on an income of just over $400 a week. (p. A1)

Even the prime minister of the country has joined in the discussion to denounce the moral behaviour of the company/management. Trevett and NZPA reported the Prime Minister, Helen Clark, as saying:

> "When I saw the letter from Mercury Energy which stated bluntly that the contractor had seen the lady with the medical tube in her nose and still gone ahead and disconnected, I couldn't believe that a human being could do that."
>
> Helen Clark has also called for urgent advice on toughening up the regulations that cover the electricity industry, saying voluntary guidelines and protocols based on "goodwill" were clearly not working.
>
> Mercury Energy had a "hard-nosed commercial attitude, and frankly, I don't want to be responsible for a state-owned enterprise that makes money out of misery." (Trevett & NZPA, 2007, p. B3)

It is of interest to note that the prime minister made reference to the fact that it was a 'human being' who committed the 'wrong' action. Indeed, from the researcher's viewpoint, to use the word 'wrong' here with reference to the action taken by the contractor may have made the action of less significance for this particular situation. It was more than just a 'wrong' action: it was an overwhelming 'bad' and unethical action that had a very serious and tragic consequence. However, in contradiction to the fact that we are talking about individuals who were responsible for the poor decision-making, a statement was then made which indicated that the company had a "hard-nosed commercial attitude" when it probably would have been more appropriate to indicate that it was the management (that is to say, the human beings) of the company that had the attitude. It makes it more difficult to lay blame and hold someone accountable when discussion falls on an abstract object (the company) as being the problem for the unethical actions and behaviour. How can blame be placed on an inanimate object

when all can see that it is the individuals within the company who make the policies and drive

the implementation of those policies?

Business decisions on what is right and wrong need to look at making informed choices to

balance economic interests and social responsibilities. It would appear that the individuals

involved in making these business decisions forget to balance their economic interests with

social responsibilities. The New Zealand Press Association (June 2, 2007) reports on the SOE

Minister's view on the situation:

> Wellington, June 2 NZPA - State Owned Enterprises (SOEs) are not meeting
> their social responsibilities and the Government may have to step in with
> regulations to control how they treat struggling families, Energy Minister
> Trevor Mallard said today.
>
> Mr Mallard, who is also SOE Minister, told TV One's Agenda programme it
> was likely the country would ``head in the direction'' of mandatory
> regulations. ``Because it's clear to me some of the companies working with
> poorer or sicker people have not been doing what most thinking New
> Zealanders would expect of them.''
>
> However, he said for any state owned enterprise, there was meant to be a
> sense of social responsibility as well as a profit motive. ``It should stretch
> further than it does for a regular energy supplier,'' he said. ``So you've got to
> be competitive, you've got to be profitable, but where there are marginal
> calls then the SOE should fall back on the Act which says they have to be
> socially responsible.''
>
> Mr Mallard said the companies were clearly not meeting their social
> responsibilities as well as they should be. ``The links with our welfare
> system are not working properly. ``I don't think people's power should be cut
> off for relatively small overdue bills at a particular point in time. We've got
> to get a system going where there is a positive referral to WINZ or an
> appropriate authority, where people are low income, so that arrangements
> can be made if necessary for deductions over a period of time so people can
> get back on track.'' (NZPA, June 2, 2007, n.p.)

Rudman (2007) sums up the situation aptly when he writes:

> WHAT a brutish society we live in. Despite more than a century of ground-breaking social reform, 21st century New Zealand remains for the poor at least, perilously like the 19th century Katherine Mansfield and Charles Dickens - to say nothing of Karl Marx - wrote about so long ago.
>
> On Tuesday, a sick South Auckland mother died because she was $168.40 behind in paying the family electricity bill. Most horrible of all, it was an agent of the state that pulled the plug on Mrs Muliaga's home oxygen machine, not some rapacious private capitalist. Her 20-year-old son Ietitaia, says he and his mum despairingly showed the contractor the life-supporting machine, but he went ahead anyway saying he was ``just doing his job''. (Rudman, June 1, 2007, n.p.)

So if the contractor was "just doing his job", does it mean that he was ethically 'right' in his action as he was only following orders and therefore could not apply his own moral values to the situation. Without any debate, this clearly was not a good action, although it may have been the right action given the company guidelines the contractor had to follow. The alternative question is whether the contractor was so desensitised to such situations that he was unable to distinguish good and bad actions from right and wrong actions with regards to business practices. After all, what is the 'right' action according to business practices may not necessarily be a 'good' action ethically as this very sad case illustrates. Pojman (1998) indicates it may appear that "ethics concerns itself only with rules of conduct based on an evaluation of acts" and explains that, "[m]ost ethical analysis falls into one, or some, of the following domains:

DOMAIN	EVALUATIVE TERMS
1. Action	Right, wrong, obligatory, optional
2. Consequences	Good, bad, indifferent
3. Character	Virtuous, vicious, neutral
4. Motive	Good will, evil will, neutral" (p. 4)

[Note: Illustrated in table format for visual presentation.]

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He also explains right and wrong types of actions as permissible and not permissible. His examination of right and wrong types of action have been summarised and presented diagrammatically in Figure 4.6. The contractor and electricity company involved in this business ethics case can argue that they took the 'right action' because it was 'obligatory' under their company policies that overdue account clients had to have their power turned off and that it was just unfortunate that this action had 'bad' consequences. On the other side of the coin, however, stakeholders might argue that the companies involved in this case had a 'vicious character' and 'evil will motive' to ignore the plight of the ill home owner in continuing with the action instead of trying to resolve the unpaid bill situation with more humane considerations.

Figure 4.6: Types of Action – Right and Wrong Acts
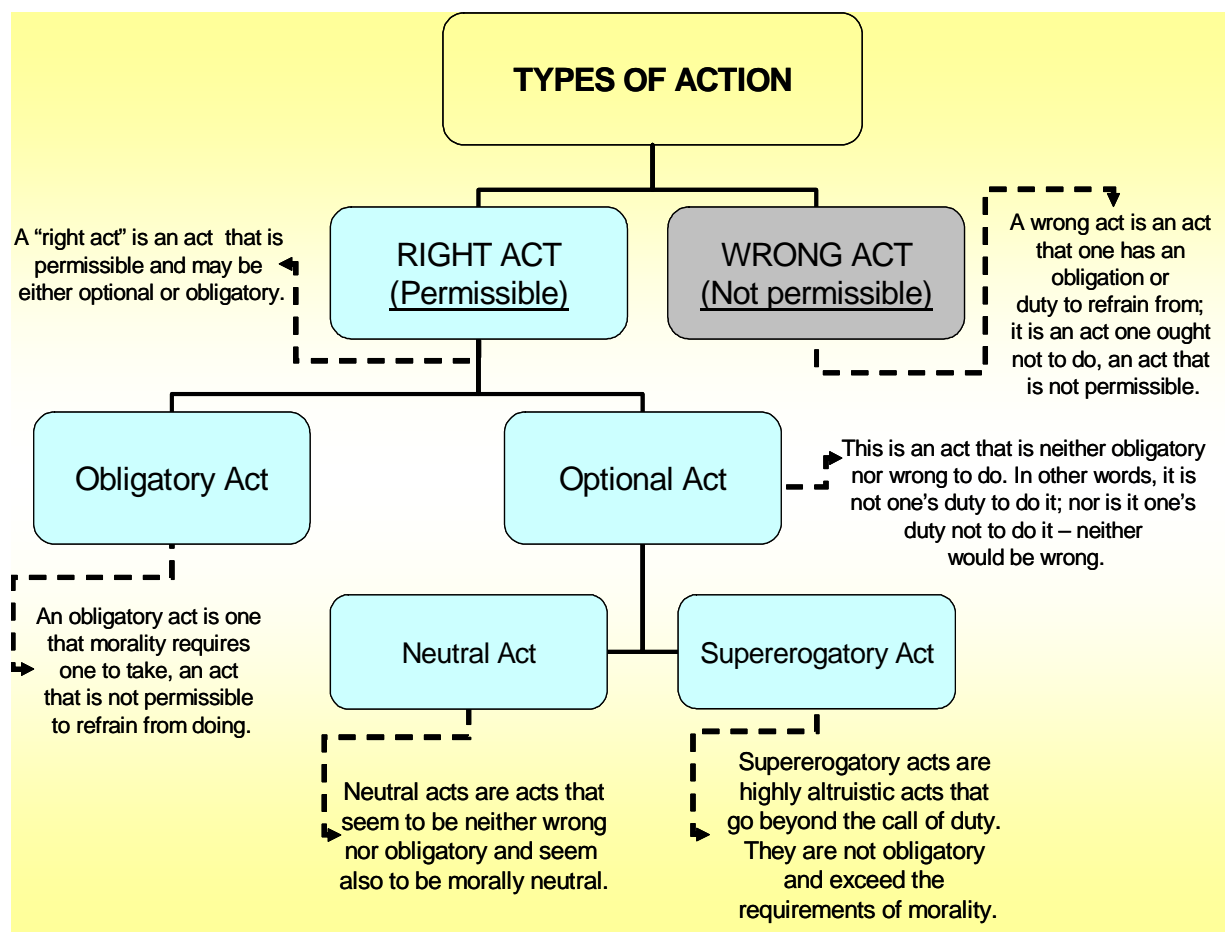
Extracted and summarised diagrammatically from Pojman, 1998, p. 5.

4.5   CHAPTER SUMMARY AND CONCLUSIONS

Some researchers argue that there is fundamental incompatibility between different ethical theories. Although in many cases different ethical theories agree on what would be the right action in a particular situation, they usually have different reasons for why it would be the right action. The question is whether the right action is also a good action. It would appear that businesses can argue that their actions are legitimate because their actions were the 'right' actions. The two cases provided in the business ethics section illustrated that the right action according to business/company policies may not necessarily be a good action for the affected individuals in society. The parties concerned attempted to legitimise their actions by indicating that their actions were 'right' because of various reasons such as business policies. Other researchers such as Brady (1985), however, have indicated that ethical theories can be complementary and that their dual nature will allow for a new classification to address business/society issues.

Solomon (2007) explains that "[t]here is a central tendency for people to behave according to the philosophical concept of 'ethical subjectivism'" and that therefore "everyone has a different view of 'right' and 'wrong', and 'good' or 'bad'" (p. 272). This again indicates that people can argue that their actions are legitimate and right to perform, even though the consequences for some members of society might be bad. In the ideal world, it may be possible to say that there should be one ethical theory that is right for all actions in all situations. In the real world, however, individuals and organisations have had different foundations for their moral backgrounds. They would each have their own understanding and reasons for why they think their actions are right. How can one then argue that there is a better ethical theory that is more right than the other or that this is the ethical theory that should govern business practices if no-one has actually been made the worse off as a result of

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individuals' actions? The issues raised in Chapter Three on legitimacy theory becomes prominent in these types of ethical situations as they can help to explain why individuals in organisations can act so callously and unethically but still believe that their actions were right and legitimate. This is because these individuals can present that the organisation's business policies amongst other factors allow them to legitimise such business strategies that society has to accept. The issues raised in the legitimacy theory chapter highlights the explanatory power of this theory.

Chapter Four explored the philosophical underpinnings of ethical behaviour and illustrated individuals and businesses trying to legitimatise their 'wrong' actions by arguing that their actions were justified because they were being perceived as appropriate business ethical behaviour. The explanatory power of the legitimacy theory for justifying the "rightness" and "wrongness" of ethical actions in terms of legitimation strategies being used not only by individuals in their personal lives but also as individuals in organisations they work for thus enhances the understanding on why unethical behaviour, corporate crises and accounting scandals continue to occur despite the increased coverage of ethics in educational programmes at the tertiary level.

Chapter Four thus explored the "values" that society might hold by investigating the different ethical theories that explained how "society ought to live" and how some actions and behaviour have been argued to be 'legitimate' because they have been perceived to be the norm for either society or business activities. The next chapter, the final chapter in the series of theoretical lenses conducted for this study will explore and determine what appear to be the driving factors in the legitimation of 'inappropriate' business practices by reviewing research literature that debates why accounting scandals and corporate crises are ongoing.

CHAPTER FIVE
LEGITIMATION OF ACTIONS - EXPLORING RECURRING THEMES CONTRIBUTING TO ACCOUNTING SCANDALS

5.1 INTRODUCTION

Chapter Five is the final chapter in the series of theoretical lenses chapters conducted for this study. This chapter will explore and determine what appear to be the driving factors in the legitimation of 'inappropriate' business practices through the review of research literature that debates why accounting scandals and corporate crises seem ongoing. This chapter will consequently be examining the issues raised by recent accounting scandals and attempt to identify recurring themes that one can argue, contributes to the recurrence of such scandals, in spite of changes to legislation and accounting standards and increased ethical educational interventions. In order to achieve a broader view than that presented in academic publications, a review of literature was undertaken from a variety of sources, including academic, professional, business and media publications. By drawing on publications outside the academic arena, a broader view of the causes of corporate collapses and accounting scandals was obtained. The literature search identified a range of issues that writers had argued were contributing factors in corporate scandals. For instance, documents released by professional and legislative bodies included discussion papers on the need to improve corporate transparency and audit independence. However, these types of issues are beyond the scope of this investigation.

The focus of this chapter is on the five recurring themes that were identified as key underlying factors for accounting and corporate scandals. The frequent identification of these five themes in the literature suggests that they permeate and compound the problems that accountants face in the demanding and complex world of business and commerce, and that they may also contribute significantly to the recurring scandals. The five recurring themes focussed on in

this chapter are: issues of corporate transparency; corporate values and behaviour; money culture; vices of a capitalistic society; and the prevalence of a legalistic culture. The issues raised under these recurring themes will demonstrate how individuals and corporates have 'legitimised' their behaviour and actions such that the business ethics they subscribe to, even seems 'acceptable' to society.

5.2   THE RECURRING SCANDALS

2002 has been reported as a watershed period for the accounting profession because of significant American corporate collapses such as Enron, WorldCom and Tyco, to name a few. With the collapse of Arthur Andersen, the "Big Four" accounting firms of PricewaterhouseCoopers, Deloitte & Touche, Ernst & Young, and KPMG remain. As a consequence of these recent scandals, there are calls to improve corporate transparency, accounting and auditing standards, and corporate social responsibilities. The Institute of Chartered Accountants of New Zealand (now known as the New Zealand Institute of Chartered Accountants (NZICA)) issued a paper titled: "Corporate Transparency – Making Markets Work Better". However, the effectiveness of such responses is questionable, particularly as this sort of counteraction has followed each accounting scandal that has happened in history. A business television presenter in the Sunday Business News (29 September, 2002) hour aptly pointed out that the problems presently being experienced with businesses necessitates looking at "disclosure issues *again*" (italics for emphasis).

In America, there have been calls for tighter and tougher reforms in accounting standards and government regulations. Elsewhere in the world, discussion continues on the need for each country to take its own measures to avoid an "Enrongate" type crisis. The recent American cases of Enron and WorldCom triggered legislation in America such as the Public Company

Accounting Reform & Investor Protection Act of 2002 and the Sarbanes-Oxley Act 2002 that impose tougher sentences on corporate fraud. Professional bodies worldwide have also responded by issuing documents on corporate governance and transparency. For instance, as mentioned earlier, NZICA issued a document titled "Corporate Transparency – Making Markets Work Better." The Institute of Chartered Accountants of Australia, which is an inaugural member of ASX (Australian Stock Exchange), contributed to the development and release of the "ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations." The United Kingdom responded with the "Turnbull Report on Internal Control: Guidance for Directors of Listed Companies Incorporated in the UK" that was published by the Institute of Chartered Accountants in England and Wales.

Referring to the proposals to reform accounting, auditing, and corporate governance in the aftermath of the 2001 and 2002 collapses of large companies, Amernic and Craig (2004) assert:

> These have included strong calls from diverse quarters for the business community to commit determinedly to new ethical and moral values, to develop better mechanisms for corporate governance, and to exercise better corporate responsibility. (pp. 342 – 343)

However, whether the recommendations contained in these professional pronouncements will stem the flow of corporate fraud and accounting scandals remains to be seen. Some would argue that these were typical institutional responses by the profession and authoritative bodies. Thomas (2002) writes:

> In a characteristic move, the SEC and the public accounting profession have been among the first to respond to the Enron crisis. Unfortunately, and sadly

reminiscent of financial disasters in the 1970s and 1980s, this response will

likely be viewed by investors, creditors, lawmakers and employees of Enron

as "too little, too late." (p. 7)

Furthermore, the practice of issuing professional or legal edicts/standards by professional and

authoritative bodies following accounting or business collapse-type scandals may be seen as

attempts to placate society and thereby ensure that society maintains confidence in the

credibility of the services being provided. The burning question is whether such reforms will

address the crises that seem to erupt time and time again. Pitt (2004), a former chairman of the

Securities & Exchange Commission in America, says that new laws will not prevent the next

corporate scandals:

And, no matter how many laws and regulations are passed, there'll always

be some who lie, cheat or steal on a grand scale, in the misguided belief that

risks are outweighed by the potential gains. As Plato put it, "Good people

don't need laws to know they must act responsibly, while bad people will

always search for ways around them."(Pitt, 2004, p. 3)

Smyth and Davis (2004) argue, "[c]ertainly the widespread nature of the recent publicized

scandals suggests that there has been a deterioration of ethical standards in the corporate

workplace and raises the question of whether regulatory or legislative actions alone will be

sufficient to ensure that the next generation of workers will demonstrate ethical decision

making" (p. 64). It has subsequently also been argued that "one of the causes of the seemingly

never-ending parade of accounting scandals and unexpected company collapses has been the

inadequacy of university curricula and business education" (Amernic & Craig, 2004, p. 343).

5.3   RECURRING THEMES

The integrity of the accounting profession and the credibility of financial information provided by businesses have been partly undermined by scandals. Much of this loss of trustworthiness derives from questionable ethical practices of corporate executives and accountants. The 2003 Task Force on Rebuilding Public Confidence in Financial Reporting, an independent group that was commissioned by the International Federation of Accountants, reports:

> Many of the examples of reporting failure evidence a failure to act ethically by at least some of the participants. The list is lengthy: misleading auditors, auditors looking the other way, disguising transactions, withholding information, providing unbalanced advice, abuse of trust, and misusing insider information. Participants have been seen as following self-interest without concern for the interests of the company or its shareholders. (p. 15)

Such negative behaviour by participants has been contentiously linked by researchers to the capitalist economic system. It has been suggested that accounting is central to the workings of capitalism. Debate on the legitimacy of capitalism as an economic system continues. For instance, Gasparski (2002) states that, "[t]here is a dispute lasting over a century between those who believe that capitalism is immoral in itself and those who advocate it as a system establishing just behaviour by itself" (p. 7). But what if capitalism as a system in establishing just behaviour by itself is only a theoretical ideal? Young (2003) contends that what has happened in recent history can be explained by excesses of capitalism. He stresses that it is this brute capitalism ideology that has led to the scandals and social ills becoming equivocal features of modern business. According to Young, this is where capitalism has turned its back on the ideals of Adam Smith and has degenerated into arrogance, amorality and an interest only in the narrow definition of the bottom line. Young illustrated the "cost of brute capitalism" (p.38) by considering the "achievements" of corporate boards of directors and the

senior officers they hired and supervised. Some of these have been cited here to illustrate the

perverse role that accountants would have played in these "achievements":

- Enron: accounting/off balance sheet contrivances; chief financial officer indicted; company bankrupt; billions of equity value lost
- Tyco: chief executive officer charged with tax evasion, waste of corporate assets; massive charge of $6 billion to earnings after disposal of CIT unit
- WorldCom: $3.8 billion fraud; loans to chief executive officer; bankruptcy
- Adelphia Communications: Off balance sheet loans to senior officers
- Xerox: accounting overstates profits by $1.4 billion
- Global Crossing: filed for bankruptcy after fiddling accounts
- Qwest Communications: chief executive officer resigned; profits restated, assets cut by 50%, or $34 billion; share price down
- Health South: $1.4 billion fraud; false entries created in income statements and balance sheets
- $110 billion merger of AOL and TimeWarner cemented with inflated accounting of AOL revenues; within eighteen months, company value declined 75%, and massive write-downs of asset values were taken – AOL's 2002 earnings were written down by $98.7 billion (a figure only slightly smaller than the European Union's budget for 2003); civil litigation ensued for damages to investors
- Bristol-Myers: restates $2.5 billion in sales and $900 million in profits after inflating distributor's stock levels; settles antitrust lawsuits for a cost of $670 million
- Vivendi-Universal in France: failure of strategy; loss to shareholders; class action suits filed alleging misrepresentation of company's financial realities
- Ahold in The Netherlands: chief executive officer fired and stock price collapsed after American subsidiary was found to have falsely reported earnings
- HIH insurance group in Australia: failed with debts of $3.1 billion after consistently understating claims liabilities; chief executive officer, among other things, spent A$340,000 on gold watches in one year; criminal and civil charges pending against several directors
- SK Global in South Korea: overstates 2001 earnings by $1.2 billion; liquidity crisis caused for credit card companies; $10 billion pulled by investors from investment trusts (Young (2003), pp. 38 – 40).

The above corporate scandals illustrate why accountants and the functions that they perform

have been viewed as being central to the workings of capitalism where "just behaviour" does

indeed appear to be only a theoretical ideology. Clarke, Dean and Oliver (2003) state, "[t]here

has been a pervasive lament that instances of inadequate information flows and accountability

checks threaten the trust that is so essential to the capitalist market-based system" (p.13).

Importantly, they note:

> Yet, after all the huff and puff in Australia and the United States, where the defaults were the most talked of, where regulators have declared they will get tough, and where government-sponsored inquiries have taken place, there seems little attempt to change fundamentally the system of accounting – tinkerings and fine tunings have been preferred. The main aim seems to be to retain the primarily self-regulated expenditure capitalisation system at all costs. (p. 13)

Chambers, in Clarke et al. (2003), writes: "[c]orporate accounting does not do violence to the truth occasionally and trivially, but comprehensively, systematically, and universally, annually and perennially" (p. 3). Sikka and Wilmott (2002) argue that accounting "prioritises property rights (as in a balance sheet), celebrates the supremacy of capital over labour (as in the income statement) and encourages belief in efficiency, profits and competition" (p. 194). It is posited that such prioritisation ultimately leads to the consideration of "self" above all else. Furthermore, it can be suggested that such self consideration promotes negative behaviour associated with the five factors identified in this research debate chapter. The negative behaviour associated with the five recurring themes, involving corporate transparency, corporate values and behaviour, money culture, vices of a capitalistic society and legalistic culture, contributes significantly to the never-ending scandals. Each of these themes will now be explored.

5.3.1   Corporate Transparency

Whenever corporate fraud or accounting scandal occurs, a common feature will be irregularities in financial reports; this creates a lack of confidence and uncertainty and reduces the decision usefulness of such reports. It has been suggested that continuing revelations of accounting scandals involving America's iconic corporations have shaken investor confidence and the public perception of corporates and the accounting profession. Turner (2002) notes

that the vitality of financial markets and economic activity rests on the profession's ability to restore confidence in the financial reporting system. A CBS News/New York Times poll (cited in Paul, 2002) reported 7 in 10 respondents as saying, "the accounting and other practices that led to Enron's collapse are widespread in corporations" (p. 24). This raises the question of why such questionable accounting and corporate practices are so widespread and what effect this has on corporate values, culture and behaviour.

The Economist Intelligence Unit (EIU) claims that, "[n]early a year after the Enron revelations first surfaced, corporate governance dominates the political and business agenda", and that "[n]o one disputes the need for transparency, honesty and accuracy on the part of corporations", but questions whether "the pendulum has swung too far?" (2002, p.1) The EIU white paper notes that concerns were raised among executives that hastily prepared regulations and overly strict internal procedures might impair their ability to run their business effectively. The unit also notes that while today's corporate turbulence may seem unprecedented, it has happened before. They cite J K Galbraith's book, "*The Great Crash 1929*" that chronicled how an asset bubble bred lax accountability. The bubble's collapse exposed malfeasance as money became tight; this created a loss of investor confidence and public outrage that, in turn, prompted a hasty reaction by lawmakers and regulators.

Imhoff (2003) maintains that serious problems existing today in accounting, auditing and corporate governance undermine the quality and integrity of financial reporting. He writes that to attribute U.S. accounting failures to a deficiency in U.S. GAAP was totally inappropriate. He argues that U.S. GAAP represented the most comprehensive set of financial statement requirements in the world, generating greater transparency in financial reporting than in any other country. Imhoff supports his argument by pointing out that accounting rules

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required implementation by managers to disclose the complex activities of a transaction which were subsequently reviewed by auditors. Importantly, he stresses that managers and auditors could always circumvent both bright-line (declarative rules which state something and which must always be true) and principles-based rules when they no longer acted in the interest of shareholders.

Saravanamuthu (2004) suggests that the accounting profession had deprioritised the public interest at a time when society sought responsible direction for sustainable business practices and life styles. The profession's alignment with commercial interests undermined its very status and relevance as a profession. She argues that "gold-collarism" (explained by Saravanamuthu as a term that Kelley in 1985 coined to signify the end of knowledge workers' struggle for control over the labour process), which includes accountants, draws attention to the "ethics versus profits" dilemma that the profession is embroiled in. She further states, "[i]t appeared that the public interest role was abandoned for a more lucrative one of consulting-partner to the business community despite its presumed impartiality in transforming management's rules of engagement with multiple stakeholders" (p. 587). If decreasing confidence is placed in financial reports prepared and audited by the accounting profession, it is essential to examine why this is happening. The next section will reflect upon the corporate values and behaviour that come into play when managers, auditors and accountants no longer act in the interests of the public and shareholders/stakeholders.

5.3.2   Corporate Values and Behaviour

The situation regarding corporate values and behaviour was aptly summarised by Higgs (in the EIU 2002 paper): "The first thing in this game is that there are no absolutes. There are no blacks and whites. There is no such thing as getting it right – there are only behaviours that

tend to improve the outcomes" (p. 5). An accounting analyst with Credit Suisse First Boston, Zion (in Tunick, 2002), says, "I think everyone's looking for black and white, and the accounting rules are not black and white"; furthermore, Zion claims that, "the overabundance of information and transaction types within GAAP creates confusion on how its rules should be applied" (p. 1). The EIU paper declares, "What's more, a key lesson from the Enron experience, where the board was an exemplar of best practice on paper, is that governance structures count for little if the culture isn't right" (p. 9). Tierney (in the EIU 2002 paper) explains, "Culture is what determines how people behave when they are not being watched" (p. 9).

The crisis in corporate confidence can thus be attributed to lapses in personal and professional integrity, and their subsequent effect on accounting firms and their corporate clients (Adler, 2002). When such deficiencies are scrutinised and found wanting, the profession and offending corporations become villains. Korten (1998) postulates that the prevailing sentiment in business schools is that executives are to be trained to succeed in the world of business as it exists, not to change it. He adds that the best and brightest executives are being trained for careers in service to an economic system engaged in the systematic decapitalisation of people and the planet in order to make money for the already very rich. This is a myopic ideology. Korten asserts that the necessity to create a system that makes power accountable to life, or money will destroy people. Therefore, Korten contends that serious attention is needed "from talented professionals who value people, nature, and our living planet more than they value money and people who have expertise in the design of large-scale behavioural systems" (p. 389). Young (2003) argues for moral capitalism, where private interests should be reconciled with the public good, public confidence can be restored,

wealth created for all and poverty ended. A strong argument was put forward by Craig and

Amernic (2002):

> … we contend that the very nature of corporatized capitalism as a social and
> economic phenomenon requires scrutiny because of the power and attendant
> mindset it bestows on key elites and the behaviours it imposes on many
> others. Therefore, even 'model citizen' corporations, especially the powerful
> ones, require permanent critique, since closer scrutiny may unmask some of
> the perceptual blinkers by which they were judged to be such 'model
> citizens'. (p. 143)

The above discussion raises issues of ethical behaviour by participants embroiled in the

ongoing business and accounting scandals. People need to ask "what matters most?" (Korten,

1998, p. 389) It has been debated that what matters most is largely an internal contest about

what values professionals hold versus what values they ought to hold and what society

expects of the profession. Jones (1998) comments, "it is a war within each of us" (p. 20) and

claims that there is a battle between people's material desires and satisfactions and their

deeper, possibly buried, convictions about nature and the integrity of creation. The high

profile Martha Stewart case in America provides such an instance. Martha Stewart built a

catering company into a media empire of lifestyle magazines, cookbooks and television shows

and yet chose to make an unethical and illegal decision that, one could argue, was about

maximising her wealth accumulation. She was found guilty in March 2004 of conspiracy and

making false statements. The 11 March 2005 Editorial of The Boston Globe observes:

> Stewart released from the facility in Alderson, W.Va., last week after serving
> five months for lying to federal prosecutors investigating the 2001 sale of
> ImClone Systems Inc. stock symbolises America's ambivalence for honesty.
> She is seen by some as a queen of the culture of cheating, condoned because
> "everybody loves it." (p. A14)

In his investigation into the history of corporate collapses in Australia, from the first bank closure in the 1820s through the four great recessions of the 1840s, 1890s, 1920s and 1970s to the downfall of the house of Gollin, Sykes (1988) writes:

> Nor can we ignore the high incidence of fraud and dishonesty which has been chronicled in official reports and investigations. It is probably true to say that nearly every company in Australia is being plundered to some extent by its directors and senior management. The most frequent form is by falsifying expense accounts or charging items of personal consumption to the company's account. As long as the company stays healthy, with strong and genuine earnings, these practices can be tolerated as perquisites of office. (p. 551)

The norms of society contribute to corporate values and behaviour that demand individuals put their material desires first; it is by the accumulation of personal wealth that the success of an individual is measured. The battle for material desires is therefore entwined with a prevailing and overriding culture that insidiously dictates the individual's quality of life and how one lives, for without it in this modern society, one cannot survive: this is the money culture.

5.3.3   Money Culture

Money is popularly said to make the world go around. Without money one cannot have resources to develop and grow. Without money, one cannot have a comfortable life and it can be said that some would like to have more than just a comfortable life. Right from an early age everyone is introduced to the idea of money and its importance in providing the things they need. Children are told that they cannot have good resources in their classrooms because their schools lack the money to buy them. Increasingly, they are involved in fundraising activities to fund these resources. They are given raffle books and other fundraising forms.

Kindergartens hold dance-a-thons; primary schools hold skip-a-thons. Forms have to be filled in by sponsors to indicate the dollar amounts that the children will earn for their institutions from these "fun" activities. Commercial organisations become involved early in these children's lives. The sponsoring of their products by schools, for example, photo shoots and pies, allows commercial organisations to get their money before giving the school a percentage of the proceeds. What is becoming increasingly apparent is that children now learn from an early age the "value" of money. Gallo (2001) writes:

> We are barraged with messages about money and values associated with money from toddlerhood to adulthood. For way too many children, the bulk of those messages are from the most sophisticated information delivery service ever invented: the modern marketing industry that inculcates the message that consumption is good and that he who dies with the most toys wins. (p. 46)

It can be argued that it is the importance of this money culture that everyone takes with them as they grow up to become more active participants in the world. Everyone is trained and conditioned from a very early age that money allows them to have things and that other matters become secondary. It is of little wonder that people's values and behaviour may become questionable when their sole purpose in life is to acquire money and its associated pleasures. This can be illustrated by the Chapman debacle where the gamekeeper turned poacher. Chapman was a New Zealand auditor-general who appeared not to have enough money to spend. He was found guilty of using taxpayers' money to fund his personal expenses. On 11 August 1998, The Evening Post reported that this disgraced former auditor-general was penalised by ICANZ (now NZICA) for fraudulent activities.

Another debacle that illustrates how money plays such an insidious role in people's lives occurred in the HIH Insurance Company in Australia. Clarke, Dean and Oliver (2003)

indicated that the findings of the Royal Commission into the collapse of HIH, Australia's largest corporate collapse, showed that HIH founder and former chief executive, Ray Williams, faced charges of misleading investors, giving away company money and keeping crucial information from the board. They wrote:

> What's a billion or two between corporate friends? The 1980s high priests of corporate finance, now the disgraced entrepreneurs, certainly had no qualms in lending hundreds of millions of dollars to each other. Revelations in the HIH Royal Commission indicate that little may have changed over the subsequent two decades – they refer to alleged corporate largesse with 'other people's money', in the form of a 'river of money' flowing from HIH just prior to its liquation. It was reported in the press that Counsel for the HIH Royal Commission alleged that CEO Ray Williams dished out millions of dollars on executive rewards, bonuses and funding to associates and charities prior to HIH's collapse." (p. 9)

Cahn (2000) writes, "[w]e are so immersed in a money environment that we can no more perceive how it shapes or affects our perception than a fish can imagine that water might distort the world it perceives" (n.p.). It has been suggested that the worship of money has become the secular religion and that people live in an age where money talks and people listen (Lapham, 1998). One might ponder, what it is all for. Skyes (1996) illustrates the impact that the money culture has on people when he writes about Australia's corporate collapses:

> They were bold riders, all right. The corporate cowboys of the 1980s rode our financial landscape as none had done before. They used tiny equity holdings as the basis for huge empires built on debt. They took the savings of Australians, entrusted to our banks, and channelled them into takeovers on a scale that had never been seen before. (p. xv)

One has to reiterate: all for what? Sykes affirms the views held on the money culture when he comments:

> The Eldorado they sought came in many shapes. A mansion with rich furnishings and an art collection was de rigeur. It was usually supplemented by a country estate with equally rich fittings. There were private jets and luxurious boats, strings of racehorses and sleek, high-powered cars. Their wives wore diamonds and – in many cases – so did their girlfriends and mistresses. (p. xv)

As an interesting aside relating to the issue of money, but one which is more related to academic publishing than to the business environment per se, Tinker (2000) states, "[m]oney can't buy you love, but it can buy a piece of the editorial action of a prestigious journal like Accounting Horizons, especially when money materialises as academic labour power." (p. 58) Young (2003) brings out clearly the issues associated with money and power. He writes:

> There are times when we may sell our souls to gain what money promises in the way of power and license. This is especially true in today's culture of consumerism where we have sanctified appetite over character. Money enables us to do what we want. People seek it; they covet it; they even kill for it. Money provides us with discretionary power, easing our ability to turn people and their needs to our use. (pp. 136 – 137)

The issues dealing with money are reinforced by Korten (1998) who writes, "[o]ur present system makes power accountable to money rather than to life" (p. 389), and adds that because people confused the relationship between money and wealth, they have come to embrace policies and institutions that are destroying the real wealth of the planet and society to make money. Soros (1997) argues that people increasingly rely on money as the criterion of value. There is a perception that what is more expensive is considered better, that the value of art can be judged by the price that it fetches and that people deserve respect and admiration because

they are rich. He states, "[W]hat used to be a medium of exchange has usurped the place of fundamental values" (p.4). Furthermore, Soros (1998) writes:

> What I can say with confidence is that the substitution of monetary values for all other values is pushing society toward a dangerous disequilibrium and suppressing human aspirations that deserve to be considered as seriously as the growth of GNP. […] Profit-maximising behaviour follows the dictates of expediency and ignores the demands of morality. Financial markets are not immoral; they are amoral. By contrast, collective decision making cannot function properly without drawing a distinction between right and wrong. We do not know what is right. If we did, we would not need a democratic government; we could live happily under the rule of a philosopher king as Plato proposed. But we must have a sense of what is right and what is wrong, an inner light that guides our behaviour as citizens and politicians. (p. 208)

In addition, Soros asserts that what is happening in society today is that our sense of right and wrong is endangered by our preoccupation with success being measured by money. It therefore appears that it is this money culture that entwines people into the vices of a capitalistic society.

5.3.4   Vices of a Capitalistic Society

This section argues that it is the vices of a capitalistic society that contribute to the never-ending nature of corporate and accounting scandals. Cooper and Deo (2005) argue:

> The process of blame shifting and the rhetoric of attempting to prevent a recurrence of unexpected corporate failures such as One-Tel, Health International Holdings (HIH) in Australia and Enron in United States and Europe's Parmalat, inevitably ensure that the regulatory failures and reform cycle will continue to be "a never ending story". (p. 156)

Percy (in Bruce, 2002) is of the view that there are systemic reasons for corporate failure, based on behavioural issues. He indicates that there is a wider issue than just the reformation of accountants in a crisis. According to Percy, "a culture of integrity in business dealings" (p. 3) needs to be re-established. The EIU (2002) white paper reports that, "[i]n any case, corporate governance is about much, much more than the accuracy of the balance sheet" and "[i]ndeed, except in cases of rudimentary fraud, the balance sheet is just an output of manifold structural and strategic decisions across the entire company, from stock options to risk management structures, from the composition of the board of directors to the decentralisation of decision-making powers" (p.7). Senior management members focus on becoming leaders, in some cases world leaders, in their industry area. The desire to be a leader may tend to outweigh corporate social responsibility issues.

Importantly, however, Smith and Smith (2003) contend that, "If you occupy a position of leadership then your actions profoundly influence those who follow your example" (p. 7). They cited General H. Norman Schwarzkopf's view on the leadership issue: "Leadership is a potent combination of strategy and character. But if you must be without one [strategy or character], be without strategy."(ibid) It can thus be postulated that the strength and conviction of one's character will determine pertinent strategies. Kammler (2002) writes, "[w]hile we are talking of economic performance, another separate discussion is going on about the lamentable loss of our ethical values. Nobody seems to realize the two are connected or, even worse, that the unfettered free market economy is itself destroying our values." (p. 9). Citing Mumford, Kammler argues, "[t]he capitalist scheme of values in fact transformed five of the seven deadly sins of Christianity – pride, envy, greed, avarice, and lust – into positive social virtues, treating them as necessary incentives to all economic enterprise;

while the cardinal virtues, beginning with love and humility, are rejected as bad for business"

(ibid).

Phillips (2002) reinforces this view when he notes that speculative markets and growing wealth also corrupt philosophy and ideology, reshaping them to justify greed and ruthlessness. According to Phillips, the 1980s and 1990s imitated the Gilded Age in intellectual excesses of market worship, laissez-faire and social Darwinism, and notions of commonwealth, civic purpose and fairness have been crowded out of the public debate. According to information sourced from the Library of Congress website, the Gilded Age was the American history period which saw the growth in industry that produced a lot of wealth for a number of businessmen such as John D. Rockefeller (in oil) and Andrew Carnegie (in steel) who became known as robber barons: people who got rich through ruthless business deals and that the Gilded Age got its name from the many great fortunes created during this period and the way of life that this wealth supported.

The privatization of telecommunications and energy entities into profit-making companies illustrates Phillips' argument on civic purpose and fairness adeptly. In the past, these entities were state-owned enterprises, providing essential services to society. Since their privatization and the adoption of a capitalistic business model, the focus of these companies has been to maximize their returns (profits), irrespective of the cost burdens on society. Media reports indicate the suffering of the elderly in the winter months because they cannot afford to turn on their heaters. One wonders about the notions of commonwealth, civic purpose and fairness from these companies. They inform the shareholders (and the government), whom they perceive to be their main stakeholders, that their economic performance is below par if they are not generating millions of dollars in surpluses. To obtain these surpluses, they argue,

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charges on consumers/society need to be increased. Of course, they would not present their arguments in such a manner. Explanations for such fee increases would focus on how onerous a cost it is to provide such essential services. They would argue that if charges were not increased then the quality of the services provided would diminish. However, the ulterior motive for such surpluses must be questioned, especially since society is hurting from such continually increasing charges.

It has been argued that genuine and sustainable reform has to come ultimately from within and not be legislated from outside. Googins (2002) points out that if corporate leaders commit themselves to an honest and deep self-reflection, they will recognize the downsides to the narrow brand of capitalism that has marked recent decades. Schwartz (2002) writes that the deeper, radical truth is that the Enron debacle epitomizes the dangers of the speculative "free market" mania that has resulted in deregulation and the gutting of the public sector in favour of the fool's quest for short-term profit. He also suggests that the other side of speculative profit is speculative bust, the costs of which fall on small investors and workers rather than on corporate executives who are routinely rescued by government bailouts and "golden parachutes". Schwartz further argues that the "Enron collapse is not a footnote to an otherwise healthy global capitalism" but rather that it was "another calamitous product of a deregulated financial system that places all the costs of corporate risk-taking on ordinary citizens and allows the speculative risk-takers to get away with - for them - costless failure" (p. 7). Googins writes, "[w]hat will win back our confidence in big business is not the sight of a chief executive behind bars, but a solid record of companies practicing good corporate citizenship" (p. E4). He explains:

> Years of working with hundreds of companies as they develop their
> citizenship strategies has taught me what citizenship is – and what it isn't.

> Corporate citizenship is not about how a company gives away money. It's about how it makes its money and how it manages its money. Good corporate citizenship is fiscal transparency, the demonstration of a corporate social conscience, and evidence that corporate values are more than pretty words on a framed plaque. Look at Enron. It had an ethics program, standard accounting practices and a code of conduct. It even invested $18 million in minority - and women-owned businesses in what was a truly laudable community economic program. Yet, all of that was choked off by corruption at the core of the company. (p. E.4)

The question arises: why do corporate managers get involved in acts of corruption? Korten (1998) asserts that it is not because they lack morals or that they have no sense of right and wrong. He maintains:

> No. They do it because it is what they are paid to do and they work in a culture of capitalist ideology that says their job is to produce returns to shareholders – governments and society will take care of the rest. Furthermore, it is what business schools train them to do. (p. 395)

Pratt (2002), however, puts forward another notion:

> Organisations can be portrayed as inherently evil, to be resisted and criticised at every turn. Or they can be seen as, for the most part, led by inherently good people who are doing their best to create sustainable wealth and well-being for people, organisations and society with a set of tools and ideas about managing and accounting which are grounded in modernity and ill-suited for a post-modern world. (p. 189)

If accounting and business graduates are equipped with inappropriate tools and ideas about how organisations should operate in the post-modern world, it should come as no surprise that business collapses and accounting scandals continue to happen. Interestingly, Mintzberg, (cited in Cowe, 2002), says that while the current crisis of corporate honesty stemming from

the collapse of giants such as Enron and WorldCom has highlighted the dangers of the US-inspired model of shareholder value, the issue is more fundamental than old-fashioned corruption. He explains that the problem is what he called "honest corruption" (p. 10) and that this referred to a system that allowed companies to damage society within the law and executives to amass untold riches, despite destroying value. This system of honest corruption, known as the "legalistic culture" (EIU white paper, p. 6), is a dominant and controlling factor that prevails in the complex world of commerce.

5.3.5   Legalistic Culture

Increasingly society is being confronted with a legalistic culture that exists in corporations which seem to take the attitude that the law can be interpreted to suit their own ends, that is, in such a manner that if the interpretation says that they are not breaking the law then it is fine for them to carry out the action. This would imply that corporations take a narrow legalistic view when conducting their business; if they are not breaking the law, then apparently everything else is "up for grabs" in business, regardless of the consequences to society. It is of little wonder that business and accounting scandals continue to flourish, despite the reforms by profession and authoritative bodies; today's society is one in which people know how to "get around the law" without actually breaking the law.

An interesting point is raised by Hastings (2002) with regards to the legalistic culture. He notes that since the early 1980s, management styles have become more aggressive over transactions not covered by specific accounting rules. Managers have apparently adopted a permissive approach to accounting treatments and challenge auditors by arguing, "[s]how me where it says I can't" (p. 57). Percy (in Bruce, 2002), who sits on a joint Treasury and Department of Trade & Industry Committee, notes that there were signs that the United States'

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standard-setters would like to move towards the United Kingdom's concept of a principles-based approach rather than a rules-based approach. He also notes that the obsession with legally defined rules in a lawyer-dominated society would make it difficult to prefer substance over form. Davies (also in Bruce) reinforces this view when he observes, "[l]awyers make very good lawyers; they don't make very good accountants" (p. 3). Jones (quoted in Bruce), a national audit technical partner with Deloitte & Touche in London, says, "[i]t will mean more rules linked to a litigious environment" and "more explanation is a better route than more regulators and more rules" (p.3).

Bruce (2002) subsequently points out that in the United States accountants rely on rules which can be pushed to the limit by companies and their lawyers, with the result that accountants will always come off second-best in an argument. He says that the rules-driven approach in the United States means that a partner spends more time at the lower levels of a company dealing with rules rather than in the boardrooms saying, "[t]his won't do" (p.2). Dodsworth (chief executive officer of Camico (California), quoted in Ruquet, 2002), observes that:

> Ultimately, CPAs must exercise their professional judgement and walk away
> from clients "who make them nervous". There are a lot of areas where the
> rules are not hard and fast and require professional judgement. Our advice is
> that if it gets to the point, what they want to do is the right thing and be able
> to say good-bye to a client. (p. 15)

The EIU white paper notes, "[i]ndeed, some argue that it is no coincidence that today's corporate scandals have been centred in a country with a very legalistic culture" (p. 6). Corporate executives will often confront situations that may not be illegal but may be unethical, and in such situations they must decide whether they will act in their personal interest or for the good of society (Johns & Strands, 2000). The scary thing to consider is

whether as educators, are providing the type of education that encourages law and accounting graduates to adopt such capitalistic vices.

5.4   CHAPTER SUMMARY AND CONCLUSIONS

It would appear from the issues raised in this chapter that the driving forces in the legitimation of 'inappropriate' business practices stem from what seems to have become 'acceptable' to society in terms of the corporate values and behaviour, money culture, rewards and vices to corporate executives for capitalistic ventures and the legalistic culture exhibited by both accounting and management professionals within the organisations they are employed in. This final theoretical lenses chapter thus explored the issue of corporate values and behaviour in relation to corporate transparency, the money culture, vices of a capitalistic society and the legalistic culture that prevails in society in an attempt to provide some insights as to why corporate crises and accounting scandals persist. It would appear that the calls for reforms to accounting education and financial reporting standards will not address the underlying issues related to why such scandals continue to occur. One lives in a world that is dominated by money and legalistic cultures; a prevalent societal norm which allows for questionable legitimation strategies and business policies to become formulated and implemented by professionals and businesses.

Another underlying issue relates to the manner in which corporate values and behaviour under the vices of capitalism contribute to the creation of scandals. As the discussion in this chapter shows, capitalism is a widely proclaimed and accepted business practice and therefore a legitimised strategy by which businesses operate in order to bring success not only to themselves but also to their country of domain; China's rapid economic development and growth into becoming a prominent economic power and player in the international markets

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since it opened up to capitalistic business ventures illustrates this point aptly. The issue then is, how can one combat against the 'legitimised corporate values and behaviour' displayed by the individuals within these businesses when their actions again seem 'right' and that their behaviour and actions only become 'wrong' when disastrous misfortunes occur. Can individuals develop resilience and have the moral fortitude to withstand unethical monetary and power/staus gains? Do they have the moral character to withstand the legitimacy whirlpool (see Figure 3.5)? Subsequently, the question arises as to whether one can look to accounting and business education to train graduates who are truly aware of their corporate social responsibilities to society and not just to the people who pay their salaries.

It would appear that there is an urgent need for accounting educators need to instil character in their teaching and training. This is, after all, seemingly the crucial missing factor that contributes to the corporate and accounting scandals and resulting financial crises: the lack of moral character in the participants in the misdeeds that have been happening all over the world. The four theoretical lenses chapters (Chapters 2, 3, 4 and 5) explain why unethical behaviour by accounting (and business) professionals continue in spite of increased calls for ethical educational interventions and improved ethics coverage in their programmes of study. The issues raised in these four chapters highlight what may contribute to ongoing problems in relation to why ethics education is still being perceived as woefully inadequate. Accounting graduates and professional confront a whole array of ethical dilemmas that appear to stem from the recurring themes identified in this chapter. The underlying issues relating to money culture, corporate values and behaviour, capitalistic vices and the narrow legalistic culture focus of corporations all seem to enable the development and utilisation of legitimation strategies that allow for the justification of questionable actions and behaviour by the individuals in these corporations. This suggests that if the personal ethical values of

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individuals were not from high moral standing and if these individuals were not resilient, then they will be drawn into the legitimacy whirlpool to conduct activities that may seem acceptable but are really questionable in their intent.

From the issues raised in the theoretical lenses chapters, the questions for the questionnaire survey and semi-structure interview research instruments were developed in consultation with the supervisors of this project. The questions were designed to capture the perceptions of accounting students and graduates, important stakeholders whose views will allow this research study to find out why, despite the increased ethics coverage in their degree studies, there is the belief held by some that such educational intervention is not important or working. In addition, the cases and illustrations of unethical behaviour by individuals as well as that of questionable corporate behaviour highlighted in these theoretical lenses chapters aided in the development of the hypothetical ethical cases and situations that were used in the questionnaire instrument. However, before the research findings of the questionnaire instrument and semi-structured interviews can be discussed, it is important in the next two chapters to firstly explain the research methodology (Chapter Six) and then subsequently the methodological framework (Chapter Seven) that was developed for this study.

CHAPTER SIX
RESEARCH METHODOLOGY

6.1   INTRODUCTION

This chapter will consider the methodological issues involved for this research study. The purpose of this chapter is to justify the research methodology used in this study to obtain answers to the research questions posed in Chapter One. Chapter Six begins with an explanation of the research process by discussing the paradigms for the major philosophies and theoretical perspectives behind the different ways of conducting research.

The concept of research methodology will then be explained. It is important to identify clearly the methodology issues for this research study in order to understand why the particular research methodological approach and research methods were chosen. Consequently, a section of this chapter will focus on methodological issues in accounting. The section following this discussion will explain the concept of research methods, before investigating the quantitative and qualitative research methods as a prelude to explaining the mixed methods methodological approach adopted in this research.

6.2   RESEARCH PROCESS

In the development of any research project, there needs to be justification of the methodologies and methods that would be used to answer the research questions posed. Ghauri and Gronhaug (2002) write: "[R]esearch is a process of planning, executing and investigating in order to find answers to our specific questions" (p. 3). Mertens (2005) explains that research is a process of systematic inquiry that is designed to collect, analyse, interpret and use data to understand, describe, predict, or control an educational or

psychological phenomenon or to empower individuals in such contexts. Crotty (1998) identified four basic elements for any basic research process as shown in Figure 6.1.

Figure 6.1: The Four Basic Elements of any Research Process

Epistemology What epistemology informs this theoretical perspective?	*Epistemology*: the theory of knowledge embedded in the theoretical perspective and thereby in the methodology.
Theoretical perspective What theoretical perspective lies behind the methodology in question?	*Theoretical perspective*: the philosophical stance informing the methodology and thus providing a context for the process and grounding its logic and criteria.
Methodology What methodology governs our choice and use of methods?	*Methodology*: the strategy, plan of action, process or design lying behind the choice and use of particular methods and linking the choice and use of methods to the desired outcomes.
Methods What methods do we propose to use?	*Methods*: the techniques or procedures used to gather and analyse data related to some research question or hypothesis.

(Adapted and summarised from Crotty, 1998, pp. 2 – 4)

In addition, Crotty indicated that there are several epistemological positions, a number of theoretical stances, many methodologies and almost countless research methods. His attempt to list a representational sampling of each category has been reproduced in Table 6.1. Creswell (2003) explain that the four basic elements or questions put forward by Crotty show the interrelated levels of decisions that go into the process of designing research. He conceptualized Crotty's model to address three questions central to the design of research:

1. What knowledge claims are being made by the researcher (including a theoretical perspective)?
2. What strategies of inquiry will inform the procedure?
3. What methods of data collection and analysis will be used? (p. 5)

Creswell then displayed how the three elements of inquiry; that is, knowledge claims, strategies and methods could be combined to form different approaches to research. His display has been reproduced in Figure 6.2. Creswell explained that the usage of the three elements of inquiry would help a researcher to identify the quantitative, qualitative, or mixed methods approach to inquiry.

It is interesting to note that Saunders, Lewis and Thornhill (2000) added two further elements; a research approach and a time horizon, to the research process put forward by Crotty (1998). According to Saunders, Lewis and Thornhill, the elements of the research process can be put together within a coherent framework that had important layers to peel away. They referred to the process as the research "onion" (p. 84) where the first of the layers of the onion "raises the question of the research philosophy you adopt. The second considers the subject of your research approach that flows from that research philosophy." (p. 84) and the third layer was the research strategy; the fourth the time horizon to be applied to your research and the fifth and final layer was the data collection methods. Their research process onion was adapted by Gray (2004) and represented diagrammatically (see Figure 6.3) to provide a more elaborated research process framework that also encompassed the research elements put forward by Crotty (1998). Gray (2004) indicated that the research process requires researchers to engage at some stage with theoretical perspectives. He noted that research was more than a mere pragmatic activity, and explains: "behind it [research] lies the foundation of academic theories that have emerged through the process of scientific enquiry and investigation over many decades and even centuries." (p. 4).

Table 6.1: Representational Sampling of the Four Basic Elements of the Research Process			
Epistemology	**Theoretical perspectives**	**Methodology**	**Methods**
Objectivism Constructivism Subjectivism (and their variants)	Positivism (and post-positivism) Interpretivism • Symbolic Interactionism • Phenomenology • Hermeneutics Critical inquiry Feminism Postmodernism, etc	Experimental research Survey research Ethnography Phenomenological research Grounded theory Heuristic inquiry Action research Discourse analysis Feminist standpoint research, etc	Sampling Measurement and scaling Questionnaire, Observation • Participant • Non-participant Interview Focus group Case Study Life history Narrative Visual ethnographic methods Statistical analysis Data reduction Theme identification Comparative analysis Cognitive mapping Interpretative methods Document analysis Content analysis Conversation analysis, etc

[Extracted from Crotty, 1998, p. 5]

Figure 6.2: Knowledge Claims, Strategies of Inquiry, and Methods Leading to Approaches and the Design Process
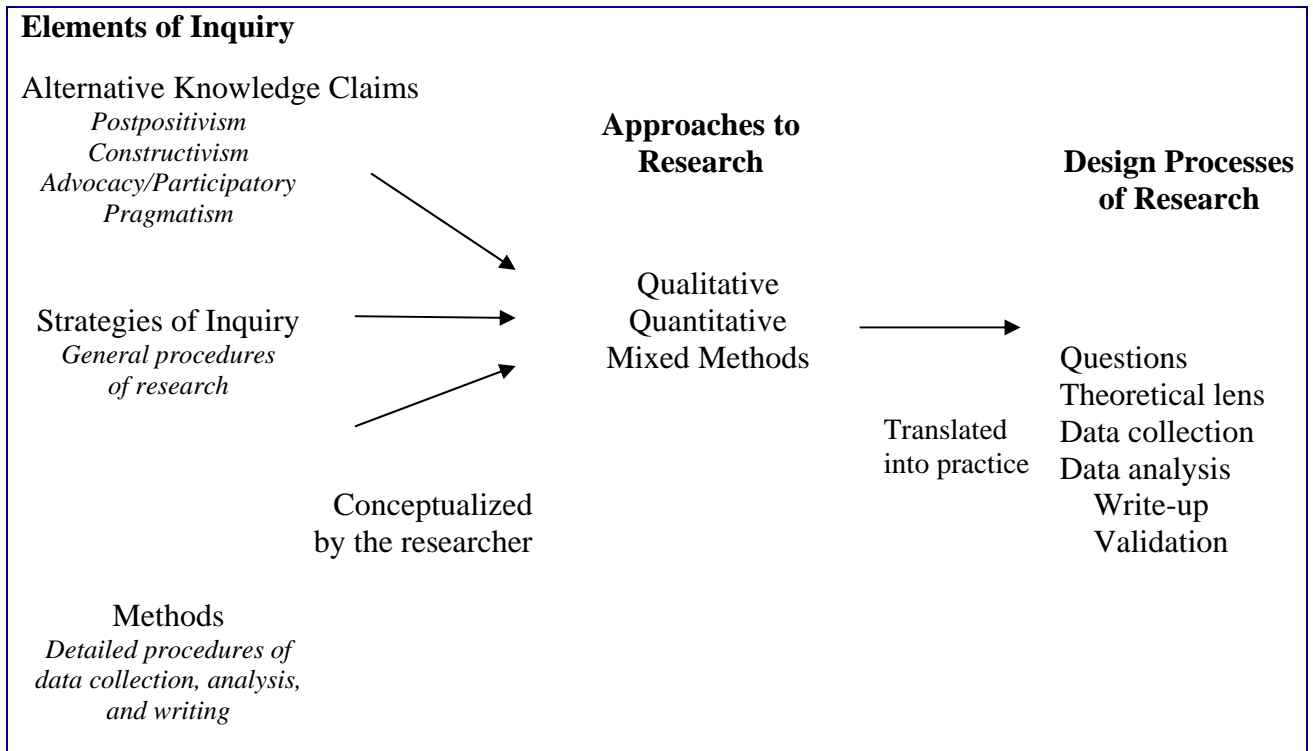
[Adapted from Creswell (2003), p. 5.]

Figure 6.3: The Elements of the Research Process
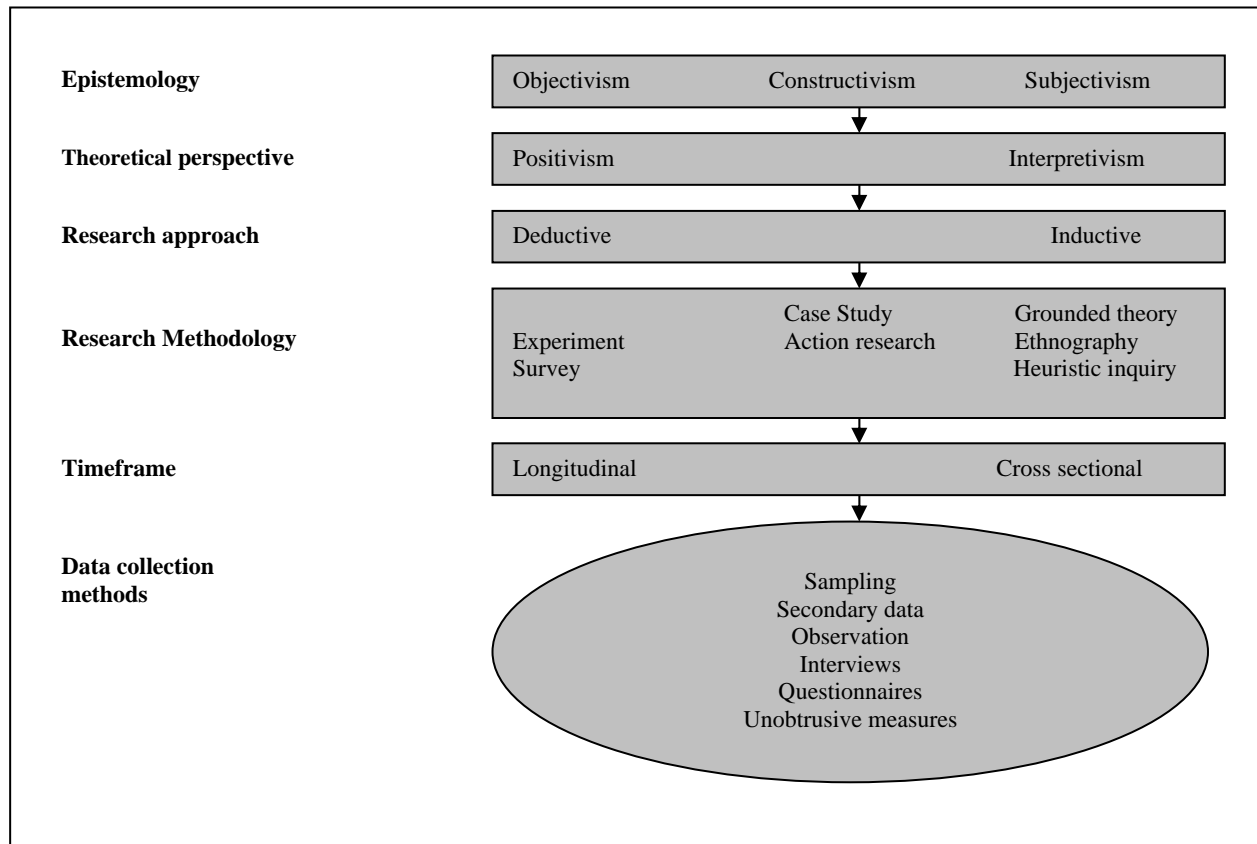
 [Extracted from Gray (2004), p. 30]

Mertens (2005) provides a different approach in her discussion about the researcher and the decisions that the researcher takes in the research process. Her position is that a researcher's theoretical orientation has implications for every decision made in the research process, including the choice of the research method. Mertens emphasises that researchers need to understand the prevailing theoretical paradigms with their underlying philosophical assumptions. She explains that a paradigm is a way of looking at the world and that it is composed of certain philosophical assumptions that guide and direct thinking and action. Mertens summarised the basic beliefs associated with 4 major research paradigms and these have been reproduced in Table 6.2.

Table 6.2: Basic beliefs Associated with the Major Research Paradigms

Basic Beliefs	Positivism/ Postpositivism	Constructivist	Transformative	Pragmatic
Ontology (nature of reality	One reality; knowable within probability	Multiple, socially constructed realities	Multiple realities Shaped by social, political, cultural, economic, ethnic gender, and disability values	What is useful determines what is true; participants perform reality checks by determining increased clarity of understanding
Epistemology (nature of knowledge; relation between knower and would-be known)	Objectivity is important; the researcher manipulates and observes in a dispassionate, objective manner	Interactive link between researcher and participants; values are made explicit; created findings	Interactive link between researcher and participants; knowledge is socially and historically situated	Relationships in research are determined by what the researcher deems as appropriate to that particular study
Methodology (approach to systematic inquiry)	Quantitative (primarily); interventionist; decontextualised	Qualitative (primarily); hermeneutical; dialectical; contextual factors are described	Inclusion of qualitative (dialogic), but quantitative and mixed methods can be used; contextual and historical factors are described, especially as they relate to oppression	Match methods to specific questions and purposes of research; mixed methods can be useful

Extracted from Mertens, 2005, p. 9.

This background discussion of the research process allows researchers to identify the theoretical paradigm that is most suited to their research study. Before developing the methodological framework for this study, however, it is important to look further into the concept of methodology and the methodological approaches in accounting in the next two sections, before discussion of the research design for this study can be embarked on more appropriately.

6.3   METHODOLGY

Webster's Universal Dictionary (1993) defines methodology as "the methods and procedures used by a science or discipline; the philosophical analysis of method and procedure" (p. 340). The Oxford Dictionary of Sociology (1998) defines methodology as the word that is "sometimes used to refer to the methods and general approach to empirical research of a particular discipline or even a particular large study, although the term 'research techniques' is perhaps more apt in this context" (p. 412). A definition provided by Hart (1998) states:

> Methodology is a system of methods and rules to facilitate the collection and
> analysis of data. It provides the starting point for choosing an approach made
> up of theories, ideas, concepts and definitions of the topic; therefore the
> basis of a critical activity consisting of making choices about the nature and
> character of the social world (assumptions). This should not be confused
> with techniques of research, the application of methodology. (p. 28)

It would appear then that methodology is the strategy or architectural design by which the researcher maps out an approach to problem-finding or problem solving. This was the working definition of methodology provided by Buckley, Buckley and Chiang (1976). According to Kandlbinder (2003), "methodology is the underlying theory and analysis of how any research should proceed" and "[i]t provides the guiding principles for determining, among other things, how to choose the techniques used for gathering evidence and why" (p. 1). Coll and Chapman (2000) proposed that the choice of methodology should be driven by the research questions or objectives rather than any preference for a given methodology, and that researchers should consider the use of qualitative or combined methodology means of inquiry particularly "when they wished to ascertain subjective views, such as perceptions of placement experience [with regard to these authors' research on cooperative education], and

when greater depth of inquiry was required" (p. 1). However, it is pertinent to point out Dzurec and Abraham's (1986) view: "[i]nquiry is inquiry, regardless of methodology.

6.4 METHODOLOGICAL APPROACHES IN ACCOUNTING

Imke (in Davey, 1993) said that, ideally, good accounting practice can be explained and justified by good accounting theory except when tradition and expediency rather than order and logic influence the development of practice and, as a consequence, unsound practice may result. Davey (1993) noted, "consequently by the mid 1960s a substantial amount of literature was emerging concerning the nature of accounting knowledge (ontology), the development of knowledge in accounting (epistemology), and the use of scientific and other approaches to assist in knowledge gathering (methodology)" (pp. 2-3). According to Davey, what was needed in accounting literature and research was a wider methodology of the development of knowledge that went beyond the limitations of the scientific approach but which at the same time was able to accommodate the use of that approach through the recognition of the limitations and strengths of the scientific research processes of logic, empiricism and rigour. He stated categorically that:

> The issue for accountants in the future must be to use the scientific approach for the benefits that are clearly available from it, while at the same time recognising that other approaches are also appropriate and the knowledge so derived equally legitimate. (p. 308)

Furthermore, Davey noted that:

> To privilege one approach over another is to lead a life of blinkered myopia, whether it be phenomenology or positivism. To open up the gamut of alternative approaches to knowledge and understanding, and to open up the accounting environment to a more free and empathic debate concerning

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understanding and knowledge must be the call for the future of our

discipline. (pp. 308 - 309)

Davey's view is reinforced by Baker and Bettner (1997) who argued that it would be foolish

to maintain that there will be only one universal theory that effectively explains and predicts

all of the social, cultural and ethical differences observed in the natural and fabricated worlds.

They noted that accounting's essence was best captured through an understanding of the

impact of accounting on individuals, organisations and societies. They concluded that it was

therefore important for accounting researchers to make greater use of interpretative and

critical perspectives as these were better suited to the understanding of accounting's pivotal

role in shaping turbulent society.

Blackburn (1996) while noting that the philosophy of science involved the investigation of

questions that arose from reflection upon science and scientific practice and that for much of

the 20th century, these questions were pursued in a highly abstract and logical framework as it

pre-supposed that a general logic of scientific discovery or justification being found; however,

also noted that many now adopt a more historical, contextual, and sometimes sociological

approach, in which the methods and successes of a science at a particular time are regarded

less in terms of universal logical principles and procedures and more in terms of available

methods and paradigms as well as the social content. The methodologies adopted in this

research study will make use of scientific processes to develop the data that will be analysed

within an interpretative framework. It is important for this investigation that a gamut of

approaches is adopted. For instance, Chua (1986) noted that mainstream accounting was

grounded in a common set of philosophical assumptions about knowledge, the empirical

world, and the relationship between theory and practice. She further noted that this particular

world-view, with its emphasis on hypothetico-deductivism and technical control, possessed

certain strengths; there were, however, restrictions on the range of problems that can be studied, as well as on the use of research methods. Sterling (1972) aptly argues the need to not exclude any research methods:

> *Since the research methods depend upon the questions and since I am*
> *unwilling to place restrictions on questions, it follows that I am unwilling to*
> *place restrictions on methods. I conclude, therefore, that all the research*
> *methods from all of these other disciplines are appropriate for accounting.*
> *To put it another way, the goal of research is to obtain results which will*
> *contribute to our knowledge. The danger of excluding a research method is*
> *that, in doing so, we will be excluding some research results which may*
> *contribute to our knowledge. To avoid this danger, I am unwilling to exclude*
> *any research method, and therefore, I must include all research methods.*
> (p. 3). [Italics as quoted.]

Postmodernist accounting researchers such as Macintosh (1989) questioned the idea that accounting as a meta-narrative was somehow able to represent the economic realities of the enterprise. He proposed instead that accounting was caught up in a pervasive "crisis of representation" (p. 62). Macintosh stated that the traditional role of accounting to represent in the financial statements the economic reality of the enterprise was seen as both futile and impossible. He explained by arguing:

> When this point is grasped, accounting can be seen and analysed as simply
> one more discursive practice and its privileged place in modernity as the
> dominant discourse, "the bottom line", with its idea-ological baggage
> exposed. (p. 62)

More importantly, he highlighted that:

> Accounting's story (account) of organisations – "organisations have goals;
> managers direct resources towards these goals; accounting information helps
> them do so; therefore accounting systems promote goal congruence - they

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> minimise goal incongruent behaviour; the "master" budget represents the
> organisation's plan for achieving these goals" - seems flimsy and ephemeral.
> *In reality, organisations do not "have" goals - only individuals have them, so*
> *the very foundation of management accounting crumbles (Cyert & March,*
> *1964); time and time again research shows that managers work towards*
> *local-centric, personal goals, not meta-goals (Anthony, 1966; Merchant,*
> *1984); and managers use accounting systems for purposes other than for*
> *rational decision making* (Covaleski & Dirsmith, 1986 and 1988; Ansari &
> Euske, 1987; Tinker & Neimark, 1987) (pp. 62 - 63) [emphasis added].

Macintosh also stressed:

> And as Preston's (1986) exhaustive case study shows, it is, in the vernacular
> of the Post, the other side of the énouncé, the subversive side, the
> underground discursive practices of managers that keep them informed. (p.
> 63)

The post-modern critique, according to Macintosh, highlighted the 'dark side' of accounting, information and informing practices. In a sense, this research is about investigating the factors that may or may not influence the "dark" or unethical side of accounting practices. There is a perception (Fulghum, 1986; Cascini, 1993; Tannenbaum, 2004) that ethical educational interventions have no influence upon individuals once they enter the "real world of business". The question thus arises as to the research approaches and methodology that would allow appropriate investigation of this perception. Morgan and Smirich (1980) indicated of the qualitative research approach:

> Qualitative research is an approach rather than a particular set of techniques,
> and its appropriateness derives from the nature of the social phenomena to
> be explored. (p. 491)

Further, Morgan and Smirich noted that researchers need to relax the ontological assumption that the world is a concrete structure and admit that human beings, far from merely responding to the social world, actively contribute to the creation of the social world. This comparative and longitudinal New Zealand study of ethical educational interventions on accounting students and graduates will investigate the contributing factors that may be influential on the manner in which ethical reasoning of these individuals has been derived. Are these students and graduates merely responding to the social world or are they actively involved in the creation of the ethical or unethical social world they find themselves in?

Chua (1986) critiqued Burrell and Morgan's 1979 classification of accounting literature according to two main sets of assumptions about social science and society. For instance, Chua questioned Burrell and Morgan's social science assumptions that included "assumptions about the ontology of the social world (realism v. nominalism), epistemology (positivism v. anti-positivism), human nature (determinism v. voluntarism), and methodology (nomothetic v. ideographic)" (p. 603), and whether the four paradigms derived from these sets of assumptions are essentially flawed. Chua postulated a classification of assumptions based on a theory of human knowledge proposed by Habermas in 1978. According to Habermas (referenced in Chua, 1986), all human knowledge is a social artefact and it is a product of the constituting labour of people as they seek to produce and reproduce their existence and welfare. Chua therefore noted: "[K]nowledge is produced by people, for people, and is about people and their social and physical environment" (p. 603). She also explained:

> Accounting is no different. Like other empirically-based discourses, it seeks to mediate the relationship between people, their needs, and their environment (Tinker, 1975; Lowe and Tinker, 1977). And in a feed-back relationship, accounting thought is itself changed as human beings, their environment, and their perception of their needs change. (p. 603)

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Furthermore, Chua noted that the mutual interaction between knowledge and the human, physical world implied that the production of knowledge was circumscribed by man-made rules or beliefs which defined the domains of knowledge, empirical phenomena and the relationship between the two. Chua thus postulated three sets of beliefs which, according to her, delineated a way of seeing and researching the world. Chua's classification of assumptions have been summarised and presented in Table 6.3. Chua also used these assumptions to assess the strengths and weaknesses of alternative perspectives in accounting. According to Chua, alternative frameworks should be rationally compared so that not only the incommensurable paradigm but also that one's own prejudices can be understood.

Table 6.3: Human Knowledge - A Classification of Assumptions (postulated by Chua, 1986)	
A. Beliefs About Knowledge	*Notion of knowledge.*
Epistemological	These assumptions decide what is to count as acceptable truth by specifying the criteria and process of assessing truth claims.
Methodological	These assumptions indicate the research methods deemed appropriate for the gathering of valid evidence.
B. Beliefs About Physical and Social Reality	*Assumptions about the 'object' of study.*
Ontological	Ontological refers to the general theory of what there is. For instance according to Chua, all empirical theories are rooted in an assumption about the very essence of the phenomena under study.
Human Intention and Rationality	These refer to necessary social science models that explain that all knowledge is intended to be purposive and constituted by human needs and objectives.
Societal Order/Conflict	According to Chua, every social theory makes assumptions about the nature of human society; for instance, whether it is full of conflict or stable and orderly?
C. Relationship between Theory and Practice	*Questions raised:*
Chua raised questions with regard to the relationship between theory and practice. Chua, citing Fay (1975) noted that theory may be related to practice in several ways and that each way represented a particular value position on the part of the scientist.	What is the purpose of knowledge in the world of practice? How may it be employed to better people's welfare? Is it intended to emancipate people from suppression or to provide technical answers to pre-given goals?

The alternative frameworks on mainstream accounting thought, the interpretative perspective and the critical perspective in accounting research which were assessed by Chua (1986), reproduced in Table 6.4, are important frameworks that will be considered in this investigation in the effort to try to understand students' and graduates' perceptions on educational ethical interventions and whether or not they believe that such interventions would have any influence on ethical decision-making.

For instance, with regard to the mainstream accounting assumption on the beliefs of knowledge, this research study uses a quantitative method of data analysis and collection to deduce a generalisation. With regard to the interpretative perspective assumption on knowledge, this research study sought scientific explanations of human intention in order to explain why ethical issues were an increasing concern for society. Finally, the critical perspective assumption of knowledge was used to investigate the influence of educational ethical interventions on students' ethical responses. This perspective indicated that the criteria for judging theories should be temporal and context-bound.

Figure 6.4 illustrates an application of Chua's dominant assumptions as a continuum. If it is assumed that accounting is an objective 'science', as viewed by mainstream perspectives, then the issue of ethics and ethical behaviour plays an unimportant role in the accountant's life. There should be no need for questions on the ethical behaviour of accountants under this perspective. However, as one travels further along the continuum, the issue of subjectivity in reporting a reality would bring along with it issues of ethical dilemmas that confront accountants in their reporting of a socially constructed reality. Subsequently, it was important that this research adopted what is termed as the *mixed methods* methodological approach to obtain answers for the research questions posed for this study.

Table 6.4: Dominant Assumptions on the Alternative Frameworks in Accounting Research
[Reproduced from Chua, 1986, Tables 2, 3 and 4]

Dominant Assumptions of Mainstream Accounting	Dominant Assumptions of the Interpretative Perspective	Dominant Assumptions of the Critical Perspective
A. Beliefs about Knowledge		
Theory is separate from observations that may be used to verify or falsify a theory. Hypothetico-deductive account of scientific explanation accepted. Quantitative methods of data analysis and collection which allow generalisation favoured.	Scientific explanations of human intention sought. Their adequacy is assessed via the criteria of logical consistency, subjective interpretation, and agreement with actors' common-sense interpretation. Ethnographic work, case studies, and participant observation encouraged. Actors studied in their everyday world.	Criteria for judging theories are temporal and context-bound. Historical, ethnographic research and case studies more commonly used.
B. Beliefs about Physical and Social Reality		
Empirical reality is objective and external to the subject. Human beings are also characterised as passive objects; not seen as makers of social reality. Single goal of utility-maximisation assumed for individuals and firms. Means-end rationality assumed. Societies and organisations are essentially stable; "dysfunctional" conflict may be managed through the design of appropriate accounting control.	Social reality is emergent, subjectively created, and objectified through human interaction. All actions have meaning and intention that are retrospectively endowed and that are grounded in social and historical practices. Social order assumed. Conflict mediated through common schemes of social meanings.	Human beings have inner potentialities which are alienated (prevented from full emergence) through restrictive mechanisms. Objects can only be understood through a study of their historical development and change within the totality of relations. Empirical reality is characterised by objective, real relations which are transformed and reproduced through subjective interpretation. Human intention, rationality, and agency are accepted, but this is critically analysed, given a belief in false consciousness and ideology. Fundamental conflict is endemic to society. Conflict arises because of injustice and ideology in the social, economic, and political domains which obscure the creative dimension in people.
C. Relationships between Theory and Practice		
Accounting specifies means, not ends. Acceptance of extant institutional structures.	Theory seeks only to explain action and to understand how social order is produced and reproduced.	Theory has a critical imperative: the identification and removal of domination and ideological practices.

Figure 6.4: The issue of ethical educational interventions under the different perspectives in accounting research

Continuum

| Mainstream accounting | Interpretative perspective | Critical perspective |

Accounting viewed as:
Empirical reality is objective and external to the subject.

Accounting viewed as where:
Social reality is emergent, subjectively created, and objectified through human interaction.

Accounting viewed as where:
Empirical reality is characterised by objective, real relations, which are transformed and reproduced through subjective interpretation.

Issue of ethical educational interventions in accounting

Ethical actions of accountants may not be an issue since it is assumed that the reporting of reality is an objective and neutral one and assumes that rules and regulations are meant to guide and be followed.

Ethical actions of accountants may become an issue since the reporting of reality is a socially created emergent one through human interaction with the environment and might assume that rules and regulations might be interpreted in a subjective manner.

Ethical actions of accountants may become much more of an issue since empirical reality is one affected by real relations that are transformed and reproduced through subjective interpretation and this could be assumed to imply that rules and regulations also undergo much subjective interpretation to produce that reality

The issue of ethical educational interventions may not be that important in such a perspective/view of accountants since it would be assumed that all accountants would act in an objective and neutral manner.

The issue of ethical educational interventions may become important since the subjective creation of a social reality might mean that some accountants can be tempted to 'creatively' interpret rules and regulations and create a different social reality.

The issue of ethical educational interventions becomes more real and significant under the critical perspective. This is because it is assumed that the manner in which the reality is to be reported upon, while it would involve objective and real relations, would be under transformation through subjective interpretation and this latter point can lead to serious concerns for society should accountants 'play up'.

6.5 RESEARCH METHODS

Before explaining research methods, it is important to take heed of the argument put forward by Firestore (1987), who stated:

> Choosing methods [then] is not just a matter of coming at a single truth from different directions. … There are in fact a number of reasons for selecting a methodological approach, but one's decision often expresses values about what the world is like, how one ought to understand it, and what the most important threats to that understanding are. The method selected encourages one to adopt conventions of presentation that advance certain kinds of arguments for the credibility of one's conclusions. (p. 20)

Research methods can be classified in many ways. Myers (1997) noted that the most common distinctions in classifying research methods are between qualitative and quantitative research methods.

Myers explained:

> Research methods have been variously classified as objective versus subjective (Burrell and Morgan, 1979), as being concerned with the discovery of general laws (nomothetic) versus being concerned with the uniqueness of each particular situation (idiographic), as aimed at prediction and control versus aimed at explanation and understanding, as taking an outsider (etic) versus taking an insider (emic) perspective, and so on. (p. 2)

Ghauri and Gronhaug (2002) wrote:

> Research methods refer to systematic, focused and orderly collection of data for the purpose of obtaining information from them, to solve/answer our research problems or questions. The methods are different from techniques of data collection. By methods we mean data collection through historical review and analysis, surveys, field experiments and case studies, while by techniques we mean a step-by-step procedure that we follow to gather data and analyse them for finding the answers to our research questions. (p. 85)

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They illustrated the differences in the emphasis between the qualitative and quantitative

methods and this has been reproduced in Table 6.5.

Table 6.5: The difference in emphasis in qualitative versus quantitative methods

Qualitative methods	Quantitative methods
- Emphasis on understanding - Focus on understanding from respondent's/informant's point of view - Interpretation and rational approach - Observations and measurements in natural settings - Subjective 'insider view' and closeness to data - Explorative orientation - Process oriented - Holistic perspective - Generalisation by comparison of properties and contexts of individual organism	- Emphasis on testing and verification - Focus on facts and/or reasons for social events - Logical and critical approach - Controlled measurement - Objective 'outsider view' distant from data - Hypothetical-deductive; focus on hypothesis testing - Result oriented - Particularistic and analytical - Generalisation by population membership

Source: Ghauri & Gronhaug, 2002, p. 86.

Obsession with the quantitative-qualitative dispute indicates a continued fixation on methods

(House, 1994). House (1994) argues that while methods are important, they should only play

a facilitative role, and that all research methods are "everyday work tools" (p.20).

Furthermore, House argued for the integration of methods and that the investigation of a

complex social reality sometimes leads to the use of multiple research methods. Hedrick

(1994) aptly states: "[D]ebating the merits of qualitative versus quantitative approaches is a

useless endeavour unless we carefully specify terms; once this is done, it is obvious that most

of the approaches are complementary" (p. 45).

Robson (2002) suggests a pragmatic approach to social research would be where researchers

"use whatever philosophical or methodological approach works best for a particular research

problem at issue" and which "leads to mixed-method studies where both quantitative and

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qualitative approaches are adopted" (p. 43). Robson further suggests that pragmatism is itself a philosophical position with a respectable history going back to the work of pragmatists such as Peirce, William James and Dewey who argued that truth was 'what works'. However, it is important to not leave this debate about pragmatism as "what works". To do so would undermine the valuable research contributions in the development of knowledge made by this approach. Tashakkori and Teddlie (2003) note with regards to pragmatism that many dismiss this approach as a "naïve" or even "vulgar" orientation that simplifies highly complex philosophical issue into "what works"; they argue that mixed methods research has evolved to the point where it is a separate methodological orientation with its own worldview, vocabulary and techniques. Importantly they state:

> Mixed methods designs incorporate techniques from both the quantitative and qualitative research traditions yet combine them in unique ways to answer research questions that could not be answered in any other way.
> (p. x)

Reichardt and Rallis (1994), cited in Robson (2002), contended that the pragmatic approach was feasible because the fundamental values of quantitative and qualitative researchers were highly compatible and included beliefs of: "the value-ladenness of enquiry, the theory-ladenness of facts; that reality is multiple, complex, constructed and stratified; and the under-determination of theory by fact (i.e. that any particular set of data is explicable by more than a single theory)" (p. 43).

Tashakkori and Teddlie (2003) put forward the field of mixed methodology as the third methodological movement and claimed that this movement evolved as a result of the discussions and controversies of the quantitative and qualitative research methodologies. They argued that the mixed methodological movement was a pragmatic way of using the strengths

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of both the quantitative and qualitative approaches, and believed that mixed methods design research will be the dominant methodological tools in the social and behavioural sciences during the 21st century. This third methodological movement that began in the 1980s will be discussed in the next section.

6.5.1   Mixed Methods Methodology

The mixed methods research methodology evolved from triangulation. According to Tashakkori and Teddlie (2003), mixed methods design evolved from the notion of "triangulating" the information from different data sources. They argued that triangulation was a technique that emerged first from psychology (with reference to Campbell & Fiske, 1959 who were the first to incorporate multi-methods in a research study) and from sociology (with reference to Denzin, 1978). Furthermore, they argued that triangulation reached its fullest application in applied research areas such as evaluation (using Patton, 1990 as an example) and nursing (with Morse, 1991). Robson indicates that the main advantage of using multiple (mixed) methods is commonly cited as permitting triangulation, and explains:

> Triangulation, in surveying, is a method of finding out where something is by getting a 'fix' on it from two or more places. Analogously, Denzin (1988) suggested that this might be done in social research by using multiple and different sources (e.g. informants), methods, investigators or theories. (p. 371)

Before proceeding further, it is important to highlight that the combination of quantitative and qualitative research methods has been given varying terms by different researchers. For instance, Bryman (2004) terms the research as multi-strategy research; Brewer and Hunter (2006) use the term multimethod research whereas Robson (2002) refers to this approach as using multiple methods and Tashakkori and Teddlie (1998) indicate the terms 'mixed

methods', 'mixed methodology' or 'methodological mixes' as referring to this approach. The next section will discuss the concept of triangulation as a research methodology in order to understand how this evolved into the mixed methods methodological approach.

6.5.1.1   Triangulation

The triangulation research methodology involves the use of different research approaches, methods and techniques in the same study. Ghauri and Gronhaug (2002) stated that while most researchers emphasised one or the other, qualitative and quantitative methods can be combined and used in the same study. Collis and Hussey (2003) suggest that the triangulation approach can overcome the potential bias and sterility of a single-method approach. Triangulation has been defined as the combination of methodologies in the study of the same phenomenon (Denzin, 1970). Ghauri and Gronhaug noted that through triangulation the accuracy of judgements and thereby results from either the collection of data through different methods or even from the collection of different kinds of data on the subject matter of the study can be improved. They also argued that the validity of research is enhanced when data was collected or analysed through the triangulation methodological approach. They used the following illustration to explain their view on the importance of the triangulation methodological approach:

> Three blind men were asked to describe an elephant by touching or feeling only a part of it. We can well imagine what they could have described by touching different parts of an elephant such as a foot, an ear or a trunk. (pp. 181-182).

Subsequently they presented that in many cases, only one method cannot be enough to explain or describe a phenomenon, and that a multi-method approach needed to be used to get the whole reality. They concluded that the main advantage of triangulation was that it would

produce a more complete, holistic and contextual portrait of the object under study. Importantly, Ghauri and Gronhaug stressed that triangulation or the usage of a multi-method approach on the same study object can be useful even if the same results were not obtained. They explained that these different results can still lead to a better understanding or to new questions that can be answered by later research.

Denscombe (1998) wrote that when it comes to the selection of a method for the collection of data, certain research strategies will tend to be associated with the use of certain research methods, and each of the methods has its particular strengths and weaknesses but when it comes to choosing a research method, researchers have to be aware that it is a matter of deciding which is the most appropriate method in practice and not of deciding that one data collection method is superior to all others in any absolute sense. Firestone (1987) stated that the quantitative and qualitative research methods used different techniques of presentation to project divergent assumptions about the world, and different means to persuade the reader of its conclusions. However, he stressed that they were not antithetical, as while the methods presented the reader with different kinds of information, they could be triangulated in order to gain greater confidence in one's conclusions.

Jick (1979), in Firestone (1987), also noted that, when used separately, qualitative and quantitative studies provide different kinds of information but "[w]hen focussed on the same issue, qualitative and quantitative methods can triangulate – that is, use different methods to assess the robustness or stability of findings" (p. 20). Coombes (2001) aptly states:

> It is not written in stone that you may only use one method of research. It
> may be far better to combine several research methods in order to achieve a
> well-balanced and meaningful conclusion. (p. 29)

Jick contended that triangulation had vital strengths, encouraged qualitative methods and allowed the complementary use of quantitative methods. Collis and Hussey (2003) also stated:

> The use of different research approaches, methods and techniques in the same study is known as triangulation and can overcome the potential bias and sterility of a single-method approach." (p. 78)

They explained:

> For example, we might want to ask a number of people to describe a bunch of flowers by using only one of their senses. We could get a perfectly adequate description of the flowers if we asked one person to describe the colour only. But we would get a fuller picture if we asked each person to describe a different aspect, such as the smell, the texture and shape of the petals and leaves, etc. By collecting all these separate impressions we can get a fuller and richer picture of the way the respondents experience the flowers. (p. 78)

The arguments favouring the use of the triangulation approach were reinforced by Denzin (1970) when he defined triangulation as the "combination of methodologies in the study of the same phenomenon" (p. 297). Denzin argued that "the use of different methods by a number of researchers studying the same phenomenon should, if their conclusions are the same, lead to greater *validity* and *reliability* than a single methodological approach" (p. 297).

Four types of triangulation were identified by Easterby-Smith, Thorpe and Lowe (1991), and were cited in Collis & Hussey, 2003:

- Data triangulation, where data is collected at different times or from different sources in the study of a phenomenon

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- Investigator triangulation, where different researchers independently collect data on the same phenomenon and compare the results

- Methodological triangulation, where both quantitative and qualitative methods of data collection are used

- Triangulation of theories, where a theory is taken from one discipline (for example, marketing) and used to explain a phenomenon in another discipline (for example, accounting). (p. 78)

This research study will involve three types of triangulation: data triangulation, methodological triangulation and, to a certain extent, the triangulation of theories. The types of triangulation used in this study are explained diagrammatically in Figure 6.5.

Figure 6.5: Triangulation types used in the study of the ethical educational intervention phenomenon
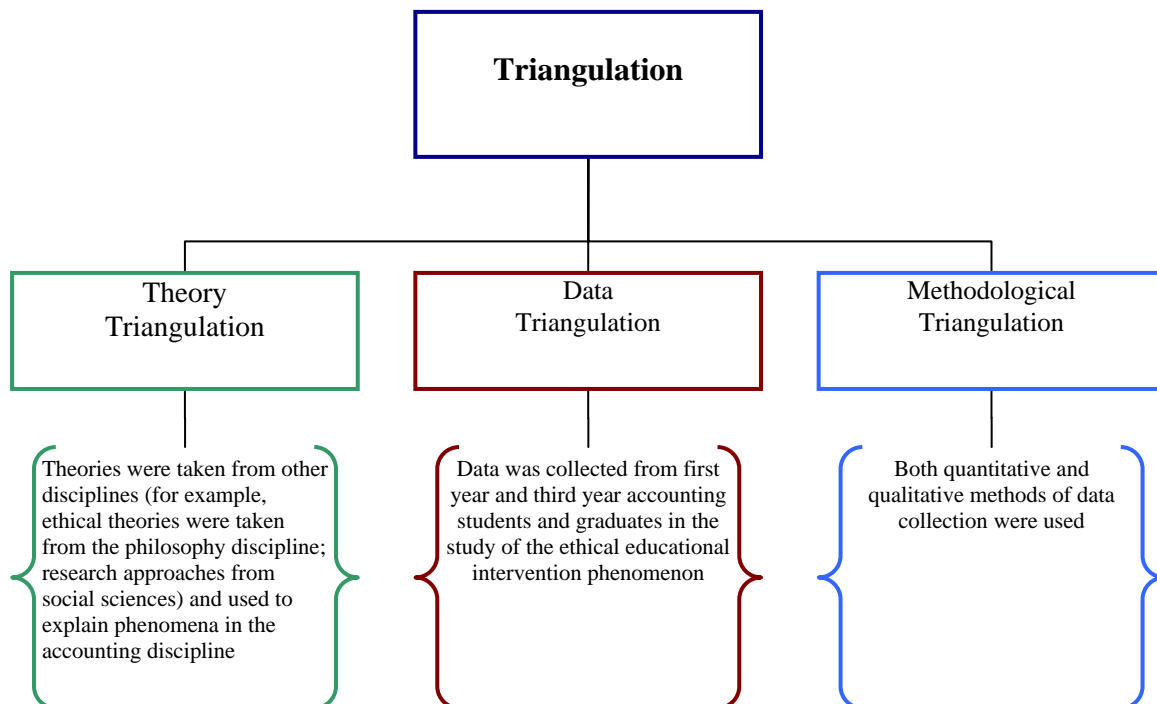
6.5.1.2   The Mixed Methods Methodology Further Explained

It has been indicated that mixed methods offer researchers a number of theoretical and practical opportunities because the fundamental rationale for employing mixed-method research is to address all dimensions of the research question for which the use of either the quantitative or qualitative research methods alone would be insufficient (Lockyer, 2006). Bryman (2006) argued that 'the paradigm wars' could be considered over and wrote that, in general, there is a perception that "by and large quantitative and qualitative research can be meaningfully integrated" (p. 114). According to Bryman, the paradigm wars was a term that "stemmed from a perception of quantitative and qualitative research as distinct and to a large extent competing paradigms based on fundamentally different principles" and that "[t]he use of the term 'paradigm' was frequently taken to entail, following Kuhn (1970), the implication that the two approaches cannot be combined because paradigms are incommensurable" (p. 113). He explains that the view that quantitative and qualitative research is no longer regarded as incompatible is significant for three reasons: (i) it removes any lingering doubts as to whether it is intellectually legitimate to integrate the two methods; (ii) the compatibility view marginalises the epistemological issues and concerns that were at the heart of the paradigm wars; and (iii) the view that quantitative and qualitative research can be combined tends to be associated with an uncoupling of research methods from philosophical positions.

Morgan (2007) advocates the "pragmatic approach" as a new guiding paradigm in social science research, as a basis for supporting work that combined qualitative and quantitative methods. Table 6.6 provides a simple summary of the framework proposed by Morgan where he contrasted the two most common methodological stances (qualitative and quantitative research) in the social sciences with the pragmatic approach. In explaining the "connection of theory and data" (see Table 6.6), Morgan argues that while the distinction between induction

and deduction shows up in almost every methods textbook as one of the key features that distinguishes qualitative and quantitative research, "any experienced researcher knows that the actual process of moving between theory and data never operates in only one direction" (p. 70). According to Morgan, the pragmatic approach is to use a version of abductive reasoning which moves back and forth between induction and deduction by firstly converting observations into theories and then assessing those theories through action. Morgan contends that one of the most common uses of this type of reasoning is to further a process of inquiry that evaluates the results of prior inductions through their ability to predict the workability of future lines of behaviour. He further states that the inductive results from a qualitative approach could serve as inputs to the deductive goals of a quantitative approach, and vice versa.

Table 6.6: A Pragmatic Alternative to the Key Issues in Social Science Research Methodology

	Qualitative Approach	Quantitative Approach	Pragmatic Approach
Connection of theory and data	Induction	Deduction	Abduction
Relationship to research process	Subjectivity	Objectivity	Intersubjectivity
Inference from data	Context	Generality	Transferability

[Table reproduced from Morgan, 2007, p. 71]

In explaining "intersubjectivity", Morgan argues that the usual forced dichotomy between subjective and objective is an equally forced artificial summary of the relationship between the researcher and the research process, and that any practising researcher has to work back and forth between various frames of reference. He thus argues that, with a pragmatic approach, there is no problem in asserting both that "there is a single "real world" and that all individuals have their own unique interpretations of that world" (p. 72). Morgan explains:

> From a methodological point of view, this suggests a "reflexive" orientation where we pay more attention to the social processes that produce both consensus and conflict with our field by asking the following questions: Which aspects of our beliefs about research are in contention and which are widely shared, and how do issues make the transition back and forth between these statuses? (p. 72)

The idea of "transferability" in Morgan's framework of the pragmatic approach is where he argues that the need to choose between a pair of extremes, that is, where research results are either completely specific to a particular context or an instance of some generalised set of principles, should be rejected. He advocates transferability as arising from a solidly pragmatic focus on what people could do with the knowledge they produce and how much existing knowledge might be usable in a new set of circumstance. Morgan concludes his arguments for a pragmatic approach by indicating that the great strength of this approach to social science research methodology was due to its emphasis on the *connection* [emphasis added] between epistemological concerns about the nature of the knowledge that are produced and technical concerns about the methods that are used to generate that knowledge.

Creswell sums up the discussion on the mixed methods approach aptly when he wrote: "[T]hus, for the mixed methods researcher, pragmatism opens the door to multiple methods, different worldviews, and different assumptions, as well as to different forms of data collection and analysis in the mixed methods study" (p. 12). Referring to Cherryholmes (1992) and Murphy and Rorty's (1990) research studies and his own interpretations of their work, he writes that pragmatism provides a basis for the following knowledge claims:

> 1. Pragmatism is not committed to any one system of philosophy and reality. This applies to mixed methods research in that inquirers

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draw liberally from both quantitative and qualitative assumptions when they engage in their research.

2. Individual researchers have a freedom of choice. They are "free" to choose the methods, techniques, and procedures of research that best meet their needs and purposes.

3. Pragmatists do not see the world as an absolute unity. In a similar way, mixed methods researchers look to many approaches to collecting and analysing data rather than subscribing to only one way (e.g., quantitative or qualitative).

4. Truth is what works at the time; it is not based in a strict dualism between the mind and a reality completely independent of the mind. Thus, in mixed methods research, investigations use both quantitative and qualitative data because they work to provide the best understanding of a research problem.

5. Pragmatist researchers look to the "what" and "how" to research based on its intended consequences – where they want to go with it. Mixed methods researchers need to establish a purpose for their "mixing," a rationale for the reasons why quantitative and qualitative data need to be mixed in the first place.

6. Pragmatists agree that research always occurs in social, historical, political, and other contexts. In this way, mixed methods studies may include a postmodern turn, a theoretical lens that is reflexive of social justice and political aims.

7. Pragmatists believe (Cherryholmes, 1992) that we need to stop asking questions about reality and the laws of nature. "They would simply like to change the subject" (Rorty, 1983, p. xiv). (p. 12)

It would thus appear that the debates on methodological approaches have now led to the acceptance and wide-spread use of this third methodological movement, with such groups of researchers designating themselves as pragmatists.

6.6   **CHAPTER SUMMARY AND CONCLUSION**

This research study involves researching the issue of educational ethical interventions and accounting students' and graduates' perceptions on the importance of educational interventions and whether ethical decision-making would be influenced by such interventions. It was therefore important in this methodology chapter to review the methodological perspectives generally and, in the accounting literature, to identify the research approach that needs to be taken to find answers to the questions raised in this study.

The literature review on research processes, methodology, methodological approaches in accounting and research methods was important in guiding the researcher to firstly critique and then adopt the methodological approach that will help develop the findings for this project. From the literature review conducted in this chapter it was decided that this research study should adopt a pragmatist and mixed method methodological approach to obtain answers for the research questions asked in this study on the issue of ethical educational interventions upon accounting students' and graduates' ethical decision-making. The methodological framework developed for this study will be explained more fully in the next chapter.

CHAPTER SEVEN
METHODOLOGICAL FRAMEWORK FOR THIS RESEARCH STUDY

7.1   INTRODUCTION

This chapter will explain the methodological framework, research design and methods used to understand and obtain knowledge from this study into ethical educational interventions. The seven phases highlighted by the research design will explain the overall strategy used for gathering the information to answer the research questions posed in this investigation. In addition, the mixed methods approach that utilised the quantitative and qualitative research methods in this study to develop a deeper understanding of accounting students' and graduates' perceptions of the importance of ethics education will be discussed in this chapter.

7.2   METHODOLOGICAL FRAMEWORK

From the literature review of research methodology, research processes and methodological approaches in accounting in Chapter Six, it was decided that, in order for the researcher to find answers posed by the research questions of this exploratory study, a pragmatic paradigm was required. This theoretical paradigm was deemed most appropriate for this study as it would allow the researcher to use both the quantitative and qualitative data provided by the participants. The research study therefore employed mixed methods through the use of multiple data sets (first year accounting students, third year accounting students and accounting graduates), theory triangulation [legitimacy theory (organisational theories), ethical theories (philosophy), research theories (in particular from the social sciences) and accounting theories] and multiple modes of analysis (both quantitative and qualitative). The use of a mixed methods research approach to analysis allows the researcher to draw out a richer, broader and more in-depth analysis on the issue of ethical educational interventions in the accounting tertiary curriculum. The research design employed in this research is provided

in Figure 7.1. Each of the phases of the research design will now be explained to give an understanding of the methodological framework adopted for this study.

7.2.1   Phase One of the Research Design for this Study:

The purpose of Phase One of the research design was to develop theoretical lenses to identify issues related to the research topic on ethical educational interventions. Creswell (2003) explains that mixed methods research may contain a theoretical lens that guides the entire study. However, for this mixed methods study, it was not just one theoretical lens that the researcher had to look to for guidance, but a series of theoretical lenses because of the complex nature of the study that was exploring not only the perceptions of accounting students and graduates and related ethical issues and behaviour but also the adequacy of ethical educational interventions. To develop these series of theoretical lenses, literature reviews were conducted in four important areas relating to accounting/business ethics education, legitimacy theory, ethical theories and factors contributing to accounting scandals. Chapter Two conducted a literature review on accounting and ethics education in an attempt to find out what emphasis researchers were placing on the importance of having ethical education interventions, with particular interest on accounting students and graduates due to the research focus of this study.

To provide a better understanding of what may drive the ethical/unethical behaviour of individuals; Chapter Three looked at the issues raised under legitimacy theory as it is argued in this study that the legitimation strategies developed by individuals within organisations enable questionable behaviour to become 'acceptable' and 'right'. Chapter Four explored ethical theories, focussing in particular on the theories identified from the philosophy disciplinary area. To link the ethical theories to the ethical/unethical behaviour of individuals

working in commercial/business type environment, the chapter also reviewed the concept of business ethics. This section of the chapter was important as it would help identify why individuals might be driven to act in certain ways in business situations.

Chapter Five reviewed research literature on corporate collapses and accounting scandals in an effort to identify and explain the underlying factors that contribute to such collapses and scandals. In a way, the researcher is presenting her arguments that these corporate collapses and accounting scandals result more from the unethical behaviour of the individuals involved in these situations, than from the inanimate object of the 'corporate' or 'accounting firm' that is often referred to when these crisis situations occur in society. For this reason, it is the unethical behaviour of individuals that one should be focussing more on when one wonders why misdeeds continue to happen in spite of a more educated society.

Together these four chapters in Phase One helped the researcher to develop the theoretical lenses to guide the study. To date, and to the researcher's knowledge, there has been no extensive research study conducted into how future accountants and corporate executives (that is, accounting students) view the influence of ethical educational interventions on their ethical behaviour when faced with the complexity of business practices and the use of legitimation strategies for questionable activities in the real business world.

Figure 7.1: Research Design for Ethical Interventional Education Research Study
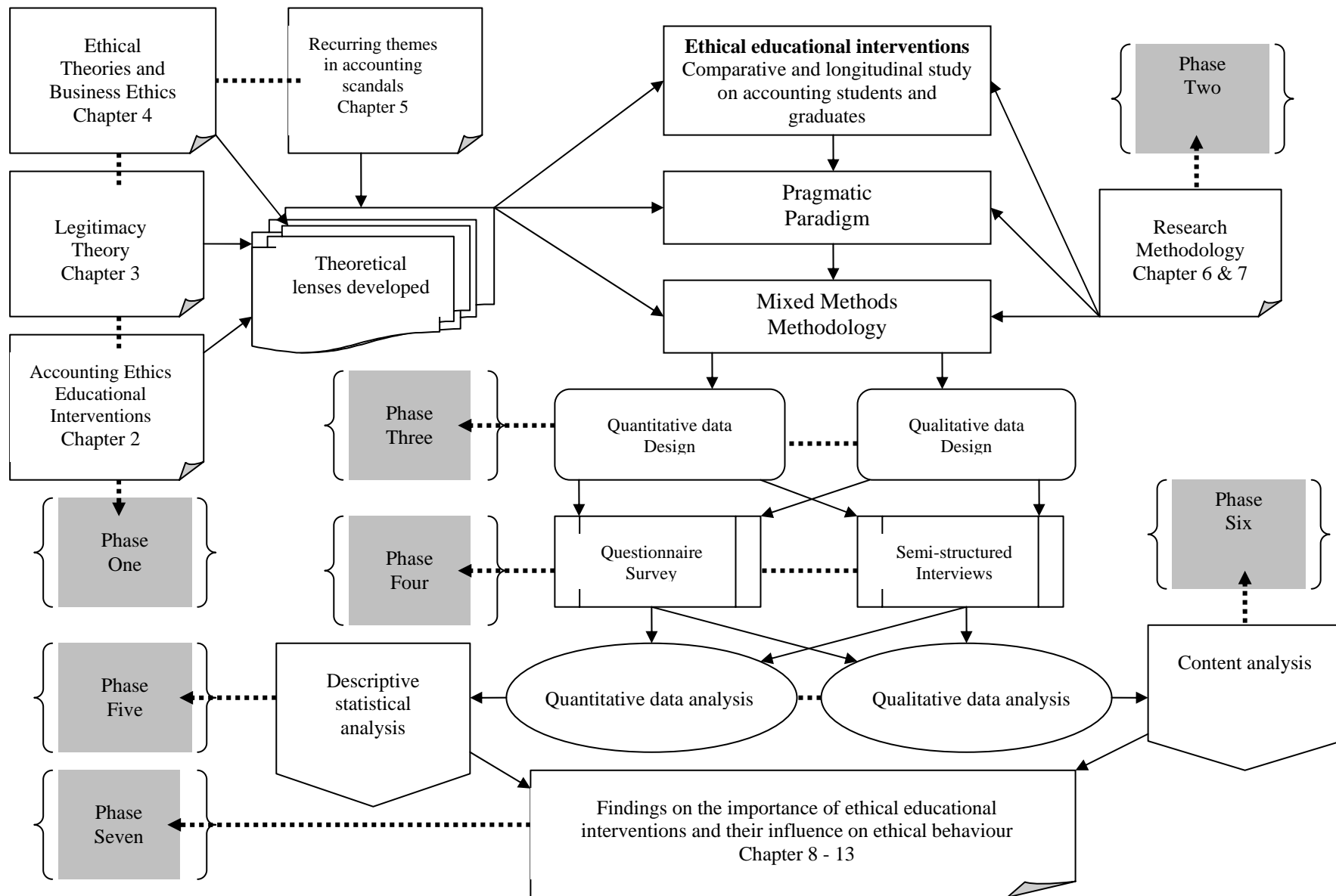
7.2.2   Phase Two of the Research Design for this Study:

Using the theoretical lenses developed in Phase One of the research design, Phase Two had to identify the methodological approach that would help the researcher find answers to the research questions posed in this exploratory study. The methodological chapter had to help clarify methodological approaches and research methods available to the researcher to research the phenomenon of ethical educational interventions on accounting students and graduates from a New Zealand perspective. Initially the chapter reviewed the general methodological approaches available, before focussing on literature that identified the methodological approaches suited for research in the accounting disciplinary area. It was identified in this phase that a mixed methods methodology approach would help the researcher to find answers to the issues raised in this exploratory study.

7.2.3   Phase Three of the Research Design for this Study:

From Phase Two, it was identified that quantitative and qualitative research methods were to be used to derive findings for this exploratory study. This meant that quantitative and qualitative data had to be collected from accounting students and graduates to answer the research questions posed. This phase of the research design looked at the design of the instruments that would gather quantitative and qualitative data from the research samples of the study. Patton (2002) explains that research and evaluation studies employ multiple methods; including combinations of qualitative and quantitative data are common and that:

> At the simplest level, a questionnaire or interview that asks both fixed-choice (closed) questions and open-ended questions is an example of how quantitative measurement and qualitative inquiry are often combined. (p. 5)

It was decided that quantitative data were to be collected using the questionnaire survey instrument and the semi-structured interview schedule (See Appendix I) that were developed specifically for the samples of this study. However, the questionnaire survey instrument and semi-structured interview schedules were designed in a manner that also allowed for qualitative data to be collected from the same samples in the exploratory study. In certain parts of the questionnaire survey instrument and the semi-structured interview schedules, participants in the research study were encouraged to explain further their responses. These additional explanations by the participants would allow the researcher to make a more in-depth qualitative, that is, interpretative type analysis of their individual explanations, as well as to identify whether other participants had the same opinions with regards to the issues raised. This research strategy can be validated by Robson (2002) who explains:

> Multiple methods can also be used in complementary fashion to enhance interpretability. For example, in a primarily quantitative study, the interpretation of statistical analyses may be enhanced by a qualitative narrative account. Conversely, a qualitative account may be the major outcome of a study, but it can be enhanced by supportive quantitative evidence used to buttress and perhaps clarify the account. (p. 371)

In addition, in the development of the questionnaire instrument and semi-structured interviews, recent accounting graduates as well as colleagues were approached to review the questions and hypothetical ethical cases and situations. This process provided valuable feedback which saw some amendments being made to the initial questions. The process therefore helped to remove any ambiguity in the questions and allowed for better clarity of the issues being addressed. This review process resulted in more valid and relevant research instruments to be used in the study.

7.2.4   Phase Four of the Research Design for this Study:

The first stage of Phase Four involved the distribution of the questionnaire survey instrument to first and third year accounting students and to accounting graduates in accountancy firms, the purposeful samples selected for this research study. These first and third year accounting students' purposeful samples can also be viewed as convenience type sampling. Convenience sampling is where participants in the study are chosen because of their ready availability (Mertens, 2005) to the researcher.

The first and third year accounting students were from the same university where the researcher for this study was based. The participants for the accounting graduates sample were randomly selected by the contact person (a previous graduate of the university offered to distribute and collect the completed questionnaire. This was decided in consultation with the supervisors of this project as the best means to ensure that there would be a higher percentage of responses) within the accounting firms in the New Zealand cities of Wellington, Hamilton and Auckland.

The participants for the semi-structured interviews were randomly selected from the class list of the first and third year accounting students in the year in which the questionnaire survey was conducted. In the case of accounting graduates, participants had to complete a form provided separately in the questionnaire survey indicating whether or not they wished to take further part in this study. It was decided to follow this procedure as otherwise it would have been difficult to obtain accounting graduate participants for the semi-structured interviews.

7.2.5   Phase Five of the Research Design for this Study:

Phase Five involved quantitative data analysis of the data collected. Data was inputted into the SPSS data package. The application of this electronic data package allowed for the rapid and easy generation of descriptive type statistical data. The quantitative data generated was used to explain the key findings resulting from the analysis conducted on the information provided by participants of the research study.

7.2.6   Phase Six of the Research Design for this Study:

Qualitative data analysis was subsequently applied to the data collected. All additional explanations to the questions in the questionnaire survey instrument and the semi-structured interviews provided by first and third year accounting students and by accounting graduates were collated. Content analysis was applied to the explanations in order to find out the number of incidences when key issues were appearing in the participants' explanations. This would allow the researcher to identify what the key issues were for the participants from the different samples before they were correlated to find out if the same issues existed for all the different samples studied.

7.2.7   Phase Seven of the Research Design for this Study:

Phase Seven of the study involved triangulating the findings of the quantitative data analysis and the qualitative data analysis. Essentially this triangulation would highlight what the issues are with regards to ethical educational interventions for accounting students and graduates. It was envisaged that this triangulation of finding would help the researcher set out the conclusions and recommendations for this study.

7.3   MIXED METHOD APPROACH

This study conducted a comparative and longitudinal study on accounting students and graduates' responses to hypothetical ethical cases and situations in order to ascertain their perceptions of the importance of ethical educational interventions and the extent to which they thought such interventions in accounting education would influence ethical behaviour. The comparative study commenced with quantitative data analysis of the questionnaire survey instrument and semi-structured interviews conducted on first and third year accounting students and accounting graduates. The longitudinal study involved analysing the responses provided by first year accounting students when they were initially interviewed and subsequently when they were interviewed again in their third year of studies.

Following on from the quantitative data analysis, a qualitative data analysis approach was taken to the responses, views and explanations provided in the questionnaires and semi-structured interviews. The expressed views and explanations provided in the interviews were contextualized to identify any common perceptions held by students and graduates with regards to their responses on accounting ethical intervention education and its importance on ethical behaviour. The findings from both the quantitative data analysis and qualitative data analysis were then triangulated to provide overall findings for this research study.

Figure 7.2 summarises the manner in which the questionnaire survey on accounting students and graduates was analysed. Figure 7.3 summarises the manner in which the semi-structured interviews part of the study was analysed. It is important to remember that in discussing the quantitative data findings, the researcher, while separating the data analysis into quantitative and qualitative data analysis sections, has also applied some qualitative narrative interpretations to the quantitative data collected. The analysis approach taken by the

researcher in this study was explained under Section 7.2.3: Phase Three of the Research

Design for this Study.

Figure 7.2: Questionnaire Survey - Comparative Study on Accounting Students and Graduates
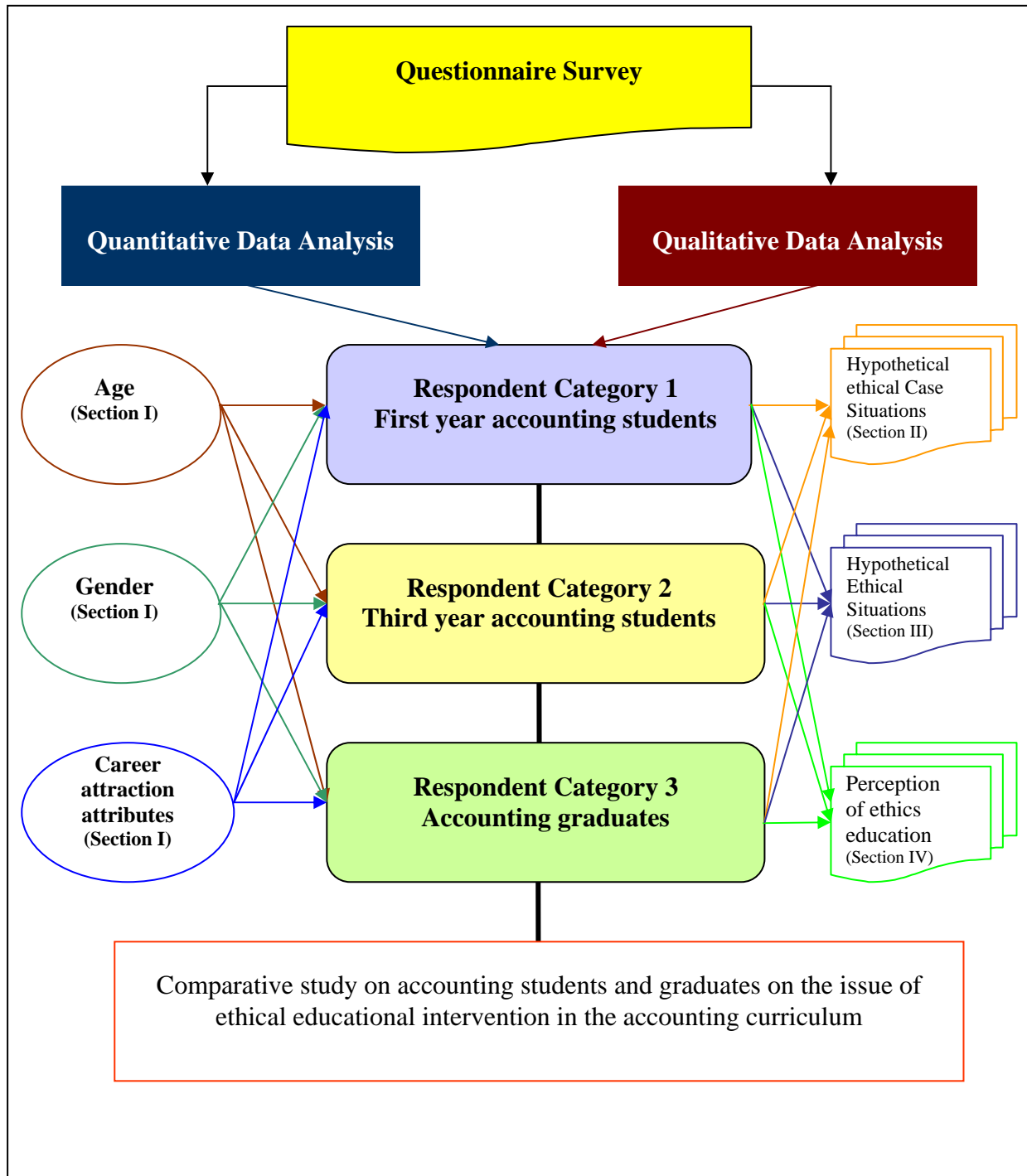
Figure 7.3: Semi-structured Interviews with Accounting Students and Graduates

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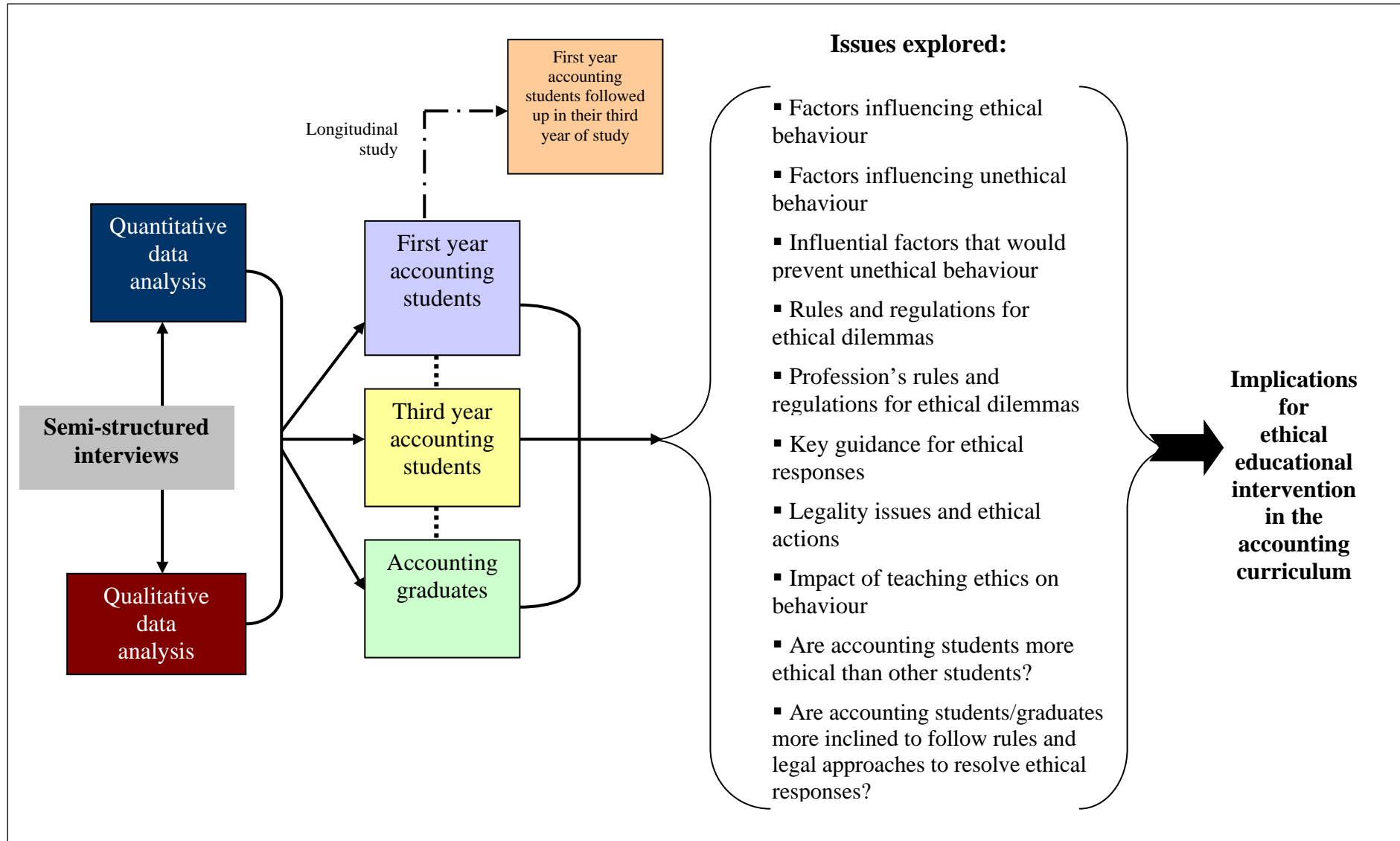
7.3.1 Quantitative Data Analysis

This section will discuss the quantitative data analysis conducted on the participants taking part in this study. The quantitative data analysis will use statistical models to explore the ethical educational intervention phenomenon with regards to the responses provided by accounting students and graduates. Field (2005) explains this important use of statistical models succinctly:

> In the social sciences we are usually interested in discovering something about a phenomenon that we assume actually exists (a 'real-world' phenomenon). These real world phenomena can be anything from the behaviour of interest rates in the economic market to the behaviour of undergraduates at the end-of-exam party. Whatever the phenomenon we desire to explain, we seek to explain it by collecting data from the real world, and using these data to draw conclusions about what is being studied. As statisticians our job is to take the available data and to use them in a meaningful way and this often involves building statistical models of the phenomenon of interest. (p. 1)

The statistical models employed in this study will involve descriptive statistical methods in order to derive important findings on the issue of ethical educational interventions. The quantitative data analysis used the SPSS (Statistical Package for the Social Sciences) to obtain empirical findings from the questionnaire survey and interview questions. In reviewing the empirical findings from the quantitative data analysis, the researcher has applied a mixture of research methods within the quantitative data analysis sections. As explained earlier in Chapter 6, Morgan (2007) argues that any practising researcher has to work back and forth between various frames of reference and that, in a pragmatic approach, there is no problem with asserting both that there is a single "real world" and that all individuals have their own unique interpretations of the world. It is this approach that is used in the data analysis in this study. It is envisaged that this type of approach, which has applied an interpretative narrative

account within the quantitative data analysis section, will provide a richer discussion as well as add more breadth and depth to the analysis being conducted.

7.3.1.1   Descriptive Statistics of Questionnaire Survey

Descriptive statistics, or what is also called exploratory data analysis, organise and describe the characteristics of data collected. Accordingly, the descriptive statistics discussed in this section will summarise and make understandable the data that was collected for this research study. Initially, descriptive statistics were applied as a univariate (single variable, for example, gender of respondent or age category of respondent) analysis on the demographics sections of all three categories of respondents. Bivariate (two variables) analysis was then conducted on other data sections. One of the main objectives of any research study would be to find out if there are any relationships between variables. For example, is more ethical education intervention related to better ethical decision-making and behaviour of individuals?

Bivariate statistical analysis attempts to build up a more complex picture of the data collected by linking variables together to see if there is a relationship among them. For this study, cross tabulation analysis was conducted. For instance, cross tabulation analysis was conducted on the hypothetical ethical situations discussed in Chapter Ten. Argyrous (2005) explain that a theoretical model is an abstract depiction of the possible relationships among variables. The theoretical model explored in this chapter was whether or not there was any direct relationship between the 'Yes' and 'No' independent variables and the likelihood percentages (dependent variables) that the respondents' peers would also act ethically or unethically in the situation. The cross tabulation for the different hypothetical ethical situations will be presented graphically in Chapter Ten. The graphs were analysed to capture any possible relationships

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that may exist between the dependent and independent variables. The cross tabulation graphs thus show the joint frequency distribution for the two variables.

7.3.2   Qualitative Data Analysis

The responses provided to the open-ended questions in both the questionnaire instrument and semi-structured interview schedules were collated for qualitative data analysis. The researcher's intention in requesting participants of the study to "explain" the reasoning for their choice of responses to the provided questions in both the questionnaire instrument and semi-structured was to gain a better understanding of why participants might have chosen particular responses. Gray (2004) explains that the researcher's role in qualitative research "is to gain a 'holistic' or integrated overview of the study" (p. 320) and that this includes the "perceptions of participants" (p.320). This view is reinforced by Patton (2002) who highlights that the purpose of gathering responses to open-ended questions is to enable the researcher to understand and capture the points of view of other people. He writes:

> Direct quotations are a basic source of raw data in qualitative inquiry,
> revealing respondents' depth of emotion, the ways they have organised their
> world, their thoughts about what is happening, their experiences, and their
> basic perceptions. (p. 21)

In order to understand the approach taken to the qualitative data analysis for this study, one needs to appreciate that the process of qualitative data analysis can take many forms (Maykut and Morehouse, 1994) and that while qualitative analysis transforms data into findings, no formula exists for that transformation (Patten, 2002). According to Maykut and Morehouse (1994); "[O]ne of the defining characteristics of qualitative research is an inductive approach to data analysis" (p. 126). They explain that in the inductive approach to data analysis, data are collected to a focus of inquiry and what becomes important to analyse emerges from the

data itself, through a process of inductive reasoning. An inductive approach was therefore taken in this study when conducting the qualitative data analysis. Creswell (2003) provides an explanation of the logic that can be used in a qualitative study and this has been reproduced in Figure 7.4.

However, it is important to note there are no precise or agreed-on terms that describe varieties and processes of qualitative analysis (Patton, 2003). Gray (2004) illustrates the relationship among data collection, data reduction, data display, the drawing of conclusions and the verifying of data as an interactive process. He explains:

> Analysis does not necessarily occur sequentially after data collection, but simultaneously with it and involves the teasing out of patterns, themes and groupings in the data. This is part of *data reduction* through which the sheer volume of data is reduced and made not only more manageable but more coherent. Further data gatherings may then ensue where more evidence of these patterns and themes is sought. Finally, in drawing conclusions, attempts are made to find consistencies in these themes and patterns so that generalisations can be drawn and compared with the relevant body of constructs and theories for verification. (p. 321)

In comparing Gray's interactive model of qualitative data analysis to Creswell's inductive logic of research in a qualitative study (see again Figure 7.4), one is able to comprehend why Patton explains that there are no precise or agreed-on terms that describe processes of qualitative analysis. While appearing to explain different approaches, the two researchers, are possibly explaining the same processes for a qualitative research study. Hesse-Biber & Leavy (2006) provide yet another version of steps that can be followed for qualitative data analysis (see Figure 7.5).

Figure 7.4: Qualitative Research Processes
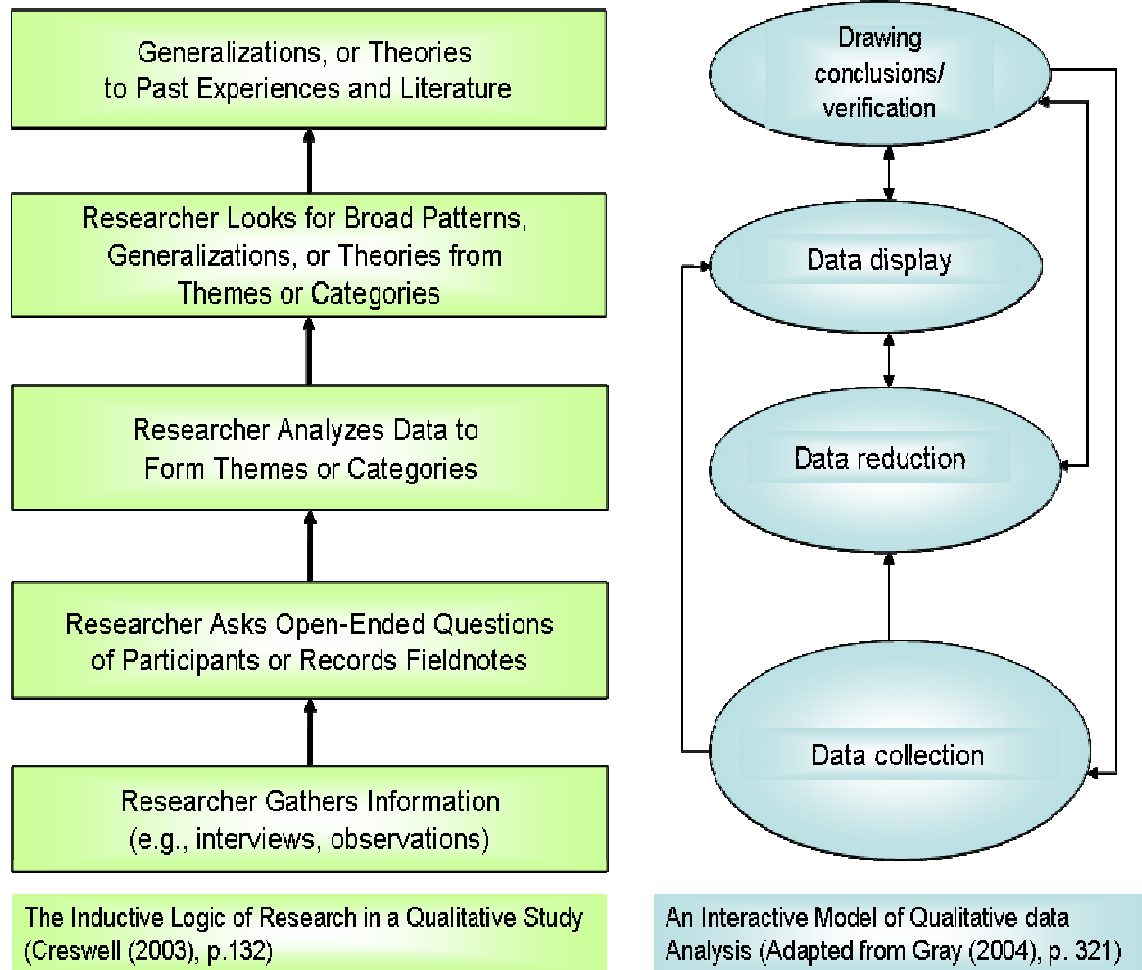
In addition to these seemingly different but arguably similar portrayals of qualitative research processes, Patton adds a further dimension to this discussion on processes. He explains that content analysis is sometimes referred to as "searching texts for recurring words or themes" (p. 453) and that, more generally:

> Content analysis is used to refer to any qualitative data reduction and sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings. … The core meanings found through content analysis are often called patterns or themes. (p. 453)

Figure 7.5: Steps in Data Analysis and Interpretation: A Visual Model
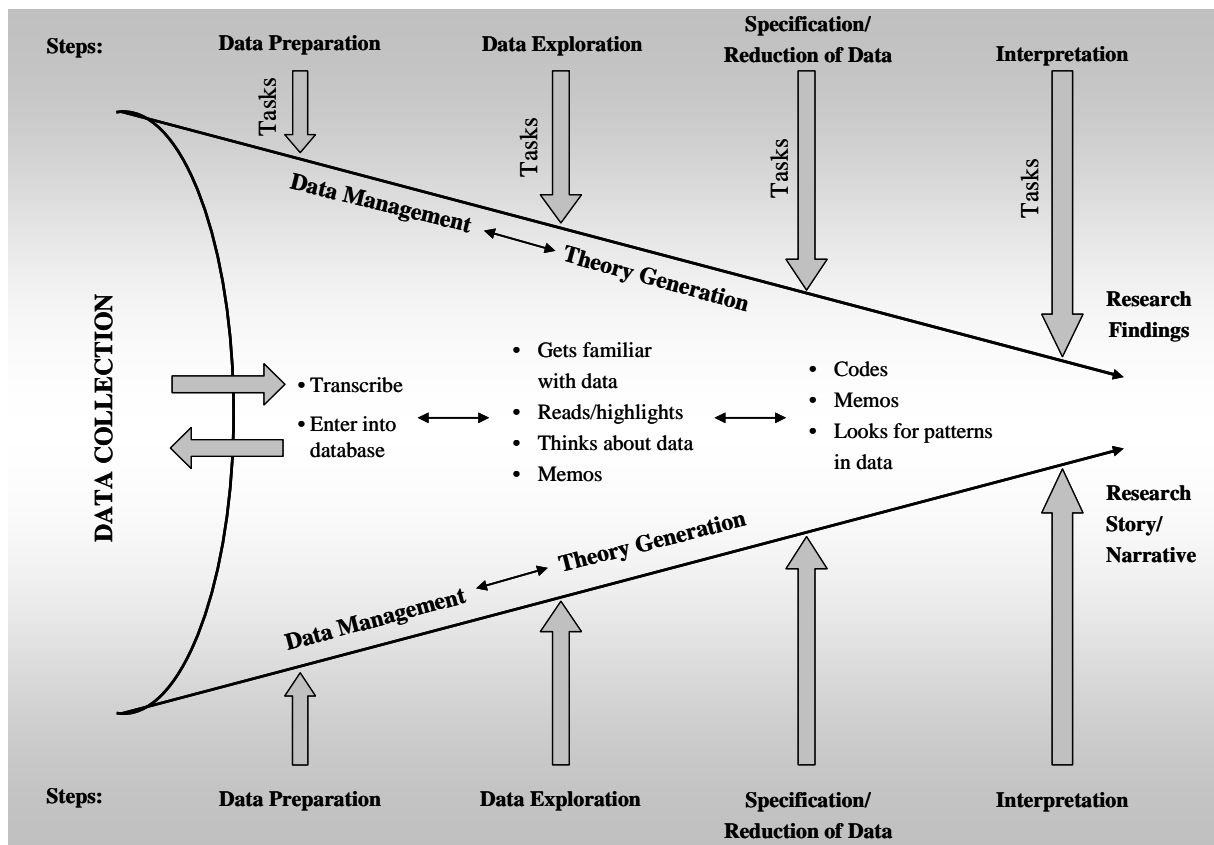
[Extracted from Hesse-Biber & Leavy (2006), p. 358]

The central issue arising from Creswell's, Gray's and Patton's discussion on qualitative research processes is that the qualitative researcher is searching for patterns and themes from the data findings. For this reason, it is important to understand that this study, while utilising an inductive approach, has applied content analysis to the texts collated from open-ended questions in both the questionnaire instrument and semi-structured interview.

7.3.2.1   Content Analysis

The importance of using content analysis in this study is re-affirmed when one looks at the definition provided by Krippendorff (2004):

> Content analysis is a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use. (p. 19)

Krippendorff denotes that content analysis is a scientific tool. He further highlights that content analysis is an unobtrusive technique and argues:

> As a *technique*, content analysis involves specialised procedures. It is learnable and divorceable from the personal authority of the researcher. As a research technique, content analysis provides new insights, increases a researcher's understanding of particular phenomena, or informs practical actions. (p. 18)

In addition, Krippendorff provides a conceptual framework (see Figure 7.6) for this research technique. He suggests that this framework is simple and general and employs only a few conceptual components:

- A body of text, the data that a content analyst has available to begin an analytical effort
- A research question that the analyst seeks to answer by examining the body of text
- A context of the analyst's choice within which to make sense of the body of text
- An analytical construct that operationalizes what the analyst knows about the context
- Inferences that are intended to answer the research question, which constitute the basic accomplishment of the content analysis
- Validating evidence, which is the ultimate justification of the content analysis (pp. 29 – 30)

Furthermore, Krippendorff indicates that his framework (see Figure 7.6) for content analysis illustrates that while 'texts' occur in the analyst's world, their origins in the worlds of others are acknowledged. He also suggests that "[r]esearch questions are the target of the analyst's

inferences from available text" (p. 31) and that "[T]he context specifies the world in which

texts can be related to the analyst's research questions" (p. 33). Krippendorff presents that the

knowledge of the context for content analysing given texts can be separated into two kinds;

stable correlations and contributing conditions. He explains these relationships:

- The network of stable correlations, which are believed to connect available texts to the possible answers to given research questions, whether these correlations are established empirically, derived from applicable theory, or merely assumed for the purpose of an analysis
- Contributing conditions, which consist of all the factors that are known to affect the network of stable correlations in foreseeable ways
  (pp. 33 – 34).

Figure 7.6: A Framework for Content Analysis
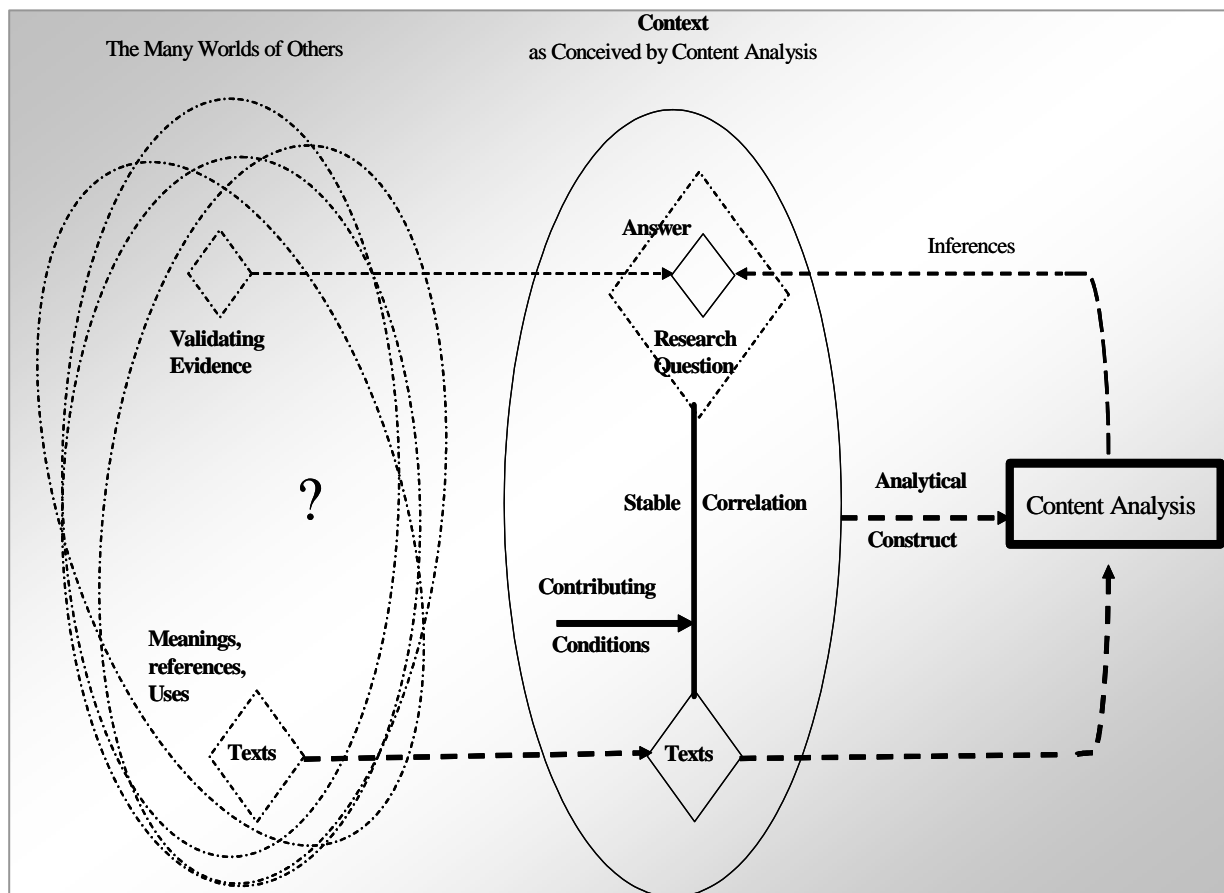
 [Reproduced from Krippendorff (2004), p. 30]

Content analysis can therefore represent a formal approach to qualitative data analysis (Collis & Hussey, 2003). Accordingly, qualitative researchers refer to this approach as the diagnostic tool and use it when they are faced with a mass of open-ended material to make sense of (Mostyn, 1985). It has also been indicated that content analysis is any research technique that allows for inferences to be made through the systematic and objective identification of specified characteristics within texts (Stone, Dunphy, Smith & Ogilvie, 1996). Consequently, the content analysis approach for qualitative data analysis has been taken for this study. The approach taken in this study is illustrated diagrammatically in Figure 7.7. The analysis approach developed for this study has adapted Krippendorff's (2004) conceptual framework for content analysis and the qualitative research processes that were described by Creswell (2003), Gray (2004) and Hesse-Biber & Leavy (2006).

7.4   SUMMARY AND CONCLUSION

This chapter has explained the research methodological framework by highlighting the phases of the research design adopted for this mixed method approach study on the importance of ethical educational interventions in the accounting tertiary curriculum. The methods used in the quantitative and qualitative data analysis to develop the findings for this study were also described in this chapter. The subsequent chapters focus on discussion of the research findings of this study. The research findings discussion chapters will align with the different sections provided in the questionnaire instrument and semi-structured interview schedule.

Figure 7.7: Qualitative Data Analysis using the Content Analysis Research Technique

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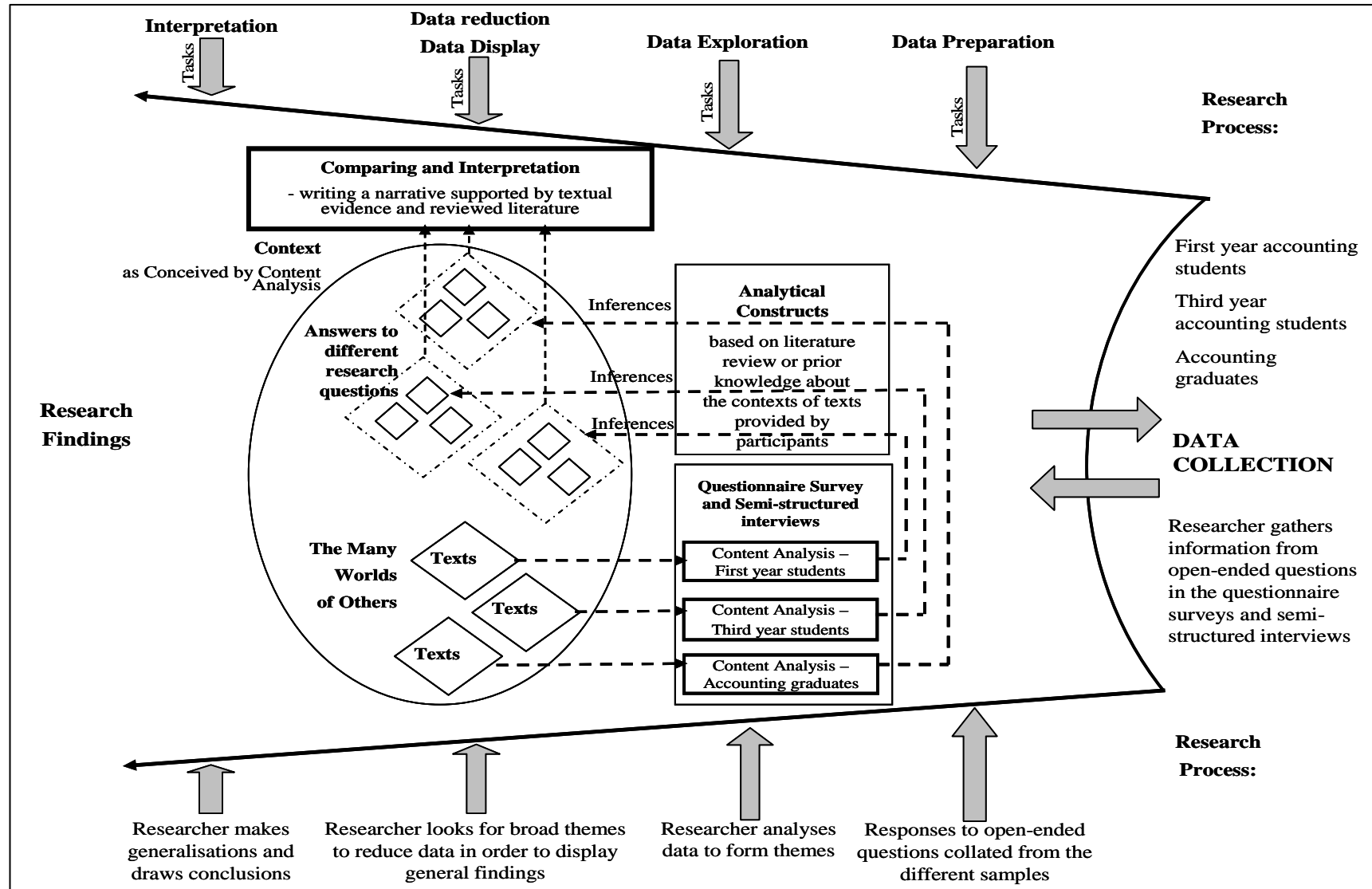
The discussion on the research findings of this study will be approached in the following manner:

▶ Chapter Eight – This research findings chapter will provide the demographic profiles (Section I of Questionnaire Instrument) of the respondents of this study. This chapter will also highlight the factors that attract accounting students and graduates to accounting as a career.

▶ Chapter Nine – This research findings chapter will review the responses provided by the respondents with regards to whether or not they thought that the actions of the indicated actors in the ethical case scenarios, provided in the questionnaire instrument (Section II of Questionnaire Instrument), were ethical or unethical.

▶ Chapter Ten – This findings chapter analyses the responses provided by the participants of this study with regards to the action they would take if faced with the questionable propositions in the hypothetical ethical situation (HES) indicated in the questionnaire instrument (Section III of Questionnaire Instrument).

▶ Chapter Eleven – The research findings of this chapter focus on both the quantitative and qualitative data analysis of the perceptions (Section IV of Questionnaire Instrument) that accounting students and graduates have of the importance of ethical education interventions.

▶ Chapter Twelve – The quantitative data findings from the semi-structured interviews are initially discussed in this chapter. The quantitative findings are then extended to the content analysis of open-ended responses collated from the questions asked in the semi-structured interview schedules.

CHAPTER EIGHT
RESEARCH FINDINGS - A DEMOGRAPHIC PROFILE OF PARTICIPANTS IN THIS STUDY

8.1   INTRODUCTION

This chapter will describe the demographic findings of the three surveys conducted on first and third year accounting students in a tertiary institution, and accounting graduates in accounting firms. The chapter will describe the findings for each category of respondents by discussing the sample size, age, gender and other variables related to that specific category of respondents before conducting a comparative analysis of the factors attracting participants to accounting as a career. In particular, this chapter explores whether factors like attractiveness of job opportunity, working with numbers, enjoyment, balancing the books, working within boundaries, recognition and status, and career opportunities were important career considerations to students and graduates. This type of exploration is important as it can highlight important characteristics that future accountants will take with them as they commence their careers. This type of exploration may also provide crucial insights to the ethical decision-making behaviour of these individuals. For instance, if a respondent was only attracted to accounting as a career because it provided better job opportunities comparative to other business subject areas and that this respondent did not actually 'enjoy' the work then it may possibly give raise to issues as to whether or not the individual can become a 'dedicated' accounting professional whose duty of care should be to the wider society.

It is therefore envisaged that the demographic findings of this chapter will provide an essential backdrop to the subsequent chapters that will discuss the findings of the other parts of the research instruments used in this study. The demographic profiles of the participants in

this study are important as it will enhance understanding of the responses provided in the hypothetical ethical cases and situations.

8.2   DEMOGRAPHIC FINDINGS: FIRST YEAR ACCOUNTING STUDENTS

In total, 163 students were enrolled in the first year financial accounting paper for both semesters. Altogether 106 completed questionnaires were collected from the students attending their tutorial sessions. This resulted in a response rate of 65%.

Figure 8.1: First Year Accounting Students - Percentage of Students by Gender
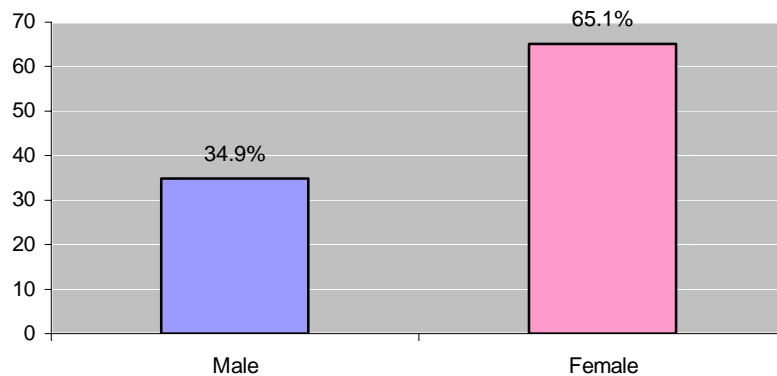
The percentage of female students enrolled in the first year financial accounting who completed the questionnaires was 65.1% (69 students) compared to a lower percentage of 34.9% (37 students) male students in the paper (See Figure 8.1). Figure 8.2 shows that 24.5% of these students were under the age of 18 years but, as expected, the majority of students were within the age category of 19 – 23 years. Most first year students straight out of secondary education (i.e. after their seventh form year) would be around 19 years of age. However, there would be some first year university students around the age of 18 years, due to the fact that they may have performed well in their sixth form year and thus been given entry to university studies without having to complete seventh form.
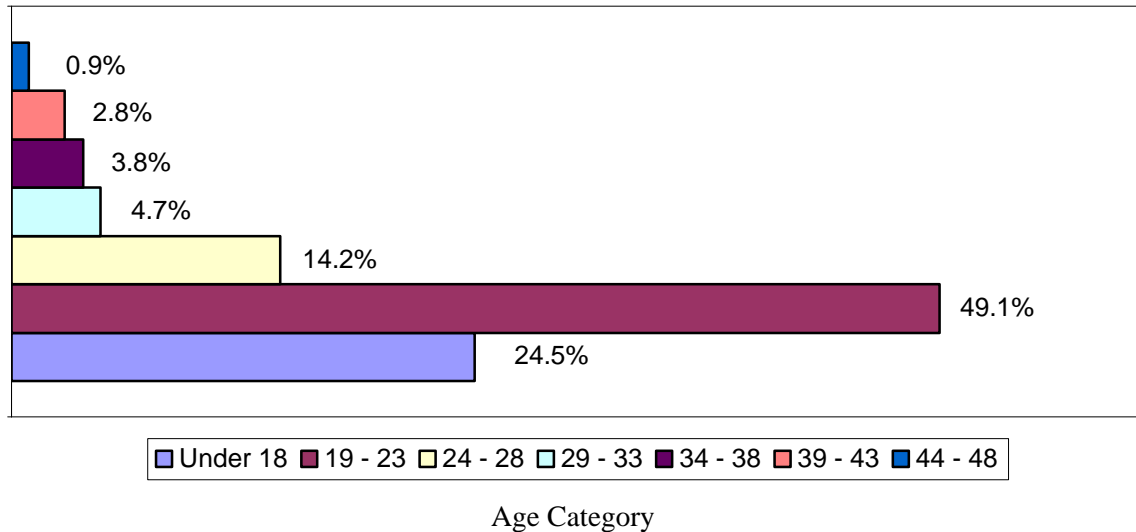
Age Category

Figure 8.2: First Year Accounting Students – Percentage of Students in Each Age Category

The majority (70.8%) of these students were enrolled in the Bachelor of Management Studies degree, with some students enrolling in the paper from different schools such as the School of Science and Technology. In addition, a significant number of students who indicated another programme of study (29.2%) in their response were studying accounting for the first time as a graduate diploma student. The demographic findings indicated that 49.1% of students were in their first year of university studies and 29.2% were in their second year of studies. The significant total percentage of students coming in their second, third, fourth and other year of studies simply indicates that these students did not decide until later to pursue accounting as either their major subject or interest area for their programme of studies.

8.3 DEMOGRAPHIC FINDINGS: THIRD YEAR ACCOUNTING STUDENTS

A total of 97 students were enrolled in the third year compulsory accounting paper for the semester. When this questionnaire survey was conducted with the students during their lecture session, 72 completed questionnaires were collected. This resulted in a response rate of 74%.

Figure 8.3: Third Year Accounting Students - Percentage of Students by Gender
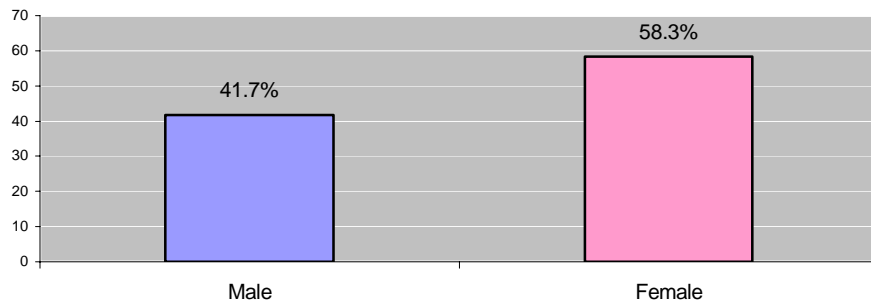
The percentage of female students enrolled in the third year financial accounting who completed the questionnaire was 58.3% (42 students) compared to a lower percentage of 41.7% (30 students) male students in the paper (See Figure 8.3). Figure 8.4 shows that 5.6% of students were under the age of 18 years but, as expected, the majority of students were within the age category of 19 – 23 years. Most third year students would be around 21 years of age. It is of interest to note that there were four students in the third year class under the age of 18 years. This may suggest students of higher academic ability who have gone through their primary and secondary education at an accelerated level and commenced university studies relatively young, that is, possibly at the age of 16 years for their first year of tertiary studies.
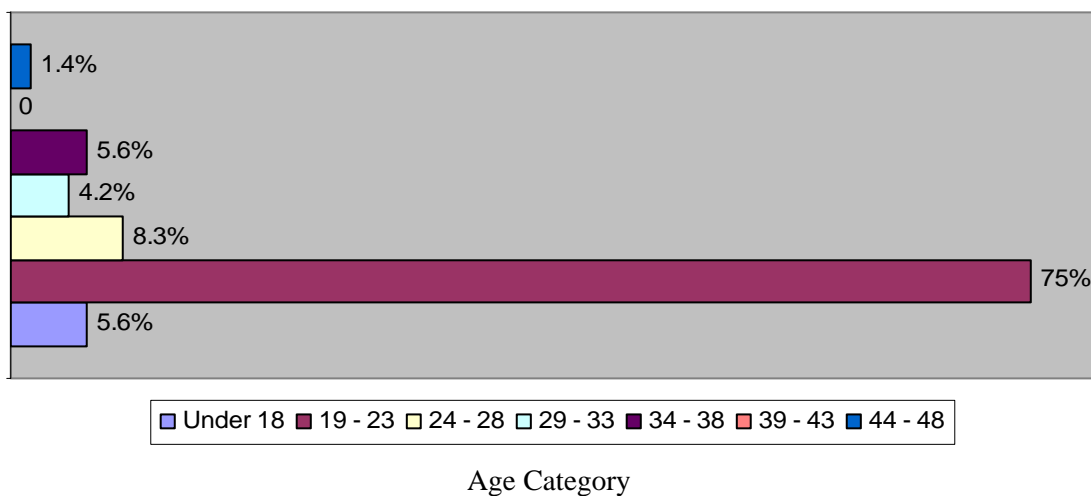
Age Category

Figure 8.4: Third Year Accounting Students – Percentage of Students in Age Category

The majority (87.5%) of the third year accounting students were enrolled in the Bachelor of Management Studies (BMS) degree; 12.5% of students indicated that they were enrolled in other programmes. This group of students who indicated another programme of study were possibly undertaking their accounting studies through a graduate diploma programme or a different degree programme (for instance, the co-joint management and law degree programmes). To explain further, it is important to note that this third year accounting paper is a compulsory paper for accounting major students for the BMS degree. This paper is also compulsory for students pursuing chartered accountants membership of the New Zealand Institute of Chartered Accountants (NZICA). It would therefore be safe to assume that all the students taking this paper were actively pursuing accounting careers as it would be unlikely that students in other major areas would choose this paper as an elective paper. This paper would also require a second year accounting pre-requisite that would further deter other students picking it up as an elective unless they had done the second year pre-requisite.

As expected, the demographic findings indicated that 65.3% of students were in their third year of university studies, congruent with the fact that most students would pursue this third year accounting paper in their third year of the degree programme. However, 18.1% of students were doing this paper in their fourth year as it is up to students to choose the year when they will complete this compulsory paper. Students doing a co-joint degree programme might choose to complete this paper in their fifth year of studies. The findings appear to show an anomaly, with 2 students indicating that they were doing the paper in their first year of studies. This would probably be due to respondents who were in the first year of their graduate diploma programme misinterpreting the question and not counting the years that they had already spent in a first degree before pursuing further post degree studies in a different field of study.

8.4   DEMOGRAPHIC FINDINGS: ACCOUNTING GRADUATES

Thirty copies of the questionnaire were sent to each contact person in Wellington, Hamilton and Auckland. A random sample population of 90 participants in total from accounting graduates was anticipated. However, a total of 57 completed questionnaires were returned, thus resulting in a response rate of 63.3%. For anonymity and confidentiality reasons, the accounting firms from which these participants were drawn will not be identified. Instead, the data from this category of respondents will be interpreted as a group rather than three groups from three different cities. This is because this study is interested in finding out in general from accounting graduates their perceptions/beliefs on the importance of ethical education interventions rather than whether their ethical situation and behaviour were affected by the cities and accounting firms that they were working in. The percentage of female accounting graduates taking part in the study was 58.9% (33 graduates) compared to percentage of 41.1% (23) males (See Figure 8.5). There was 1 missing variable for the Gender category as one respondent did not tick either Male or Female thus giving a total of 56 respondents rather than the total 57 questionnaires received.
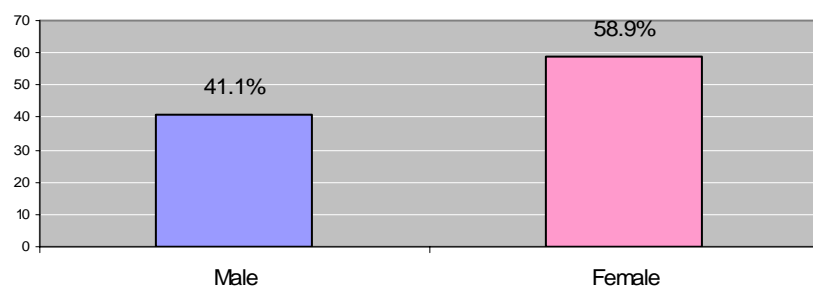
Figure 8.5: Accounting Graduates - Percentage of Graduates by Gender

Figure 8.6 shows that 36.8% (21) of graduates were under the age of 23 years and 35.1% (20) were between the ages of 24 – 28 years of age, thus indicating that the majority of participants for this study (41 from 57) were under the age of 30 years.
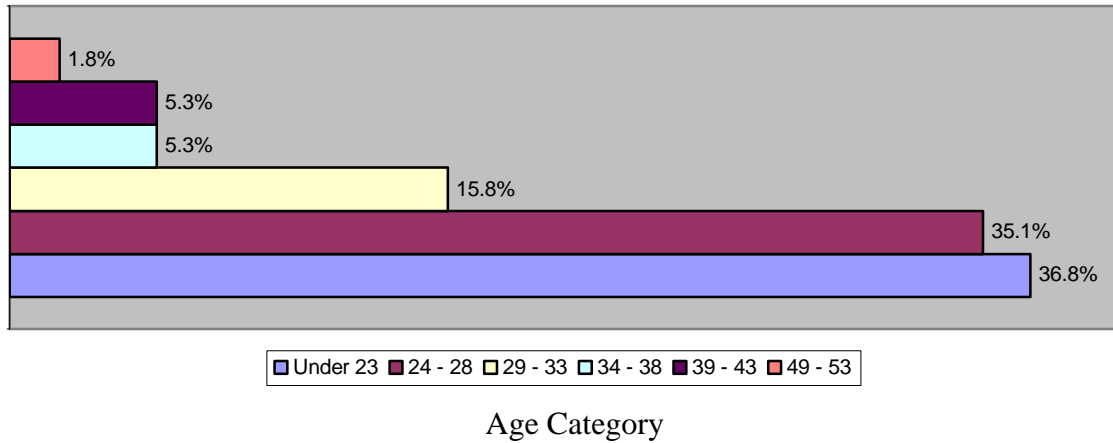
Age Category

Figure 8.6: Accounting Graduates – Percentage of Graduates in Age Category

The lowest age category of 'Under 23 years' was provided for selection as the researcher believed that most newly qualified accounting graduates would possibly be around 22 to 23 years of age. In relating the age category data to year of graduation from university, it can be seen that most of the participants had graduated between 1996 and 2000. From Table 8.1, it would appear that a few of the graduates had completed their degree studies as mature students. In reviewing the 1991 – 1995 year of graduation period and cross tabulating this data with the participants' ages, it appears that one participant may have been an accelerated learner and thus able to achieve his/her degree in this time frame and still be under 23 years of age.

Table 8.1: Accounting Graduates - Age and Year Cross Tabulation

		Year			
		Earlier than 1990	1991 - 1995	1996 - 2000	Total
Age	Under 23	0	1	20	21
	24 - 28	0	2	18	20
	29 - 33	2	5	2	9
	34 - 38	3	0	0	3
	39 - 43	0	0	3	3
	49 - 53	0	0	1	1
	Total	5	8	44	57

Table 8.2 shows that 15 participants (26%) had only just begun their accounting careers in that they indicated that they had only 1 year of work experience. Both the 2 years and 3 years of 'Years of Experience' variable contained 11 participants (19%) with that level of accounting work experience. In total, 14 participants indicated a varying but increasing number of years of experience. This may suggest, particularly for those participants who were in the younger age categories, that some of these participants had been studying part-time towards their accounting qualification but were already working in accounting firms. On the other hand, there were a few participants in the older age category who had only just begun work in an accounting firm.

Table 8.2: Accounting Graduates - Age and Years of Experience Cross Tabulation

| | | Years of Experience | | | | | Total |
		1 year	2 years	3 years	4 years	Other	
Age	Under 23	9	3	2	4	3	21
	24 - 28	2	7	8	1	2	20
	29 - 33	2	0	1	1	5	9
	34 - 38	0	0	0	0	3	3
	39 - 43	2	1	0	0	0	3
	49 - 53	0	0	0	0	1	1
Total		15	11	11	6	14	57

The majority of accounting graduate participants was working in the auditing area in their accounting firms. Figure 8.7 indicates the percentage of participants in the different areas of work; in some cases, participants were in a combination of roles in their firms. For instance, 3.5% of graduates indicated that they worked in all areas of audit, BAS (Business Advisory Services), IT (Information Technology) and Tax, and there were three findings of 1.8% that indicated the combinations of Auditing and Taxation, BAS and It, and Auditing and BAS. What this finding may imply is that possibly there were respondents who worked in smaller accounting firms in which the graduate had to take on more diverse roles as the firms were not large enough for job specialization.

Figure 8.7: Accounting graduates – Nature of Work
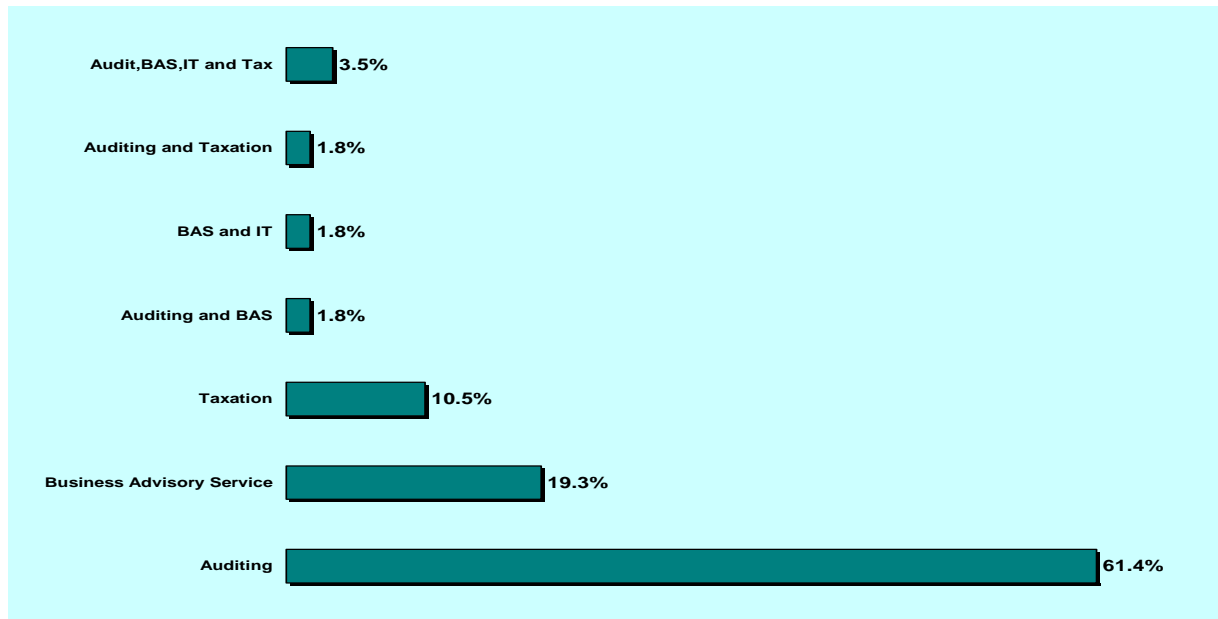
The accounting graduates were also asked to indicate their degree qualifications and the tertiary institution from which they obtained their qualifications; the findings from this question are presented in Figure 8.8. The majority of participants were graduates from the universities of the three cities of Hamilton, Wellington and Auckland targeted for this study: 29.8% from the University of Waikato in Hamilton, 24.6% from Victoria University in Wellington, and 17.5% from Auckland University. However, it is important to note that this does not necessarily mean that all Waikato University graduate participants were accessed from the Hamilton area and all Auckland University graduates were from the Auckland area, as the graduates from the different universities may have moved to different cities to work and this was observed by the researcher when data was collated for analysis.
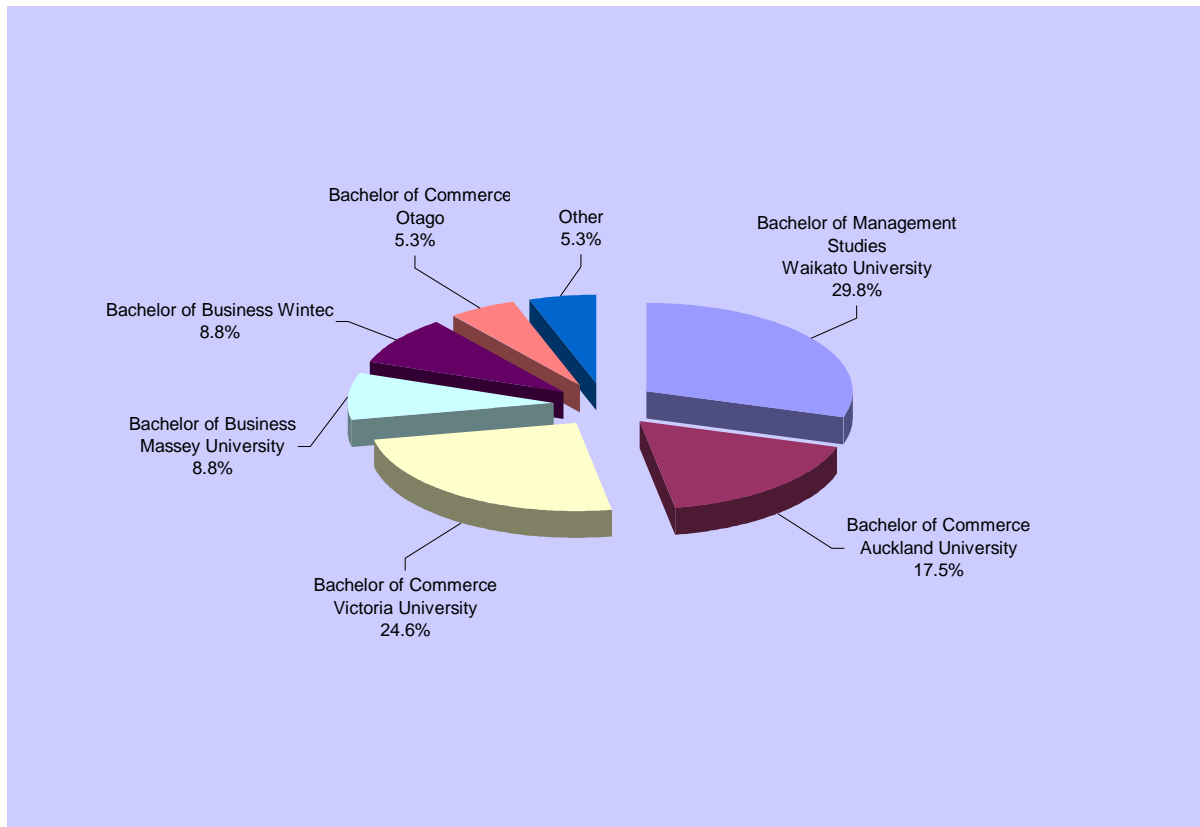
Figure 8.8: Accounting graduates – Degrees Obtained and Tertiary Institutions

8.5 FACTORS INFLUENCING ACCOUNTING CAREER CHOICE

The next group of questions under Section I: Demographics were asked in an attempt to gauge the main factors that motivated students to explore accounting as a career path. This section of the questionnaire has been analysed comparatively so that a better understanding of what attracted individuals to accounting as a career choice could be obtained. From looking at the responses provided by a first year accounting student, who might not have had the type of exposure to the subject area that third year accounting students and accounting graduates might have had, this comparative analysis may be able to highlight whether any key influential factors impacted upon individuals choosing accounting as a career.

The identification of what attracted individuals to an accounting career might also provide some interpretative insights by the researcher into the participants' personal attributes and

hence their responses to the other questions in the survey. The following areas relating to the attractiveness of job opportunity, working with numbers, enjoyment, balancing the books, working within boundaries, recognition and status, and career opportunities were explored in this section of the questionnaire survey. These findings are presented in Figures 8.9, 8.10 and 8.11.

Figure 8.9 shows that the factors that drawing the highest response of "To a great extent" and "Absolutely" were "Job Opportunity", "Recognition and Status" and "Career Opportunities". It is of interest to note that "Enjoyment', "Balancing the Books" and "Working within Boundaries" drew the highest response of "Moderately" as influencing factors for an accounting career choice. One might be tempted to speculate at this point about the quality of accounting services that these students would provide when they graduated if they only moderately enjoyed being an "accountant" and performing the accounting functions required of them.

Similar to the responses (see Figure 8.10) provided by the first year accounting students, third year accounting students placed greater emphasis on "Job Opportunity", "Recognition and Status" and "Career Opportunities" as attributes that would attract them to a career in accounting. Unlike the first year accounting students, however, almost an equal percentage of third year accounting students indicated "moderately" and "to a great extent" that they saw "Enjoyment" as an important reason for their choosing accounting as a career path. In addition, a greater percentage (approximately 40%) of third year accounting students indicated "to a great extent" that "Balancing the books" was an attribute that would attract them to the career, compared to the 27% (approximate) of first year students who endorsed this same attribute.

Figure 8.9: First Year Accounting Students - Factors influencing students to choose Accounting as a Career
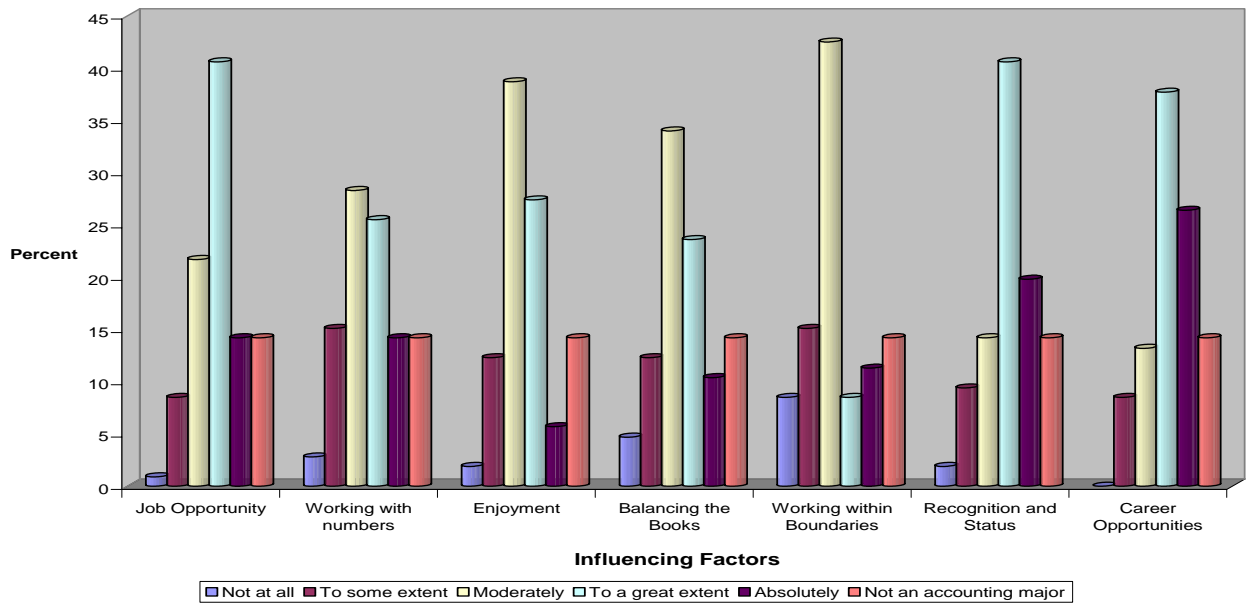
Figure 8.10: Third Year Accounting Students - Factors influencing students to choose Accounting as a Career
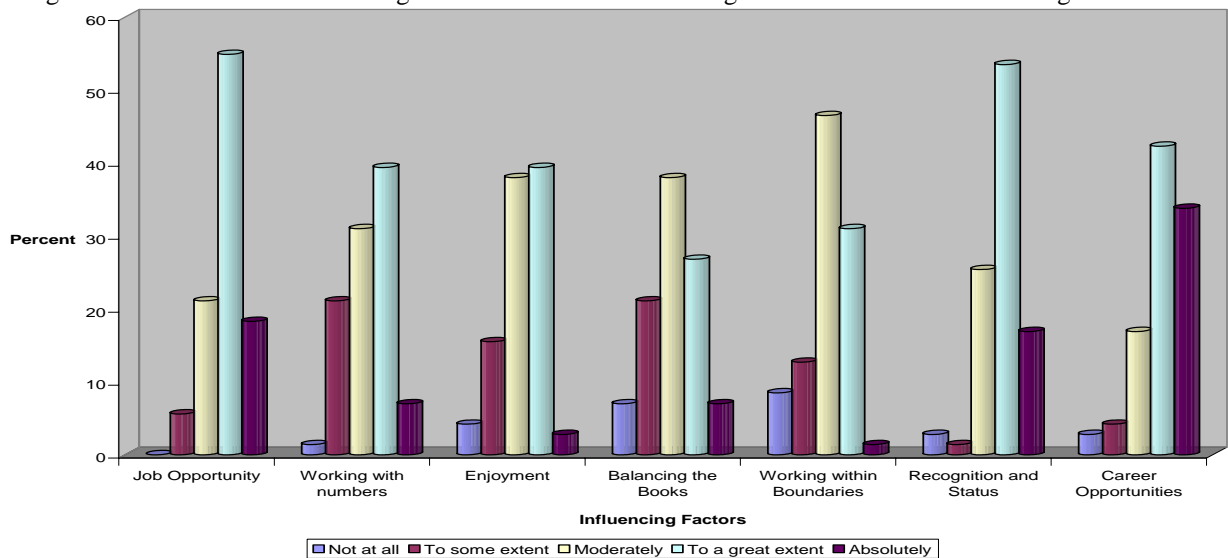
Figure 8.11: Accounting Graduates - Factors influencing students to choose Accounting as a Career

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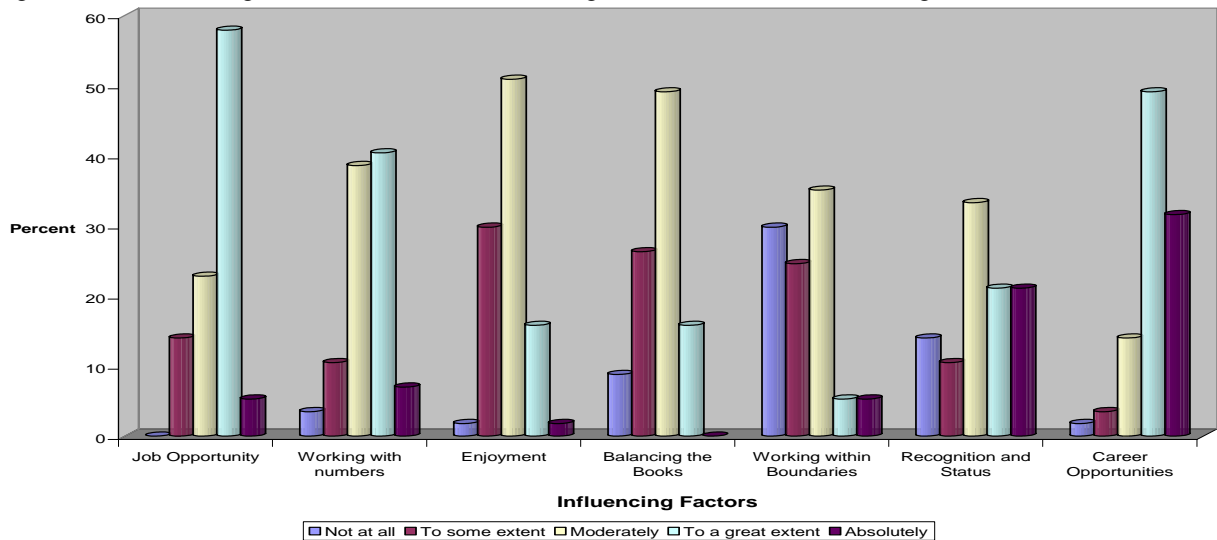
Of interest, given the perception that accounting has many rules and regulations to follow in the preparation of financial information, is the total 68% (approximate) of students who indicated "moderately", "to some extent" and "not at all" to the question of whether "Working within boundaries" would attract them to accounting as a career. One would need to wonder how these respondents would actually cope in the real world once they graduated and found that there were indeed a large number of boundaries within which they had to work; for instance, compliance not only with the accounting firm's code of ethics but also with the accounting profession's accounting standards and code of ethics, and also not to leave out, the law as well.

It is of interest also that the accounting graduates, while also placing "Job Opportunity" and "Career Opportunities" high on the list as influential factors that would impact on their choice of accounting as a career path, did not place the same emphasis as the first and third year accounting students on "Recognition and Status" (see Figure 8.11). The majority percentage (33.3%) of accounting graduates indicated "moderately" for this factor. Combining "To a great extent" and "Absolutely" responses, the total percentage from first year accounting students for the variable "recognition and Status" was 60.4%, compared with 70.4% for third year accounting students and 42.2% for accounting graduates. This finding suggests that for first and third year accounting students, accountants are perceived as important people in society. On the other hand, because they are already working in the industry and seeing the reality of what is involved when providing accounting services to clients; graduates might not think that "recognition and status" was such an important factor when deciding their choice of career.

Similar to first year accounting students and third year accounting students, a higher percentage of graduates chose "Moderately" as their response to the factors of "Enjoyment", "Balancing the Books" and "Working within Boundaries". Interestingly a significant total percentage of 89.5% of graduates indicated "Not at all" and "To some extent" and "Moderately" as responses to the factor "Working within Boundaries". The fact that almost 67.6% of third year accounting students were not attracted to accounting as a career path because of the "Working within Boundaries" factor compared to the high 89.5% response from accounting graduates, individuals who are actually already working as accountants and know what working within boundaries actually implies, may become a serious concern as it is perceived that accountants do need to work within boundaries to ensure that their services remain important to society.

Unlike first year accounting students (25.5%) but almost similar to third year accounting students (39.4%), graduates provided a higher percentage (40.4%) of "To a great extent" responses to the factor "Working with numbers". This is an important factor for individuals to consider when choosing accounting as a career. Although the traditional perception of accountants as "number crunchers" is not what the profession wants people to hold, and while accounting functions have made great advances with technology through the use of ready available accounting software, by and large, accountants' work would still quite extensively involve reviewing and "working with numbers". It is therefore a favourable indication that a significant percentage of third year accounting students and graduates participants were greatly influenced by this factor in choosing accounting as a career path.

8.6   CHAPTER SUMMARY AND CONCLUSION

This chapter described the demographic profiles of the participants in this study. The majority of participants across the three different groups were from the female gender. The participants from the first and third year accounting student categories were mainly between the ages of 19 – 23 years, and under the age of 30 years for the accounting graduates' category. Most of the accounting graduate participants were recently graduated, with the majority having only one or two years of work experience.

Comparatively, therefore, it may appear that the factors attracting participants to an accounting career are quite similar for the different categories of respondents in that their percentage responses to how greatly a factor attracted them to the career was not too dissimilar. It may appear, however, from the findings of this section that participants were more influenced in their career choice by the availability of accounting jobs than to the actual work (working with numbers, balancing the books and working within boundaries variables) that is involved in accounting. This may be a concern as it might imply that the accounting profession is attracting individuals of the wrong calibre in that they are more concerned about earning an income than providing accounting services of professional quality to society. In addition, it could also be suggested that such individuals might be more inclined to follow questionable legitimation strategies as they would be less likely to query such strategies as more truly dedicated professionals should.

CHAPTER NINE
RESEARCH FINDINGS - HYPOTHETICAL ETHICAL CASES

9.1 INTRODUCTION

This chapter will discuss the findings of the responses provided by accounting students and graduates on what they perceive as ethical or unethical actions that were taken by particular individuals in the ethical cases provided in the questionnaire instrument. This section of the questionnaire instrument was conducted to evaluate respondents' ability to assess whether an action was ethical or unethical. The importance of this evaluation lies in the qualitative narrative interpretation of participants' responses in the hypothetical cases. If the interpretation of the quantitative findings shows that participants had difficulties in deciding whether actions were ethical, unethical or unsure in the ethical cases provided, then it may suggest that even greater importance should be placed on students to have appropriate ethical educational interventions in their university studies such that they become better prepared and morally resilient accounting graduates who are able to deal with and resolve 'real' ethical dilemmas.

The findings of this chapter will also provide meaningful insights into the perceptions held by the participants on the importance of ethical educational interventions. Furthermore, if the findings of this chapter show that a significant percentage of accounting students and graduates were less able to indicate clearly whether the suggested actions were ethical or unethical, then it may also possibly lend support to the debate on why ethics education research is continually being perceived as 'inadequate'. This is because the participants of this study arguably has had some exposure to ethical educational interventions and therefore should have been able to indicate the appropriate responses in the ethical cases provided in the research instrument.

9.2   BACKGROUND FOR THE DEVELOPMENT OF ETHICAL CASES USED IN THE STUDY

Three hypothetical ethical case situations were provided in this section. The cases were developed around the Code of Ethics fundamental principles and the 'real' types of issues that confront accounting members in the work place. These cases/vignettes were developed in consultation with the supervisors of this project.   At the end of each case situation, respondents were required to indicate whether the action taken by the specified individual was, in their honest opinion, 'ethical', 'unethical' or 'not sure'. They were advised to select the answer which best matched their own personal beliefs about appropriate ethical behaviour and not what they thought the "wanted" answer should be.

While there were no clear indications in the instructions to the ethical cases that the respondents might need to consider the NZICA Code of Ethics in their decision-making, it would not be incorrect for the researcher to assume that the respondents were, in fact, making their decisions based not only on personal beliefs but also in reference to the requirements of the NZICA Code of Ethics. The logic for this reasoning is due to the researcher's awareness that first and third year accounting students at the university where this study was undertaken would have been exposed to the requirements of the NZICA Code of Ethics. This exposure would also obviously apply to any accounting graduate as the majority of graduates would be aspiring (or have aspired) to professional membership with the NZICA body. In cases where the accounting graduates' years of work experience were more than 1 year then it can be assumed that these graduates have indeed been exposed to the NZICA Code of Ethics as many of these graduates would have attempted their first professional competence examination, fifty percent of which would have focussed on an ethics component. It is therefore important to include the NZICA Code of Ethics as a "backdrop" in this analysis of findings; while not explicitly declared, the Code might have implicitly affected the reasoning

behind respondents' answers for the ethical situations. The fundamental principles that may

have guided the respondents' answers have been provided in Table 9.1.
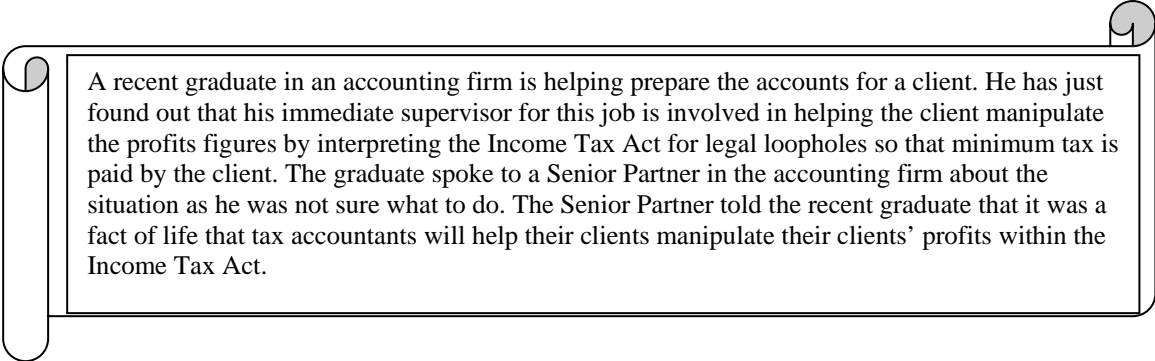
FP 1 – Integrity Members should be straightforward, honest and sincere in their approach to their professional work.
FP 2 – Objectivity Members should be impartial, intellectually honest and free of conflicts of interest. Members should be fair and not allow prejudice or bias to override their objectivity.
FP 3 – Professional Competence, Due Care and Timeliness Members have a duty to maintain a high standard of competence throughout their professional careers. They should only undertake work which they or their firm can expect to complete with professional competence. All professional obligations should be completed with due care and in a timely manner.
FP 4 – Technical Standards Members should carry out their professional work in accordance with the technical and professional standards appropriate to that work.
FP 5 – Professional Behaviour Members should conduct themselves in a manner consistent with the good reputation of the profession and refrain from any conduct which might bring discredit to the profession.
FP 6 – Confidentiality Members should respect the confidentiality of information acquired in the course of their work and should not disclose such information to a third party without specific authority or unless there is a legal or professional duty to disclose.
FP 7 – Independence Independence in the sense of being self-reliant, and not subordinate, is essential to the practice of all professions. In all phases of work members should be independent in the general sense of the word.

Table 9.1: Institute of Chartered Accountants of New Zealand (ICANZ) Code of Ethics

The questionnaire survey for this study was conducted in the 2000 and 2001 years and at that

time NZICA was known as ICANZ. The Code of Ethics in place at the time of study was

based on seven fundamental principles. The NZICA revised Code of Ethics depicting five

fundamental principles was implemented from June 2003. To be consistent with the Code of

Ethics in place when this study was conducted, the seven fundamental principles in the old

Code of Ethics will be referred to where appropriate in the qualitative analysis of findings.

For the three ethical case situations provided, the first year accounting students' responses are

initially explored before their responses were compared with the responses of the other two

groups' (third year accounting students and accounting graduates) that were surveyed in this

study. One might assume at this point before any further analysis that first year students may

provide a more naïve or unsure response to the ethical case situation than the third year

students or accounting graduates. However, if the findings of this section indicate that the

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responses provided by all respondents were not so dissimilar and that the majority of

respondents had difficultly identifying that the actions were indeed unethical, then it would

place even greater importance on the need for students to have ethical educational

interventions in their university studies.

9.3 ETHICAL CASE - SITUATION A

> A recent graduate in an accounting firm is helping prepare the accounts for a client. He has just found out that his immediate supervisor for this job is involved in helping the client manipulate the profits figures by interpreting the Income Tax Act for legal loopholes so that minimum tax is paid by the client. The graduate spoke to a Senior Partner in the accounting firm about the situation as he was not sure what to do. The Senior Partner told the recent graduate that it was a fact of life that tax accountants will help their clients manipulate their clients' profits within the Income Tax Act.

Key players in ethical case:
Recent graduate: action perceived as being ethical
Immediate supervisor: action perceived as unethical
Senior Partner: action perceived as unethical

Ethical case situation A was to assess participant's perception on whether or not they thought

it was ethical to be involved with taxation issues that might require an individual to be

involved with interpreting the Tax Act in its legal form rather than in its substance (that is,

what the real intention of the act was). This ethical situation, while sounding quite simple, can

be quite a difficult issue for new (and even experienced) accounting graduates to face. Is it a

'fact of life' that all practicing accountants will face this situation and therefore have to accept

this as an 'objective reality' that all accountants will act in this manner? Or is this a 'socially

constructed reality' that is created by the 'subjective interpretation' of particular accountants

but which subsequently becomes accepted as a 'fact of life'?

A personal experience highlights this ethical dilemma in the 'real' world of accounting

practice. I was seated next to a practicing accountant during our professional examinations for

chartered accountancy membership and we were working on a case that dealt with legal loopholes. I used the term "tax avoidance" which the Inland Revenue Department would have used to refer to such case situations and therefore, from the researcher's viewpoint, may carry unethical implications for society in terms of there being less taxation revenue to provide public sector type goods and services. The practicing accountant, however, took umbrage at the term and was quite firm on the fact that it was about "tax planning" for clients.

From this isolated incident, one might be able to deduce that even practicing accountants perceive that the term "tax avoidance" carries unethical issues and would prefer to use the alternative term of "tax planning", which suggests that they are working for the client's benefits and therefore the term was more favourably perceived to not carry any "unethical issues". For example, a non-resident tax loophole was even promoted to a former Prime Minister of New Zealand. This was reported by Cheng on Saturday 2 June (2007), Weekend Herald, in the following article: Chance to enjoy best of both worlds:

> *Former Prime Minister Mike Moore in a Herald opinion piece last week said: "Australia's per capita income is a third higher... Tax is lower at every income level until you reach the top tier. Wages are rising in Australia, after tax, at twice the rate of New Zealand."*
>
> *Advisors keep suggesting that he move abroad because of the New Zealand tax regime.*
>
> *"So long as you don't stay more than six months in New Zealand, and base yourself in London, Switzerland or Australia, you are taxed only on income earned in those countries." (p. A7)*

These illustrations highlight why different individuals may see Situation A as being entirely ethical while others may perceive the situation as unethical; one might even dare to suggest that this situation has been given "legitimation" by society as it would appear that such

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actions are condoned by certain stakeholder groups in society. The interpretation of the

Taxation Act for legal loopholes portrays a very complex ethical situation. The question that

accountants must face is whether or not they should use legal loopholes to benefit their

clients. Accountants may argue that they were not breaking the law. However, the ethical

dilemma in situation A is where "shades of grey" ethical issues might come in to play; when

is an action clearly ethical or unethical or are there shades of grey when one can never be

certain that the action was clearly unethical? Arguably, tax avoidance is an ethical issue that

falls in a "grey area", as the findings of this case show. Ethical Case Situation A can be

illustrated in the following manner to show the parties/stakeholders that will be affected by

the decisions made in the situation.
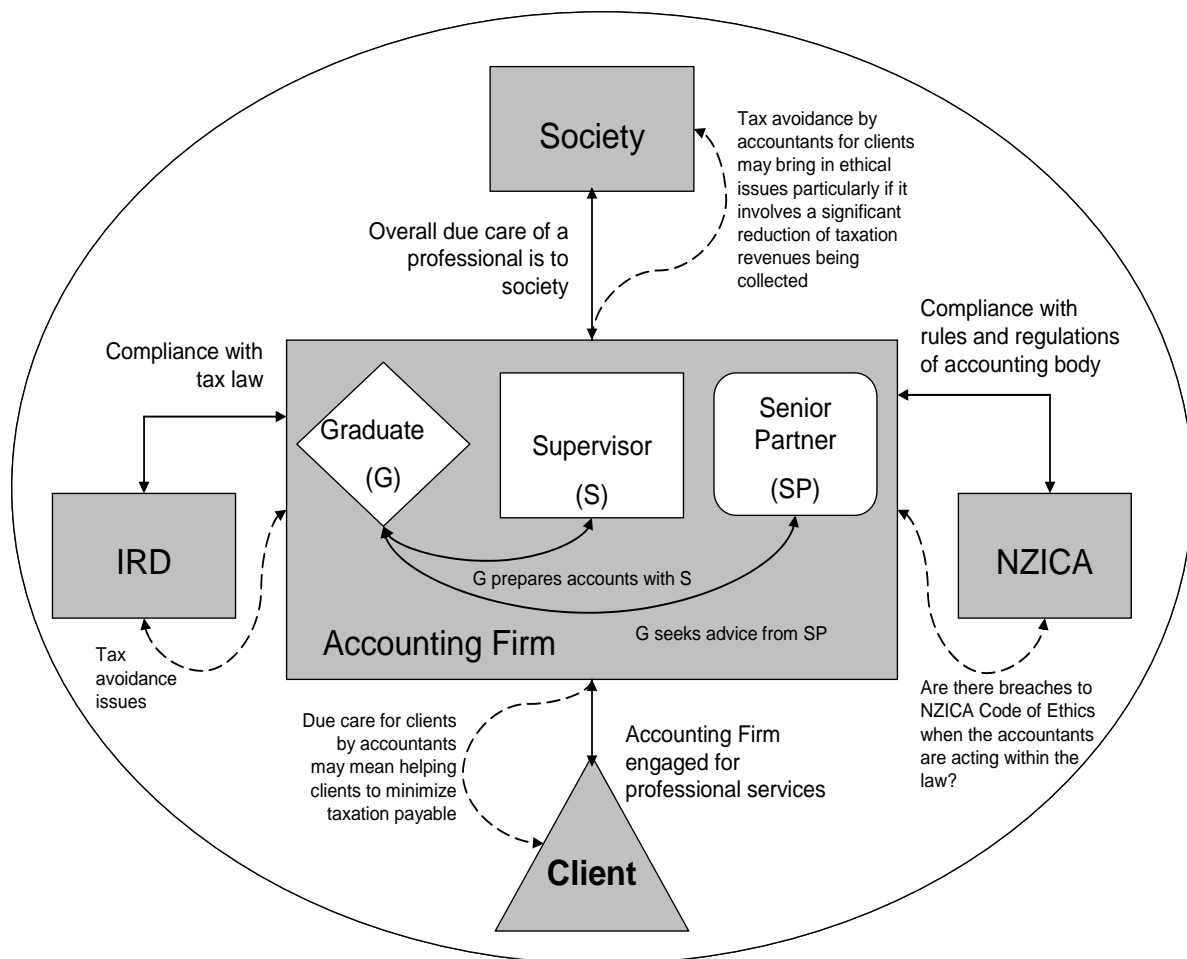
Figure 9.1: Illustration of Ethical Case Situation A

9.3.1   First Year Accounting Students

From the first year accounting students findings, 86.8 percent thought that the 'Graduate' acted ethically in the situation provided in situation A (see Figure 9.2). Interestingly, a small percentage (7.5%) of students thought the graduate acted unethically and one can only speculate why these students thought that it was unethical of the 'Graduate' to speak to the "Senior Partner' about the situation or did the respondents perceive that the 'Graduate' was acting unethically when he/she refused to follow the 'Supervisor's' instructions?

From the researcher's perspective, new graduates should be able to discuss situations they are unsure about with either mentors or senior staff so that they find the best alternative to resolve an ethical dilemma. Without adequate supervision and advice/mentoring, the consequences of an inexperienced accounting graduate carrying out the "wrong action" can have serious repercussions not only on the graduate's accounting career and eligibility to remain in the accounting profession but also for the accounting firm that the graduate is employed in.

There were 5.7% of students who were not sure how the 'Graduate' acted and given that this may be the very first time that first year students were exposed to an ethical situation of this nature, one would have expected that there would be some uncertain students. With regards to the actions by the 'Supervisor' and 'Senior Partner', 56.6% and 50.9% of students respectively felt that the actions were unethical although 29.2% and 32.1% of students respectively thought that their actions were ethical. This finding demonstrates that there is quite significant confusion with respondents as to whether the taxation issue is ethical or not.

9.3.2   Third Year Accounting Students

Figure 9.3 shows that 84.5% of these respondents thought that the 'Graduate' acted ethically. Interestingly, compared with the lower 5.7% of first year accounting respondents, 7% of the third year accounting students were unsure whether the 'Graduate' acted ethically or unethically. One would have expected the higher uncertainty to be with first years rather than with third year students. Also of interest is the 8.5% of this category of respondents who thought that the 'Graduate' acted unethically. This higher percentage again compares unfavourably with the 7.5% of first year accounting respondents who thought this. Without any requested written explanations for the respondents' choice of answers, it is difficult to pinpoint with any clarity why some students perceived that the 'Graduate' acted unethically. Besides the other possible explanations provided in the discussion under the first year students category, another possible reasoning put forward by the researcher is that respondents felt that the 'Graduate' was reporting on his/her supervisor to the senior partner and this could be perceived by some people as a "wrong" action to take as it could be perceived as "telling tales".

Similar to first year accounting respondents, third year accounting respondents were divided in their responses with regards to whether the 'Supervisor' and 'Senior Partner' acted ethically or unethically. Unlike the first year respondents, however, a higher percentage of respondents thought that the 'Supervisor' (38%) and 'Senior Partner' (42.3%) had acted ethically. This means that, compared with first year accounting students, a lower percentage of respondents in the third year accounting students category thought that the 'Supervisor' (42.5% compared with 50.9%) and 'Senior Partner' (31% compared with 56.6%) had acted unethically.

Figure 9.2: First Year Accounting Students – Hypothetical Ethical Case – Situation A

Figure 9.3: Third Year Accounting Students – Hypothetical Ethical Case – Situation A
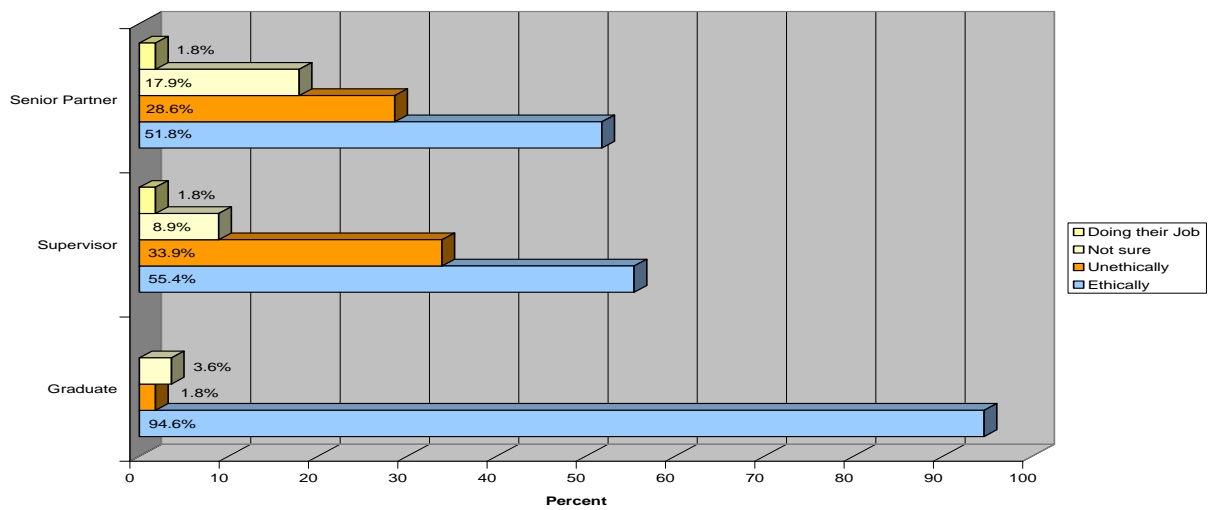
Figure 9.4: Accounting Graduates – Hypothetical Ethical Case – Situation A

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This finding would suggest that while some respondents in this category thought that taxation issues involving legal loopholes might be unethical, a higher percentage of accounting students by the time they reach their third year of studies might perceive that these types of actions were not unethical as they would not be breaking the law. It appears also that society condones such actions. Holm (June 2, 2007) writes in her 'Money' column for the Weekend Herald:

> …, I've heard lawyers and accountants telling their clients that their behaviour is legally – even morally – fine. "Why shouldn't you arrange things to your advantage?" they'll say. "After all, you've paid more than your fair share of taxes over the years." (p. C28)

It is of interest to note that while the majority of third year respondents thought that it was ethical of the 'Senior Partner' to indicate to the 'Graduate' that it was a fact of life that tax accountants will help their clients manipulate their client's' profits within the Income Tax Act, the majority also thought that it was unethical of the 'Supervisor' to ask the 'Graduate' to be involved in preparing the tax returns using legal loopholes. This contradiction appears strange but might suggest that these respondents thought it was acceptable to do something, even unethical, as long as the order came right from the top of the organisation. This raises the issue of whether respondents perceived important the 'autocratic directive style of leadership' as being important. In the Chapter 4 discussion on ethical theories, this style of leadership was identified as being about "I'll tell you what we are going to do because I'm the boss" and respondents might apply this to the 'Senior Partner' level (top level of authority) rather than at the 'Supervisor' level (middle level of authority) of authority within the accounting firm.

9.3.3 Accounting Graduates

In contrast to first year (86.8%) and third year (84.5%) respondents, there was much more certainty (94.6%) from respondents in the accounting graduates category that thought the 'Graduate' had acted ethically in the situation. This means that only 1.8% of graduate respondents thought the 'Graduate' acted unethically and only 3.6% were not sure whether the action was ethical or unethical. In addition, Figure 9.4 also shows that higher percentages of graduate respondents thought that the actions of the 'Supervisor' (55.4%) and the 'Senior Partner' (51.8%) were ethical when compared to the other two categories of respondents (see Figures 8.2 and 8.3).

These findings suggests that the majority of these respondents in this category might actually already be involved themselves (15.8% of accounting graduates indicated taxation as their nature of work in Figure 8.7) or have colleagues involved in such taxation practices in their work place and therefore see no issues with accountants using legal loopholes in preparing taxation returns for their clients. This suggestion is supported by the "*Doing their job*" [emphasis added] response inserted as an answer with regards to the actions by the 'Supervisor' and 'Senior Partner'.

However, it is important to note that although the overall percentages for accounting graduates were lower when compared against the other two categories of respondents, there were still significant percentages of accounting graduates who thought the actions of the 'Supervisor' (33.9%) and 'Senior Partner' (28.6%) were unethical. This finding suggests two possible reasons: these accounting graduates might or might not work in the taxation accounting field of work and have taken the stance to not be involved in taxation accounting practices that might be perceived as unethical; or, these accounting graduates might not be

involved in the taxation accounting field but perceive that such practices were unethical anyway. There were, however, also some "Not sure" responses provided: 8.9% for the 'Supervisor' and 17.9% for 'Senior Partner'.

9.3.4   Overall Findings for Ethical Case – Situation A

Overall, it would appear from the comparative findings for this ethical case situation A that the majority of first year accounting students perceived the actions of both the 'Supervisor' and the 'Senior Partner' to be unethical, whereas the third year accounting students and accounting graduates were more inclined to indicate that the action of the 'Senior Partner' was ethical, while there were mixed findings with regards to whether the actions of the 'Supervisor' were ethical. A higher percentage (56.6%) of first year accounting students thought that the actions of the 'Supervisor' were unethical compared to the 42.3% of third year accounting students and the 33.9% of accounting graduates.

All three categories of respondents generally perceived that the action of the 'Graduate' was ethical and this is a favourable finding in the sense that there is a clear signal to those already in the accounting workforce as well as to those future accounting graduates that they need to be clear about whether the work that is being asked of them would mean being involved in unethical behaviour and the exploitation of taxation loopholes for clients as highlighted by Sikka and Hampton (2005) is undoubtedly a questionable behaviour.

9.4   ETHICAL CASE – SITUATION B

> Two friends who are both accountants work for two different accounting firms. Friend X has been working for a number of years whereas Friend Y has only just recently graduated. Friend Y has been asked to work with a Senior Accountant on an important client - a publicly-listed company. The Senior Accountant, who is having emotional problems, is leaving Friend Y to do the work by himself. Friend Y does not want to appear foolish in front of the Senior Accountant by asking for guidance on some important matters relating to the client's accounts. Friend Y decides to ask Friend X to help him complete the work for the important client. Friend X helps Friend Y firstly because they are old mates and secondly because he has a personal interest (share investment) in this particular company and wants to know how it is performing. The two accounting firms found out what was happening. The Senior Accountant accepted no responsibility for the situation. The two accounting firms reported the friends to the Institute of Chartered Accountants of New Zealand (ICANZ) for disciplinary action.

Key players in ethical case:
Friend X: action perceived to be unethical
Friend Y: action perceived to be unethical
Senior Accountant: action perceived to be unethical
The two accounting firms: actions perceived to be ethical

Ethical case situation B was to assess respondents' perception as to whether or not it was appropriate for one friend from one accounting firm to ask a friend from another accounting firm to help prepare a client's accounts. The ethical issues of professional competence and confidentiality with regards to Friend Y are raised here. In addition, the case wanted to assess whether the respondents thought it was ethical for a senior accountant to leave an inexperienced graduate to prepare a client's accounts on their own, thus questioning also the professional competence and professional behaviour of the Senior Accountant. To complicate this case, Friend X was depicted as having a share investment in the company whose accounts was being prepared by Friend Y. This raises the ethical issues of integrity, objectivity, independence and professional behaviour of Friend Y as he clearly was prepared to obtain "insider trading" type information about the company when there was an obvious conflict of interest on his part. Being the more "experienced" accountant, Friend X should have told his

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friend that he could not help with this particular situation. Respondents also had to assess whether the accounting firms (that is, indirectly implying the senior management of the accounting firms) were acting ethically and appropriately in reporting the two friends to the accounting professional body. This case situation can be illustrated in the following manner to show the main parties/stakeholders involved in this situation.
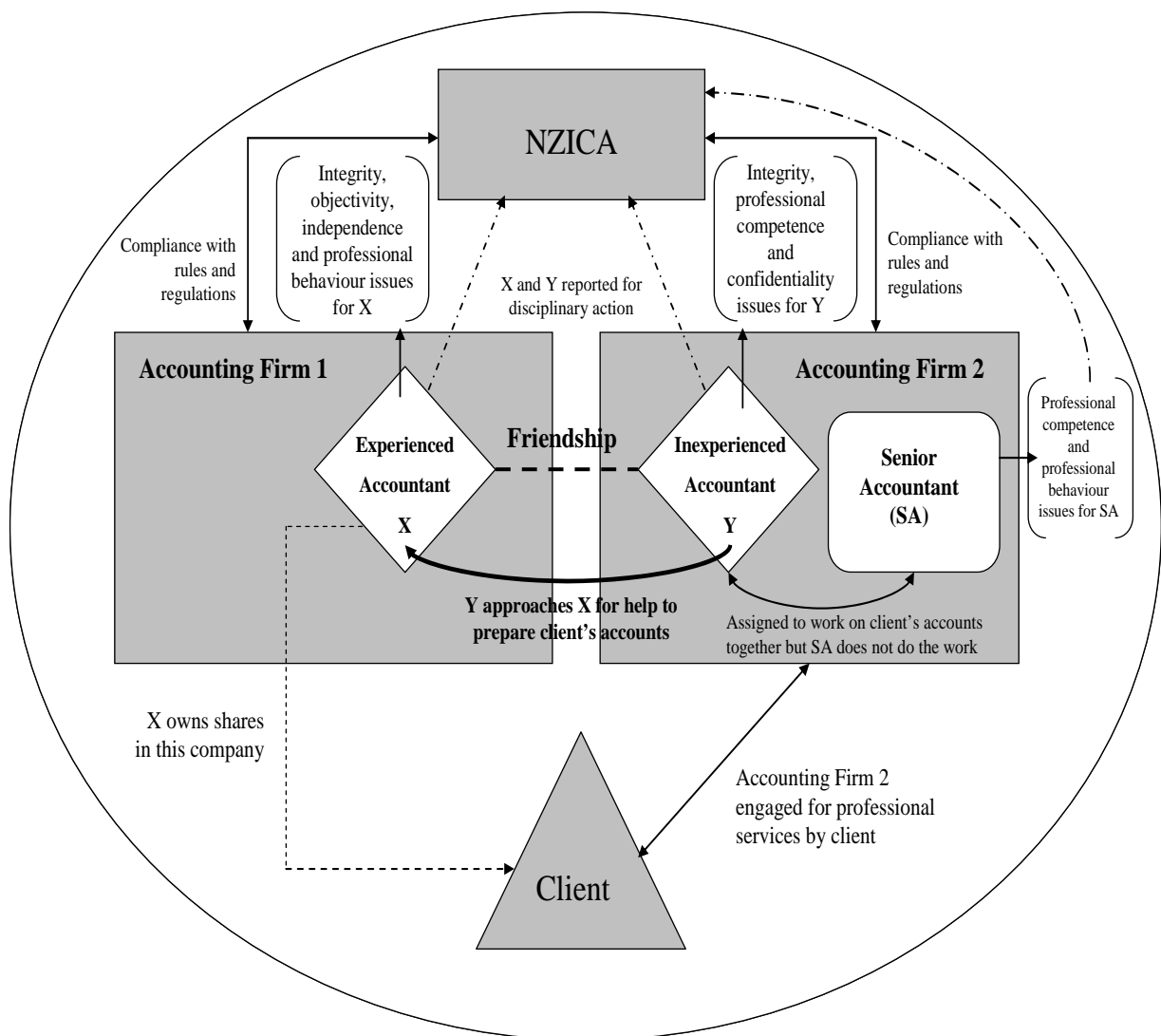
Figure 9.5: Illustration of Ethical Case Situation B

9.4.1   First Year Accounting Students

Sixty six percent of respondents perceived that Friend X acted unethically. It might appear that the majority of first year accounting students were aware that Friend X was acting unethically in helping Friend Y to prepare a client's accounts, particularly since the two friends were from different accounting firms. This essentially meant clear breaches of client confidentiality and this particular situation is more serious as Friend X also has a personal interest in the client's company through share investments. However, from the first year accounting students' responses to this case situation it may appear that a significant percentage of this category of respondents was unsure about the seriousness of the actions taken by Friend X. It may appear that the respondents who indicated "ethically" (16%) and "not sure" (17.9%) answers were unaware of the fact that Friend X was not only breaching the ICANZ Code of Ethics but also breaking the law by becoming involved in "insider trading" type activities.

In the case of Friend Y, 53.8 percent of respondents perceived that he was acting unethically, while 25.5 percent thought that his actions were ethical, with 20.8 percent indicating 'not sure' answers. It would appear that the 25.5 percent of respondents who thought Friend Y's actions were ethical were not aware that Friend Y was breaching the ICANZ Code of Ethics in involving another person involved in preparing a client's accounts as it would mean that Friend Y was particularly breaching the ethical principles of integrity, professional competence and confidentiality. The 20.8 percent of 'not sure' respondents possibly perceived that it would not be particularly unethical to ask a friend for help as they would do that as a student. However, these respondents would have to realise that in a working environment client confidentiality is a very important issue, particularly since another accounting firm will become involved in the situation.

With regards to the 'Senior Accountant's action', the majority (74.5%) of first year accounting students thought that the action of this individual was unethical. There were 11.3% 'not sure' and 14.2% 'ethically' responses provided. This finding that the senior accountant acted ethically is strange, given that anyone (even from a first year student's perspective) would expect a senior accountant to demonstrate his "leadership" to a very new and inexperienced graduate by ensuring proper guidance and mentoring was provided to this graduate for work on behalf of an important client. Figure 9.6 shows that the majority (65.1%) of first year students thought that the accounting firms were acting ethically in reporting both friends to the accounting body for disciplinary action. While 15.1% of respondents thought that the accounting firms had acted unethically, 19.8% were 'not sure' how the accounting firms should have acted.

9.4.2   Third Year Accounting Students

Figure 9.7 shows that, in contrast to first year accounting students (66%), a higher percentage of third year accounting students (76.4%) felt that Friend X's action was unethical. It would appear that the third year group was more aware of Friend X having a conflict of interest, even though the situation seemed like he was only helping a friend out. There were a significantly lower percentage of students (6.9% third year students compared to 16% first year students) who thought Friend X was ethical in his actions. There was, however, almost a similar percentage of 'not sure' responses (16.7% third year students compared to 18% first year students) provided by the third year students.
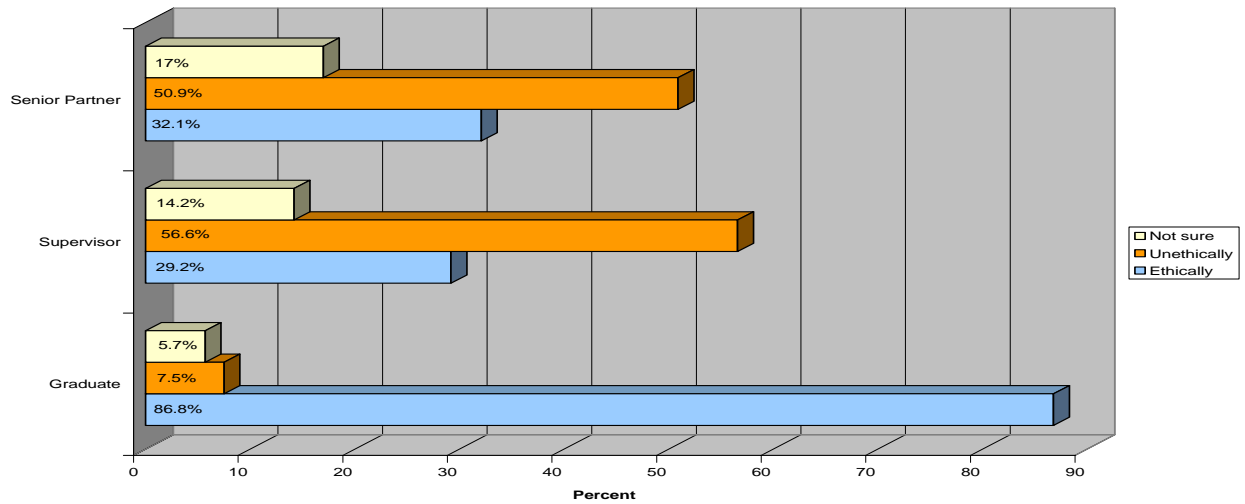
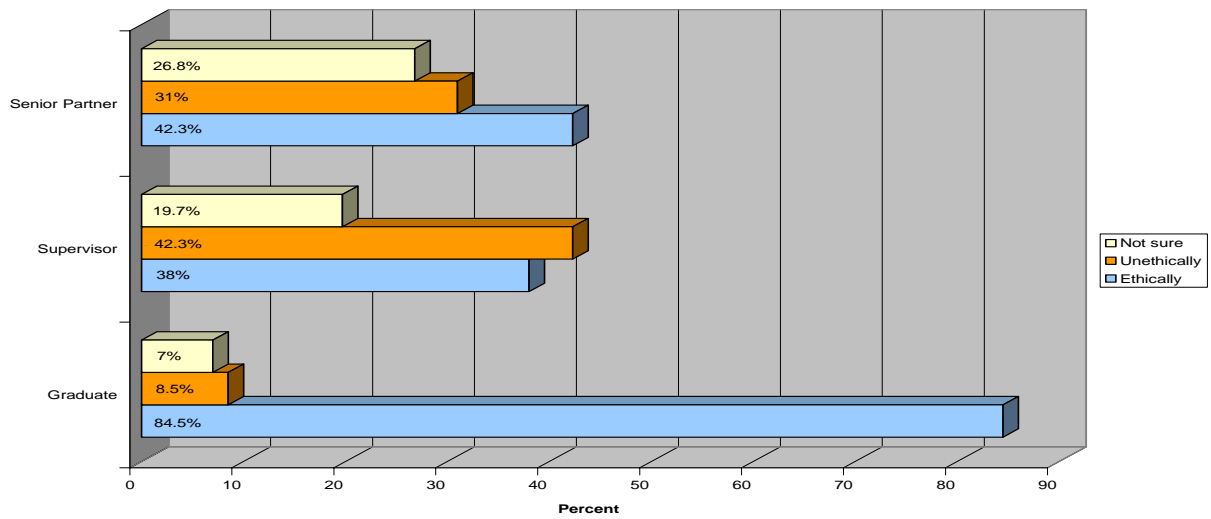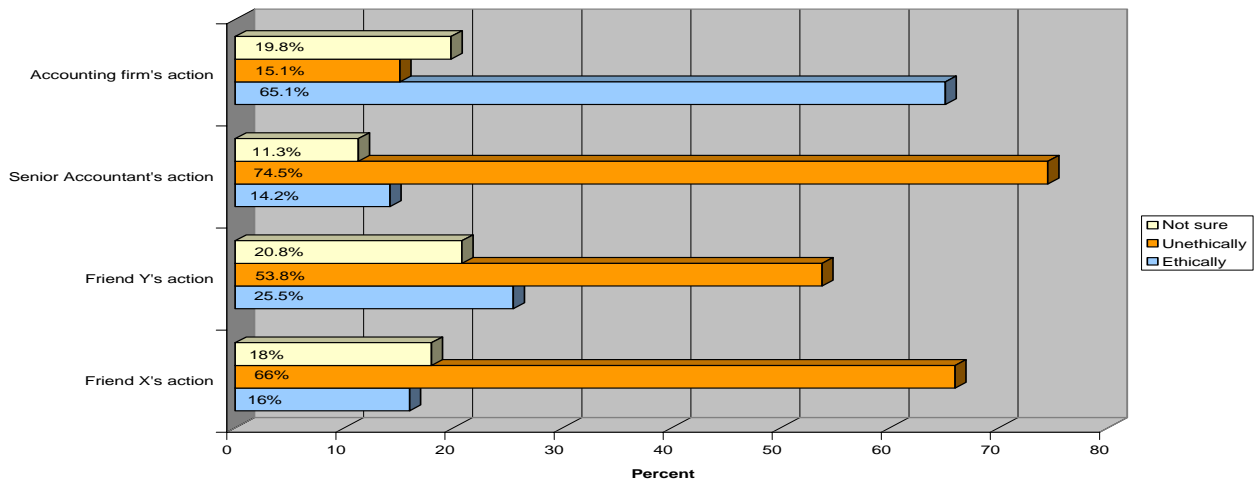Figure 9.6: First Year Accounting Students – Hypothetical Ethical Case – Situation B
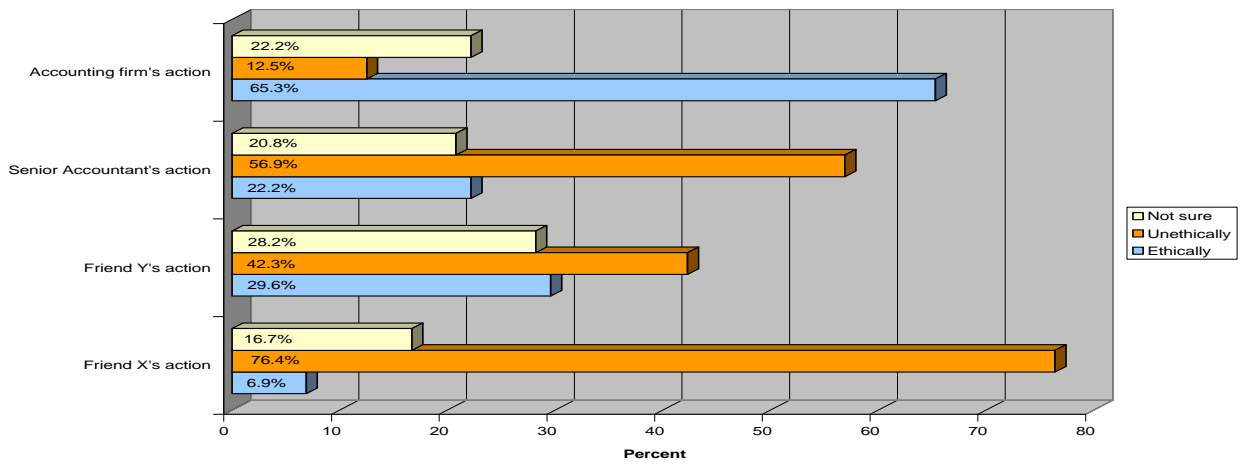
Figure 9.7: Third Year Accounting Students – Hypothetical Ethical Case – Situation B
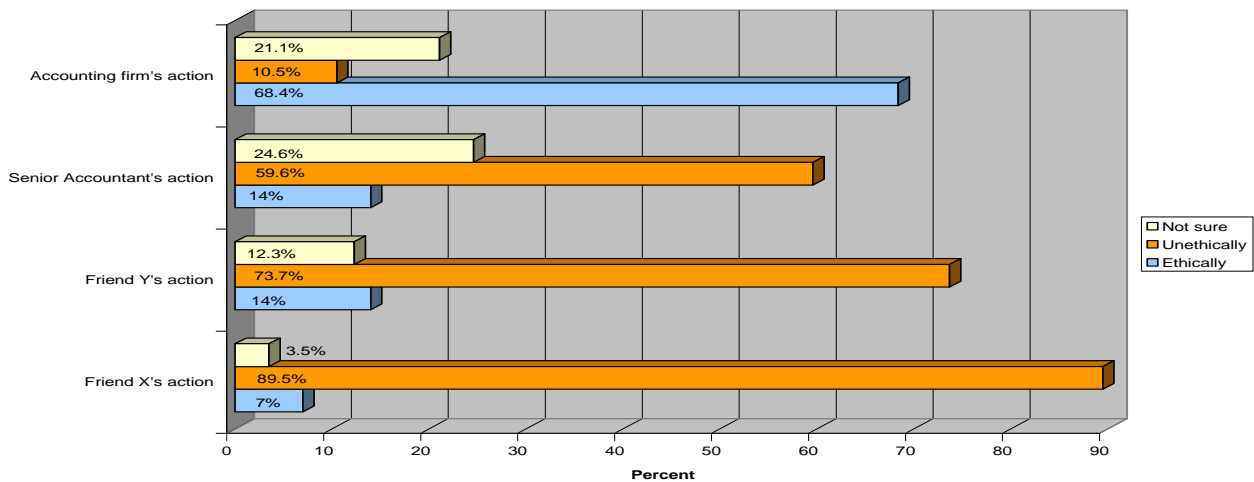
Figure 9.8: Accounting Graduates – Hypothetical Ethical Case – Situation B

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While it appeared that the majority of third year accounting students were clear about Friend X's action being unethical, the lower 42.3 percent (compared to 53.8% from first year students) with regards to Friend Y's action showed that the third year students were also confused about the ethical situation Friend Y was in. It would also seem that the third year students, like the first year group of students, thought that it would not be inappropriate to ask a friend for help if something was too difficult for them to complete on their own, as they would possibly do throughout their university studies. This finding is supported by the 29.6 percent of third year of students who thought that Friend Y acted ethically, whereas in actual fact, one could argue that Friend Y was showing that he was not professionally competent to do his job.

In contradiction to the findings from first year accounting students (74.5%), a lower percentage (56.9%) of third years thought that the Senior Accountant's action was unethical, while a higher percentage (22.2%, compared to 14.2% of first year students) thought that the action of the Senior Accountant was ethical. However, there were also a higher percentage of third year students (20.8%, compared to only 11.3% of first year students) who were 'not sure' about the situation. One would have expected a higher percentage of third year students to be aware that the Senior Accountant was behaving unprofessionally in allowing personal matters to override his responsibilities in the accounting firm. Similar to first year accounting students (65.1%), the majority of third year accounting students (65.3%) also felt that the action of the accounting firms was ethical. There were, however, a higher percentage of third year students (22.2% compared to 19.8%) who were 'not sure' about the accounting firm's action.

9.4.3   Accounting Graduates

Unlike first year (66%) and third year (76.4%) accounting students, accounting graduates were surer that the actions of Friend X and Friend Y were unethical. About 85.5 percent of graduates indicated that Friend X's action was unethical and only about 3.5 percent were 'not sure' whether the action was ethical or unethical. Similarly, a significantly higher percentage (73.7%) of graduates indicated that the action of Friend Y was unethical, when compared to the first year (53.8%) and third year (42.3%) respondents. This finding clearly shows that graduates were more sure about how much help one could actually ask of a friend in the workplace, particularly where not only the workplace code of ethics but also the accounting body's code of ethics have to be complied with. However, in saying this, it does still appear that some graduates (14%) were thinking that Friend Y was acting ethically in asking Friend Y for help while 12.3% were 'not sure' how ethical or unethical the 'asking a friend for help' action was. This raises concerns with regards to whether graduates were aware of the confidentiality ethical principle which essentially meant that Friend Y should not have approached any friend, whether they were from within his own accounting firm or from outside the accounting firm, for help with a client's accounts. It would have been more appropriate for Y to have approached the Senior Accountant and indicated that he was not coping with the work required of him as he was a new graduate.

Figure 9.8 shows that, similar to the third year accounting students' (56.9%) responses but unlike first year students' (74.5%) responses, 59.6 percent of graduates thought that the Senior Accountant acted unethically. Like first year students, about 14 percent of graduates thought that the Senior Accountant acted ethically. One can only again speculate why graduates would have thought the action of a Senior Accountant not fulfilling his responsibilities and duty of care to the client would have been ethical. A significantly higher

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percentage of graduates (24.6%), comparative to first year (11.3%) and third year (20.8%) students, were 'not sure' about the Senior Accountant's actions. The percentage findings with regards to the accounting firm's actions for all three categories of respondents were not dissimilar, suggesting that the majority of accounting students and graduate respondents thought that it was appropriate for the friends to face disciplinary action for breaching the profession's Code of Ethics.
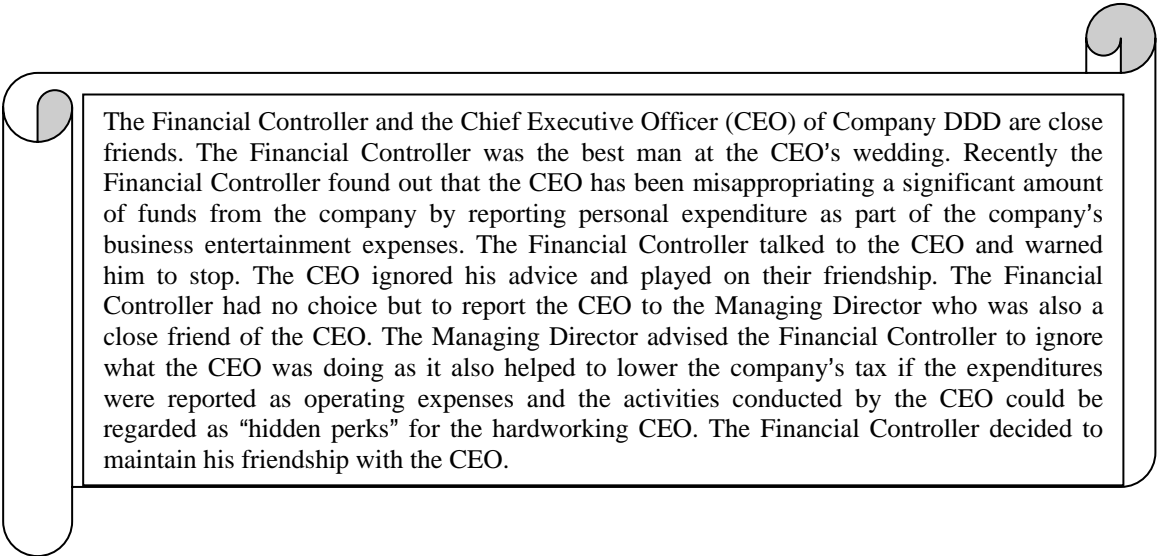
9.4.4   Overall Findings for Ethical Case – Situation B

Overall, it would appear from the comparative findings for this ethical case situation B that the majority of respondents from the three different categories perceived that the actions of both Friend X and Friend Y were unethical. However, a higher percentage of first year accounting students were inclined to indicate that the action of the 'Senior Accountant' was unethical compared to the lower percentage findings from third year accounting students and accounting graduates. This raises concerns as it may imply that accounting students and graduates were more prepared to "forgive" the unethical actions of a more senior member of staff who has done wrong and, in actual fact, this particular individual should have been penalised or punished in some manner by senior management in the accounting firm. It was his lack of mentoring and availability to work on the client's accounts that were the main reasons why the inexperienced accountant had to seek help from a friend.

The action of the Senior Accountant does not fall in an area of 'greyness' to indicate that the action may have been ethical to a certain extent. It is difficult to see the 'shades of grey' in the Senior Accountant's and Friend X's actions; they were both acting unprofessionally but the 'greyness' issue in the case of Friend Y could be argued. Floundering and needing help, Friend Y sought it from someone he thought was experienced and in a better situation to

know the 'right' thing to do to resolve the ethical dilemma he was in. The majority of respondents from all three categories felt that the actions taken by the accounting firms to report the two friends to the accounting body were ethical and one cannot dispute this as the two friends had to be disciplined in some way, whether it was to be done internally within their own accounting firms or by the professional body that they both belonged to.

9.5   ETHICAL CASE – SITUATION C

The Financial Controller and the Chief Executive Officer (CEO) of Company DDD are close friends. The Financial Controller was the best man at the CEO's wedding. Recently the Financial Controller found out that the CEO has been misappropriating a significant amount of funds from the company by reporting personal expenditure as part of the company's business entertainment expenses. The Financial Controller talked to the CEO and warned him to stop. The CEO ignored his advice and played on their friendship. The Financial Controller had no choice but to report the CEO to the Managing Director who was also a close friend of the CEO. The Managing Director advised the Financial Controller to ignore what the CEO was doing as it also helped to lower the company's tax if the expenditures were reported as operating expenses and the activities conducted by the CEO could be regarded as "hidden perks" for the hardworking CEO. The Financial Controller decided to maintain his friendship with the CEO.

Key players in ethical case:
Financial Controller (FC): action (final) perceived to be unethical
Chief Executive Officer (CEO): action perceived to be unethical
Managing Director (MD): action perceived to be unethical

Ethical case situation C clearly involves fraudulent activities by at least two key employees of the company: the Chief Executive Officer (CEO) and the Managing Director (MD). This is a complicated case situation that will have ethical implications not only on the two key employees who are acting unethically and breaking the law because of the fraudulent activities that they are being involved in but also on the Financial Controller (FC), who is now being made an accomplice to the fact. As well, there are wider ethical and legal implications for the Inland Revenue Department (IRD), the accounting professional body (NZICA), shareholders and other stakeholders, and society.

While it could be argued that MD is not actively involved in the fraudulent activities himself, he is allowing the CEO, who is his friend, to carry on the activities with his 'full approval'. This might imply that MD was also involved in such activities himself and hence his condoning his friend's actions. However, the fact that the FC had initially done the 'right' action by reporting the situation to the MD of the company does not absolve him from the situation when it becomes exposed. It could be argued that he should have blown the whistle to the Board of Directors and shareholders because of his 'wider duty of care' responsibility to society. This case illustrates that the boundary between friendship and professional relationships in the workplace should never become blurred as it can lead to unethical and illegal consequences for all parties concerned in the situation. The case can be illustrated in the following manner:
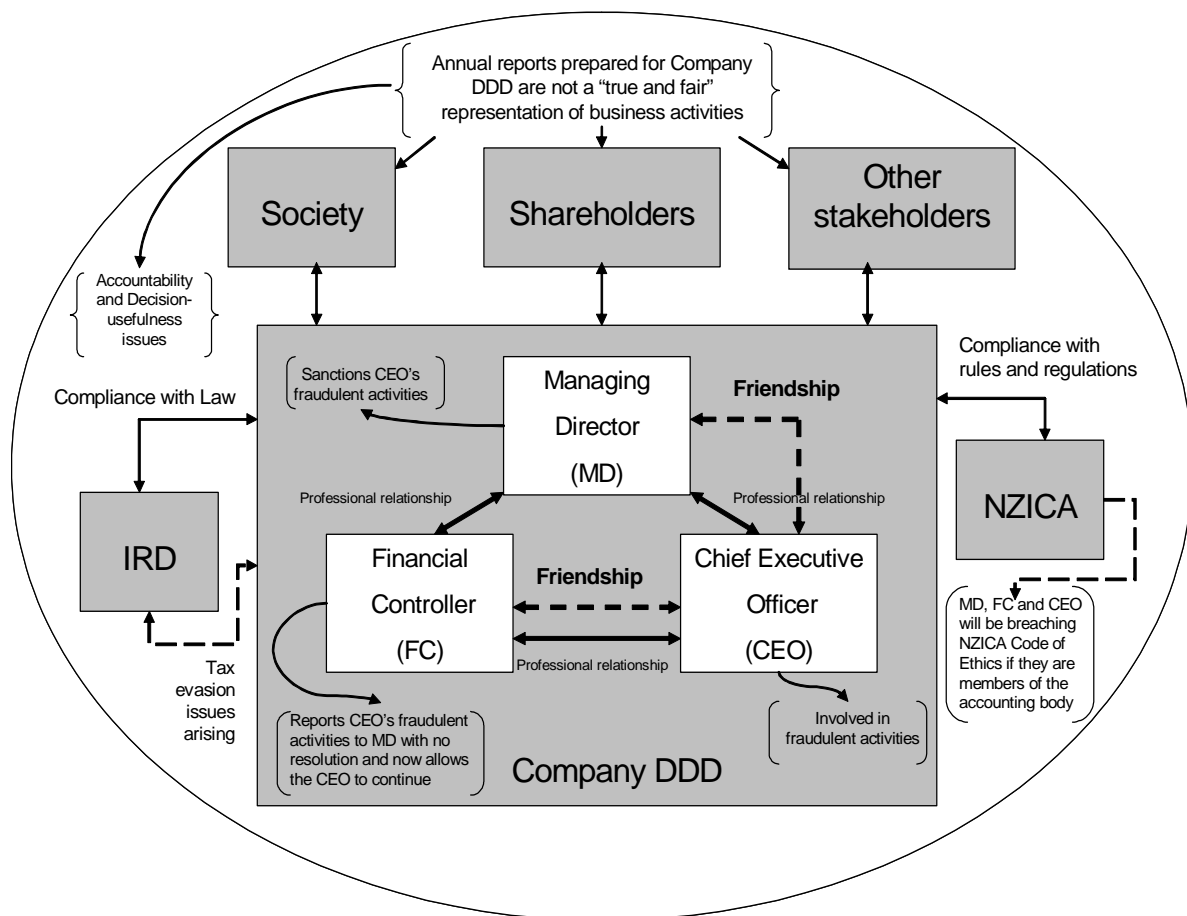
Figure 9.9: Illustration of Ethical Case Situation C

9.5.1   First Year accounting Students

From the findings provided in Figure 9.10, it appears that first year students had no problems identifying that the actions of both the Managing Director (90.6%) and the Chief Executive Officer (91.5%) were unethical. However, they were less sure whether the action of the Financial Controller was ethical (56.60%) or unethical (31.1%), and 12.3% percentage of them were 'not sure'. The ethical cases did not require explanations from participants with regards to their choice of responses and therefore more meaningful interpretations of why first year students thought the actions of the FC were unethical when it should have been perceived to be ethical to report on the CEO's fraudulent activities is not possible. Future studies of this nature should requests explanations to ethical responses so that more insightful analysis and understanding of ethical stances taken by participants can be derived.

If one assumes that their choice of the unethical action answer for the FC was because they saw that the FC decided to continue his friendship with the CEO rather than take the issue further, then it implies that first year students understood the wider ethical implications that this situation would have if the fraudulent activities were to be exposed in the future. However, it is difficult to comprehend, although it is a very low percentage, why 1.9% of respondents thought that the action of both the MD and CEO were ethical in any way at all. The 'not sure' responses for both the actions of the MD (7.5%) and CEO (6.6%) are also a concern as they show that the first year students cannot identify that not only is an unethical action being conducted by the two individuals but that they are also breaking the law. One may question whether or not the students perceived the situation as 'acceptable' and therefore in a sense legitimate type actions within the corporate culture existing in the organization. If this is the case, then indeed there are serious concerns about how students might be drawn into such actions themselves.
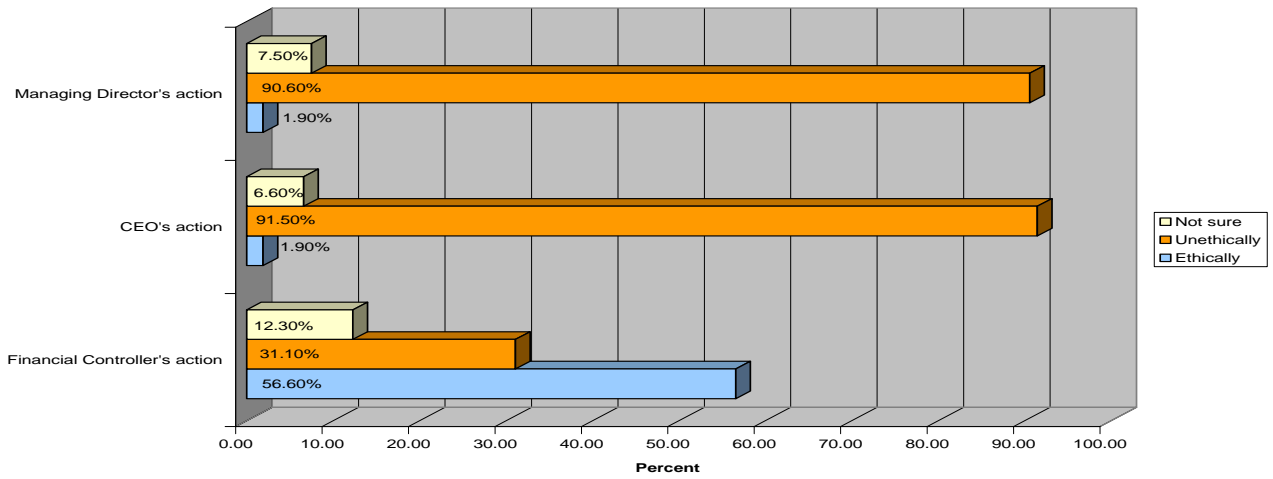
Figure 9.10: First Year Accounting Students – Hypothetical Ethical Case – Situation C
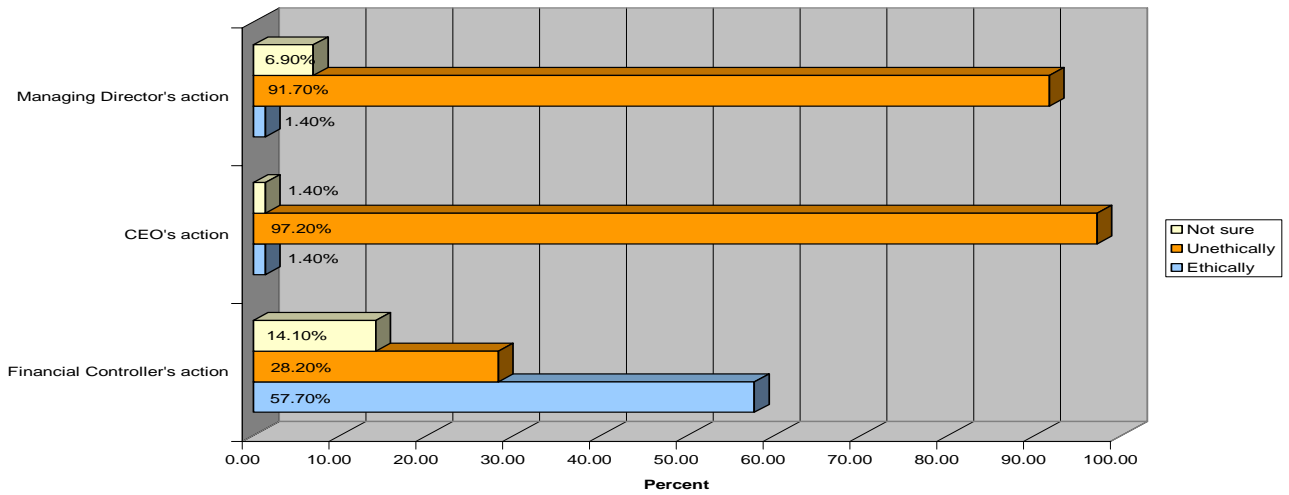
Figure 9.11: Third Accounting Students – Hypothetical Ethical Case – Situation C
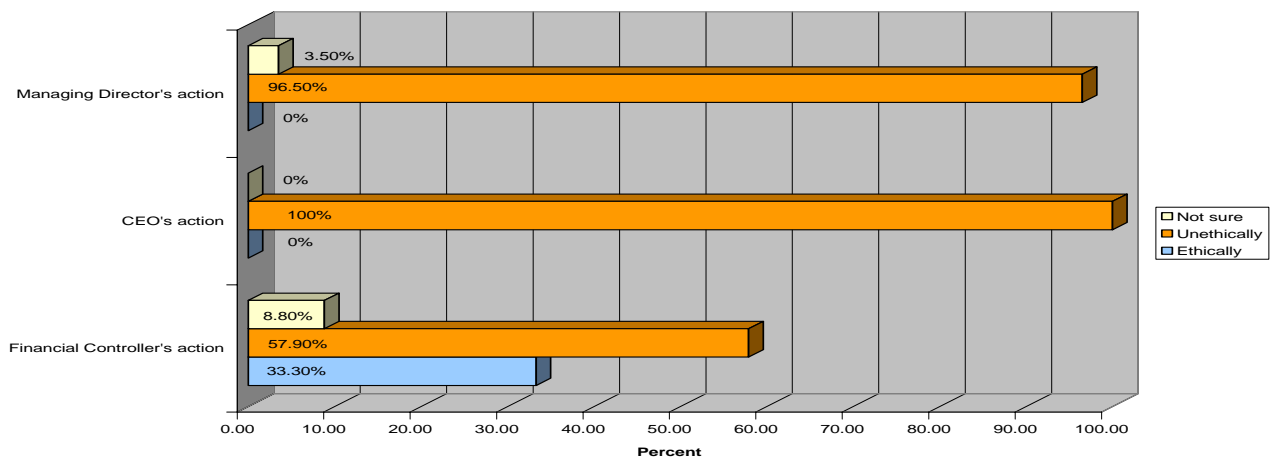
Figure 9.12: Accounting Graduates - Hypothetical Ethical Case – Situation C

9.5.2   Third Year Accounting Students

Similar to first year accounting students responses to the ethical situation presented, third year

students were able to clearly identify that the actions of both the MD (91.7%) and CEO

(97.2%) were unethical (see Figure 9.11). The concern raised in the discussion on the first

year accounting students' findings is also raised here with regards to 1.4 percent of third year

respondents who thought that the actions of both the MD and CEO were ethical. The 'not

sure' responses also raise issues because the manner in which the case situation was written

does suggest that unethical actions were being taken by both the MD and CEO. The words

'manipulating' and "hidden perks" reported as operating expenses to lower the company's tax

should raise not only "danger flag" regarding ethicality but also illegal (tax evasion) warnings

to any individual/student, even one not studying accounting as a major. To explain this

concern further, particularly when looking at more senior level students rather than first year

students, whilst it is a small percentage and hence could be argued as an insignificant finding,

it nevertheless does suggest that there is the potential for this very small minority of

respondents ('ethical' and 'not sure' responses) to actually become involved in such unethical

and illegal activities when they themselves join the workforce.

In a similar manner to first year respondents, third year respondents were less clear about

whether the action of the FC was unethical (28.2%) or ethical (57.7%), with 14.1 percent

indicating 'not sure'. It would appear that the majority of respondents thought the FC had

done the ethical thing in reporting the CEO to the MD but did not perceive that the FC had to

take the action further. It can be argued that the 28.2% of respondents who chose unethical as

their response for the FC's action thought that the FC had to take the reporting situation

further in order for his action to be fully ethical because it can still be perceived by interested

parties and stakeholders that the FC is breaching the independence ethical principle and allowing his friendship with the CEO to cloud the ethical situation he is facing.

9.5.3   Accounting Graduates

There was no ambiguity in the responses provided by accounting graduates with regards to the CEO's action; the graduates (100%) all thought that the CEO acted unethically. However, with regards to the MD's actions, 3.5% of graduates were 'not sure'. Again, one finds it difficult to comprehend why there were some 'not sure' responses when clearly these were wrong actions for both the MD and CEO to be involved in. Figure 9.12 shows that the majority (57.9%) of graduates thought that the FC had acted unethically. A lower percentage of graduates (33.3%) thought that the action of the FC were ethical, with 8.8 percent of them indicating 'not sure'. As explained in the first year and third year accounting students' findings, there is less certainty about the action of the FC being ethical or unethical as respondents needed to be comfortable with the fact that the FC did not take the reporting action higher up the authoritative ranks of the firm in order to stop the CEO continuing with the fraudulent activities.

9.5.4   Overall Findings for Ethical Case – Situation C

Overall, it would appear from the comparative findings for this ethical case situation C that the majority of accounting students and graduates perceived the actions of both the 'CEO' and the 'MD' to be unethical. However, all categories of respondents were less sure about whether the action of the 'FC' was unethical.

From the comparative findings, of concern is the small percentage of respondents from the three different categories who perceived the actions of the 'CEO' and the 'MD' to be ethical

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when they clearly were not only being unethical but also breaking the law by being involved in fraudulent activities. This suggests that this small number of respondents might also be prepared to become involved in these types of acts if the 'organisational culture and leadership' permitted them to.

9.6   CHAPTER SUMMARY AND CONCLUSION

The overall findings provided from the three categories of respondents to the three ethical case situations show that there is a significant percentage, that is to say, usually more than 50% of respondents have identified the ethical action(s) of the participants in the cases appropriately. This finding supports Beets' study conducted in 1992 on practicing accountants' familiarity with their professional code of ethics where he found that only 52 percent of the hypothetical cases were evaluated correctly by the respondents. However, when putting together total responses of those not identifying the appropriate ethical responses as well as those 'not sure' responses to the ethical situations within each case provided in this section of the questionnaire instrument, this total percentage does suggest a major concern not only for the respondents themselves but for other possibly affected parties as well. Their inability, particularly for Case Situations A and B, to identify appropriately whether actions were ethical or unethical suggests that they may head into problems when dealing with ethical dilemmas in the workplace.

The tax avoidance issue raised in ethical case (Situation A), might suggest questionable legitimation strategies within the accounting firm in terms of the promotion of tax avoidance schemes such as those highlighted by Sikka and Hampton (2005). The second ethical case (Situation B) suggest breaching of the Institute's Code of Ethics in terms of professional competence and independence fundamental principles by two friends who should have known

that their behaviour and actions would be unacceptable to the accounting firms that employed them. The third ethical case (Situation C), shows the extent to which individuals are prepared to act unethically for self-gain (egoism and hedonism ethical theories), for without any doubt, this particular case involves fraudulent activities that is not just unethical/immoral but is also highly illegal. These individuals were not only breaking the law in terms of tax evasion activities, but also in a manner stealing from the company. However, of major concern is how new graduates and less morally resilient individuals might be drawn into this whirlpool where the corporate culture might be anything but ethical.

Ethical dilemmas are a workplace reality that everyone (not just accounting students and accounting graduates) has to deal with. For this reason ethical dilemmas cannot be viewed as an abstract theoretical issue in which one argues 'this will not happen to me'. It would appear that there is a significant percentage of respondents of this study will need to have their awareness raised with regards to what actions will be viewed as unethical not only by their employer(s) but also by the accounting professional body, the law, the government and society. It can be argued that such awareness needs to be provided before new graduates even commenced their accounting careers otherwise it may result in proclamations of: "too little, too late". It appears that increased awareness of the different types of ethical dilemmas and their consequences depending upon the actions/behaviour pursued by affected individuals need to be more carefully incorporated into any ethical educational interventions provided by institutions. Without any doubts, there obviously needs to be better preparation of accounting students so that they are more able to cope with ethical issues as they arise in the workplace.

CHAPTER TEN
RESEARCH FINDINGS - HYPOTHETICAL ETHICAL SITUATIONS

10.1 INTRODUCTION

The previous chapter found that there were small but significant percentages of accounting students and graduates who were unable to identify appropriately whether some actions were ethical or unethical. This finding thus indicated that increased awareness of how to identify ethical issues and resolve them needs to be more appropriately incorporated into ethical educational interventions at the tertiary level. To enhance the findings from Chapter Nine which focussed mainly on how the participants perceived that the affected individuals in the cases should have acted, this chapter particularly, will look at the findings on how the participants would themselves act if they were asked to act unethically in the vignettes provided in the research instrument. Chapters Nine and Ten are therefore important chapters as they will help the researcher to develop more insightful findings with regards to the perceptions held by the participants on the importance of ethical educational interventions.

The analysis in this chapter will look at the responses provided by the participants of this study with regards to the action they would take when faced with the questionable propositions in the vignettes. The vignettes, that is the hypothetical ethical situations (HES) outlined in the questionnaire would allow the study to highlight whether there are significant percentages of participants prepared to act unethically. If this finding results, then obviously it cannot be stressed enough that ethical educational interventions are important if society's woes from corporate crises and accounting scandals are to be addressed in any meaningful way. This chapter will analyse the responses provided by participants in this study by using Kohlberg's theory of cognitive moral reasoning and development. In addition, where appropriate, references to relevant ethical theories are made in an attempt to understand the

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responses provided by the participants. The chapter also provides a cross tabulation (bivariate analysis) of 'Yes' and 'No' responses to the percentages indicated by the respondents with regards to the likelihood their peers would act ethically or unethically in the same situation. The background to the overall development of the hypothetical ethical situations is explained briefly in Section 10.2. Further details of each hypothetical ethical situation are explained, together with their respective findings, in Sections 10.3 and 10.4.

10.2   BACKGROUND TO THE DEVELOPMENT OF THE HYPOTHETICAL ETHICAL SITUATIONS

The HES propositions were developed to specifically test participants' responses on how they thought they would behave in ethically challenging situations which are related in a sense to the underlying factors contributing to accounting scandals and corporate crises that were identified in Chapter Five. The vignettes used by Davey and Hooper (2001) were adapted and used to inform the hypothetical ethical situations for this thesis. Further explanations on the development of each of the HES and their importance in the study will be provided in their respective findings discussion. It is important to point out that, because of the different levels of participants, for some of the situations, the question was asked only of graduates, while a couple of HESs were asked of both first year and third year accounting students only.

In addition to HESs relating to the work/business environment, some vignettes looked at issues that were more related to personal values and behaviour rather than to the accounting firm or corporate type issues. This was because the researcher also wanted to analyse the type of answers that would be given by respondents at the more personal level rather than at the accounting firm or business/corporate level. It is the researcher's belief that if an individual did not have strong personal values and behaviour in themselves, then they were more likely to be influenced to behave unethically in the corporate environment. Damon (2004) argues

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that the search for moral integrity requires a dedication to honesty and humility at all times, and not merely as a matter of future intent. He stresses:

> In all phases of a career – the years of preparation, the years of productivity, the final years of consolidation – there can be no substitute for integrity. Moral integrity means, quite literally, an integration of virtue throughout one's conduct at all times. A person with integrity can be counted on to remain true to **all** goals, purposes, and standards that he or she believes in, rather than selling out one in favour of another. (p. 16)

The researcher's belief is further reinforced by Dellaportas, Gibson, Alagiah, Hutchinson, Leung and Van Homrigh (2005) who write that "[T]he ethical dispositions of individuals underpin behaviours, which, collectively, provide the framework for ethical cultures, sound values and good leadership, resulting in a fair and transparent system of accountability and responsible practices" (p.4). Ethical dispositions were defined by Dellaportas et al as "the way in which an individual behaviour demonstrates integrity and morality" (p. 343). In addition, these authors reinforced the discussion on a major inadequacy with regards to accounting education (see also discussion in Chapter 2) when they wrote that one of the key factors challenging ethical behaviour was that accounting education did not help accountants to develop the skills to deal with ethical issues. They stated that "[T]he traditional notions of accounting education and practice possess a mechanistic perspective that focuses on techniques rather than the broader questions of human values and morality" (p. 40), and contended that "[T]he lack of attention given to ethical values means that accountants lack the skill or sensitivity to recognize and deal with ethical issues when they arise. The implication for accountants is that ethical issues are inadvertently overlooked because they focus too much on technical issues." (ibid) Citing Gandz and Hayes (1988) and Jones (1988 – 89), these authors also argued:

> Gandz and Hayes (1988) claim that it is not that people in business are devoid of moral values, but that they are deficient in tools of ethical analysis which allow them to reconcile their responsibilities as professionals and individuals. According to Jones (1988 – 1989, p.4), 'These are people who basically want to do the right thing, but who lack the intellectual background and the attendant moral courage to actively and forcefully defend their views'. (p. 40)

Explaining further, Dellaportas et al. also write that "[W]ith ethics education, accountants will be able to identify predicaments when they arise, determine how to resolve problems and, more importantly provide them with the rationale and vocabulary to take and defend their ethical problems." (p. 40)

The analysis of how students and graduates would respond to these questionable propositions would therefore allow the researcher to highlight any significant findings from this section of the study to support the view that ethical educational interventions are important. If the findings show that significant percentages of accounting students and graduates were unable to identify the predicaments they were in and resolve them appropriately, this would suggest that they needed ethical educational interventions to help them develop the intellectual background and skills to deal with ethical issues when they arose.

To further facilitate the understanding of how the respondents in this study might have made their decisions, the researcher has also summarised from Dellaportas et al. their discussion on Kohlberg's theory of cognitive moral reasoning and development. What makes these authors' discussion particularly interesting and of relevance to this study is the manner in which they have considered the ethical motivations of accountants at the different stages of Kohlberg's moral development. They noted:

> At the pre-conventional level, accountants will seek to satisfy their own interests. At the conventional level, accountants are influenced by the group or community, and it is not until they reach the post-conventional level that they develop autonomous reasoning. With each successive stage, the moral judgment grows less and less dependent on outside influences and moves from a self-centred conception of what is right to a broader understanding of the importance and principles of justice and rights". (p. 47)

However, they also pointed out that Kohlberg argues that few people ever achieve the post-conventional stages of moral reasoning, that most people will never develop beyond the conventional stages and that, in general, people move forward through the stages at a rate determined by their own life experiences.

To appreciate and understand Kohlberg's stages of moral developments, his definition of the moral stages will be provided initially in Table 10.1, followed by Table 10.2 which depicts Kohlberg's six stages of moral reasoning as interpreted by Dellaportas et al. Their discussion is then linked to their consideration of the six stages of ethical motivations of accountant. Table 10.2 will provide one of the basis by which this section of the questionnaire instrument will be analysed. However, unlike other studies that have used Kohlberg's stages of moral reasoning to evaluate whether ethics education interventions have influenced accounting students ethical reasoning, this study is more focused on finding out students' and graduates' perceptions of the importance of such interventions. The study therefore did not utilize the Defining Issues Test (DIT) developed by Rest (1979) to measure Kohlberg's stages of moral development that have been used quite extensively by ethics education researchers in evaluating the extent to which an ethics course had influenced their subjects' moral reasoning.

Table 10.1: Kohlberg's Definition of Moral Stages

Preconventional Level	At this level, the child is responsive to cultural rules and labels of good and bad, right or wrong, but interprets these labels in terms of either the physical or the hedonistic consequences of action (punishment, reward, exchange of favours) or in terms of the physical power of those who enunciate the rules and labels.	Stage 1. The Punishment and Obedience Orientation	▶ The physical consequences of action determine its goodness or badness regardless of the human meaning or value of these consequences. ▶ Avoidance of punishment and unquestioning deference to power are valued in their own right.
		Stage 2. The Instrumental Relativist Orientation	▶ Right action consists of that which instrumentally satisfies one's needs and occasionally the needs of others. ▶ Human relations are viewed in terms like those of the marketplace. ▶ Elements of fairness, reciprocity, and equal sharing are present, but they are always interpreted in a physical, pragmatic way. ▶ Reciprocity is a matter of "You scratch my back and I'll scratch yours."
Conventional Level	At this level, maintaining the expectations of the individual's family, group, or nation is perceived as valuable in its own right, regardless of immediate and obvious consequences. The attitude is not only one of conformity to personal expectations and social order but of loyalty to it, of actively maintaining, supporting and justifying the order and of identifying with the people or group involved in it.	Stage 3. The Interpersonal Concordance or "Good Boy – Nice Girl" Orientation	▶ Good behaviour is that which pleases or helps others and is approved by them. ▶ There is much conformity to stereotypical images of what is majority or "natural" behaviour. ▶ Behaviour is frequently judged by intention – the judgement "he means well" becomes important for the first time. ▶ One earns approval by being "nice."
		Stage 4. Society Maintaining Orientation	▶ There is an orientation toward authority, fixed rules, and the maintenance of the social order. ▶ Right behaviour consists of doing one's duty, showing respect for authority, and maintaining the given social order for its own sake.
Postconventional Level	At this level, there is a clear effort to define moral values and principles that have validity and application apart from the authority of the groups or people holding these principles and apart from the individual's own identification with these groups.	Stage 5. The Social Contract Orientation	▶ Right action tends to be defined in terms of general individual rights and in terms of standards that have been critically examined and agreed on by the whole society. ▶ There is a clear awareness of the relativism of personal values and opinions and a corresponding emphasis on procedural rules for reaching consensus. ▶ Aside from what is constitutionally and democratically agreed on, the right is a matter of personal "values" and "opinion."
		Stage 6. The Universal Ethical Principle Orientation	▶ Right is defined by the decision of conscience in accord with self-chosen ethical principles appealing to logical comprehensiveness, universality, and consistency. ▶ These principles are abstract and ethical (the Golden Rule, the categorical imperative); they are not concrete moral rules such as the Ten Commandments. ▶ At heart, these are universal principles of justice, of the reciprocity and equality of human rights, and of respect for the dignity of human beings as individuals.

(Kohlberg's Definition of Moral Stages has been reproduced from Kohlberg, 1981, pp. 17 – 19. The summary has been presented in table format for visual presentation.)

Table 10.2: Kohlberg's six stages of moral reasoning and ethical motivations of accountants

LEVEL	FOCUS	STAGE	ORIENTATION	EXPLANATION	Ethical motivations of accountants at Kohlberg's different stages of moral development
Post-conventional	Universal principles	6	Self-chosen ethical principles	Decision-making behaviour is governed by self-chosen ethical principles founded on the non-consequential ethical theories of justice, duties and equal human rights. This stage represents a universalistic, principal notion of moral reasoning in which individuals would be prepared to challenge 'bad' laws which frustrate natural justice.	Ethical principles with universal character transcend corporate culture and policies. These principles such as honesty, not corporate policies, determine ethical behaviour.
		5	Just rules determined by consensus	An individual recognises differences in society and emphasises fair ways of reaching consensus by agreement. Individuals will respect laws but will evaluate, question and seek to change laws if they are inconsistent with the principles of justice and welfare.	Accountants see society's rights and values as outweighing the corporation's rules, policies and practices. The right thing to do is to protect the public interest even though it may conflict with corporate policy.
Conventional	Community	4	Rule-follower	Moral course of action is defined by compliance to authority and laws. This stage is commonly referred to as the 'law and order' stage because of this strict adherence to the law.	Accountants feel obligated and committed to the policies of the firm or the standards of the profession and are better able to withstand peer pressure.
		3	Pleasing others	Individuals conform to the norms of the group and subordinate their individual needs to those of the group. Ethical decisions are motivated by the need to be seen as 'good people' by those for whom they feel loyalty and affection, such as family, friends and colleagues.	Accountants may feel pressured to abide by peer group norms (colleagues and superiors), even though such behaviour may result in violation of company policy or accounting regulation.
Pre-conventional	Self-centred	2	Self-interest	People are viewed as independent agents motivated to pursue their own self-interest. People will occasionally consider the interests of others but only in so far as there is a mutual advantage in exchange and deals exemplified by 'you scratch my back, I'll scratch yours' reasoning.	Accountants choose to comply with regulations such as accounting standards, ethical codes or the law only if they deem that ethical behaviour is less harmful or costly than unethical behaviour.
		1	Avoiding punishment	The motivation for behaviour is governed by the desire to avoid penalty. Individuals are likely to pursue the wrong course of action if the perceived risk of detection is low, and punishment from wrongful behaviour is unlikely or insignificant, that is, people will do the wrong things if they believe they can get away with it.	Accountants will avoid an unethical act and comply with professional duties if they believe that detection and punishment from the boss or regulators is likely.

Source: Table 2.3: Summary of the six stages of moral reasoning (p. 44), adapted. Explanation and ethical motivations of accountants' columns were summarised from Dellaportas, et al., (2005), p. 41 - 45.

In addition to references being made to Kohlberg's stages of moral reasoning, where appropriate the relevant ethical theories discussed in Chapter Four and Pojman's examination of right and wrong types of action provided in Figure 4.6, were also be used to analyse the possible reasoning behind the respondents' answers to the questionable propositions. The approach taken is important to provide a theoretical lens for understanding individual's ethical decision-making. For instance, see Granitz and Loewy's 2007 study which applied ethical theories in interpreting and responding to the student plagiarism issue. They explained that the understanding of ethical theories behind the ethical reasoning employed by students is critical because this will allow preemptive steps to be taken by faculty to counteract this reasoning and prevent plagiarism. From the researcher's perspective, there appears to be some overlap in the stages of moral development identified by Kohlberg with the ethical theories that have been put forward in Chapter Four. This overlap has been presented in Figure 10.1.

However, in attempting to assign the different ethical theories to the six stages of moral development, the researcher had to 'best fit' the theories and it would therefore seem that in two of Kohlberg's stages, the ethical theories relating to Naturalism and Virtue ethical theory and the Rights theory, were also applicable to two different stages. Each HES will therefore be analysed by reviewing the principle of ethical behaviour (that is, the ethical theory) and the moral reasoning for the decision by relating the finding to Kohlberg's stages of moral development. The importance of the approach taken in this data analysis section is best explained by Dellaportas et al. who state:

> Ethics is concerned with the principles of right and wrong, whereas the theory of moral reasoning is concerned with the rationale that people use in making moral decisions. The former establishes the principles of ethical behaviour and the latter establishes the rationale for why the decision was arrived at. In practical terms, philosophy is concerned with making the right

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decision, whereas moral reasoning is concerned with how the decision is formulated." (p. 41)

Figure 10.1: Kohlberg's Six Stages of Moral Development and the ethical theories applicable in the Six Stages

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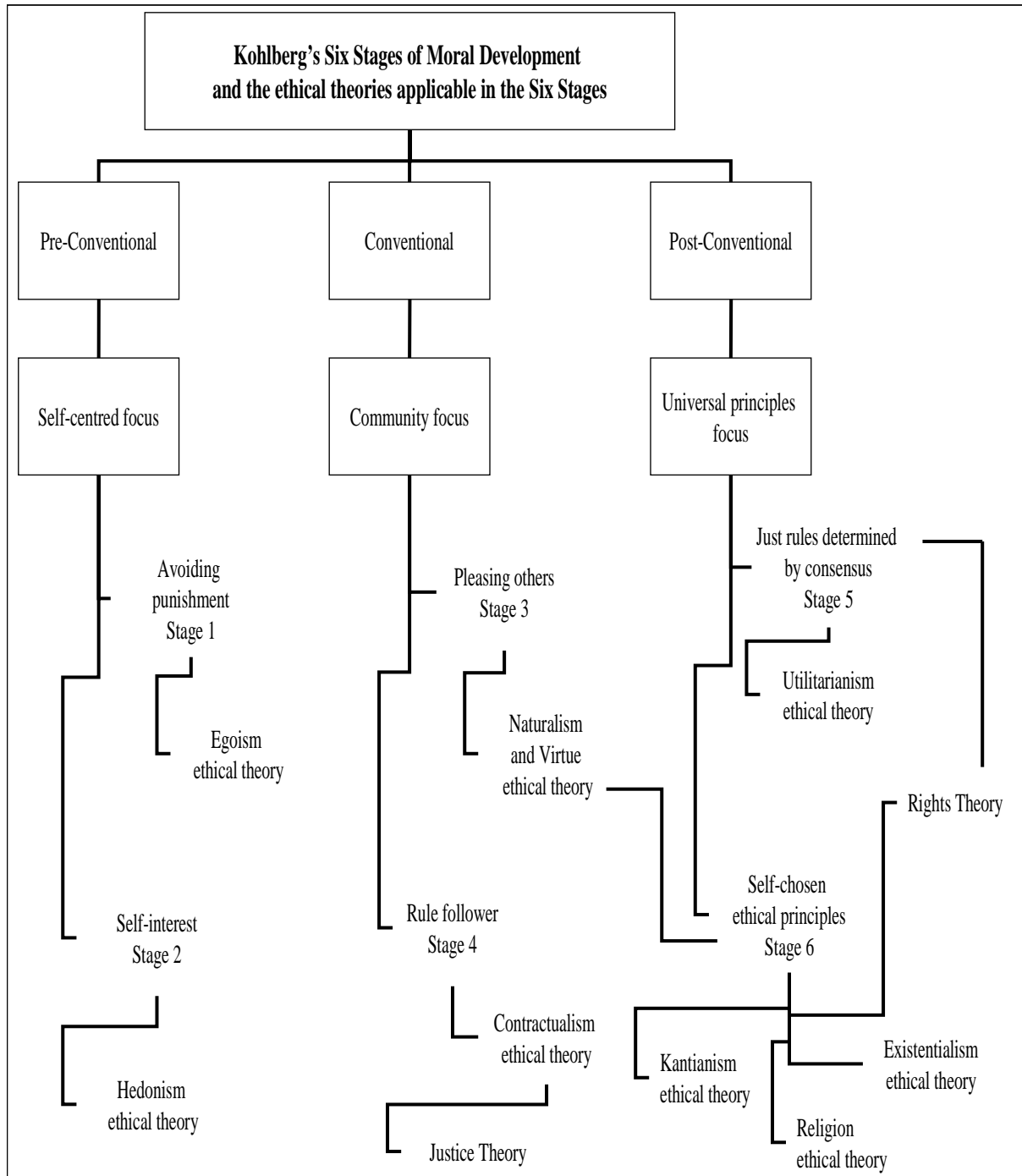
The quantitative data analysis for this section is conducted comparatively across all three categories of respondents and is done in two stages for each of the HESs posited to the respondents. The first stage initially explores the 'Yes' and 'No' responses provided in order to gain some initial understanding of how the respondents themselves would act in the HESs. The second stage involves looking at how the respondents perceived their peers would act for that same situation. However, to conduct a more meaningful analysis of this second stage, a cross tabulation analysis was conducted on the data collected. Therefore, of interest also in this survey was the implication of the responses provided by accounting students and graduates with regards to their own perceived behaviour and that of their peers in the given situation.

The cross tabulation data analysis method was used to express the range of variation within the categories of responses elicite in the HESs. In particular, the 'Yes' and 'No' responses were cross tabulated with the percentages that the participants indicated as likely that their peers would also get involved or not involved in the action. As in the case of the first stage, the cross tabulation of data in the second stage was also conducted for each of the ethical situations. This cross tabulation of responses among the different categories of respondents attempts to show, through the joint distribution of the data, whether or not there is any association between the 'Yes' and 'No' variables and the associated percentages for perceptions that their peers would get involved in the ethical/unethical action. The findings from this cross tabulation analysis provides an interesting insight with regards to how accounting students and graduates perceived their peers would act in that same situation.

The students were asked to provide a "Yes" or "No" response to the questions provided in the questionnaire instrument. They were asked, firstly, to answer "Yes" or "No" to the situation

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provided in the question as it applied to them and, secondly, to provide an indication in terms of percentages (0%, 25%, 50%, 75% and 100%) of how their peers would respond to the same situation. The findings for the "Yes" or "No" for the first stage data analysis have been provided in their respective tables before each situation was cross tabulated in a graphical format. In an attempt to highlight the ethical response expected from the respondents, the researcher has shaded for each question the "Yes" or "No" cell green in the tables to indicate that this would have been the more appropriate ethical response (from the researcher's perspective) to provide for that particular ethical situation.

10.3 HYPOTHETICAL ETHICAL SITUATIONS: PERSONAL VALUES AND BEHAVIOUR

In order to provide a better structure for the analysis of the HESs, the questions relating to personal values and behaviour are grouped together and analysed before the questions more related to corporate values and behaviour culture are discussed. In analysing the findings of this section, one needs to understand why individuals make questionable decisions at the personal level. It has been indicated that one of the key reasons why people make questionable decisions is selfishness. Dellaportas et al. explain that the ethical theory that describes this aspect of human nature is egoism. According to these authors, the egoism view is where people in their natural state are selfish and motivated by self-preservation and self gain and that actions are driven by self-interest without concern for others. Chapter Four on ethical theories explain that the egoism and hedonism ethical theories are quite close in association and both theories indicate that the best life and best things are gained by getting 'what I want and successfully presenting my own interests'.

The first HES looks at whether or not students would cheat on their tutorial assignments by copying another student's assignment. According to Figure 4.6, copying another student's

assignment would clearly be a wrong act as it would not be a permissible activity and students therefore ought not to carry out this action. Granitz and Loewy (2007) succinctly explain the negative effect of copying:

> To describe the injurious effect of lifting ideas from others, in today's academic arena it is frequently noted that plagiarism tips the scales of fair competition, hampers learning, dilutes individual and class grades, and cheapens the value of honest work, hurting the perpetrator, other students as well as their professors. (p. 295)

First Hypothetical Ethical Situation - Copying offer ethical issue:

	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
You are unable to complete a tutorial assignment but you have been offered a copy from another student from a different tutorial.						
Would you accept the offer?	45.2%	54.8%	58.3%	41.7%		

Figure 10.2: Copying Offer and Percentage Cross tabulation
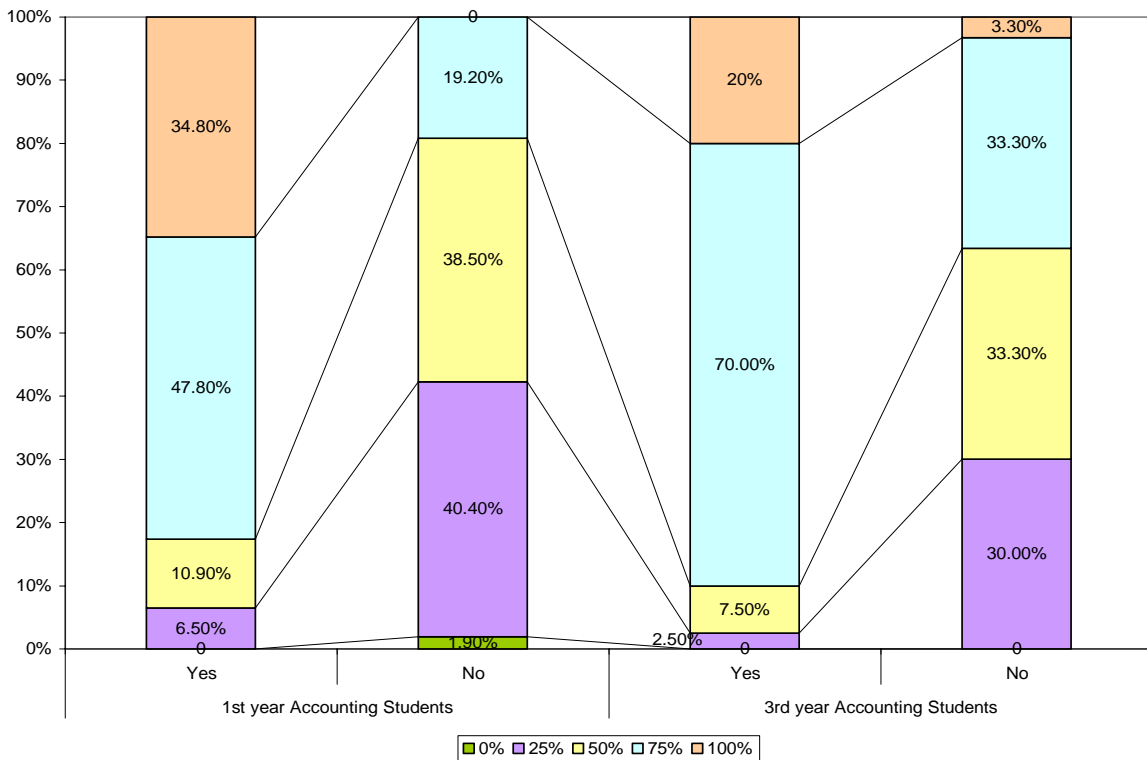
The results show contradictory findings between the first year and third year accounting students. A higher percentage (54.8%) of first year students indicated that they were more prepared to act ethically compared to third year accounting students where only 41.7% indicated that they were not prepared to accept the offer to copy. This finding is surprising, given that Kohlberg's stages of moral reasoning suggest that as people mature, they become more morally developed. It might, however, suggest that the majority of third year accounting students were in stage 2 (self-interest) whereas the first year accounting students might be in stage 1 (fear of punishment) of Kohlberg's pre-conventional stage of moral development.

From the 45.2 percent of 'Yes' responses provided by first year students, a significant 47.8 percent of these students who were prepared to act unethically thought that 75% of their fellow students would also accept the copying offer and 34.8 percent thought that 100% of their peers would do the same. However, for the 54.8 percent 'No' first year student respondents, 40.4 percent of these respondents thought 25% of their fellow students would do the same. There were lower percentage findings for the 50% and 75% levels where only 38.5 percent and 19.2 percent of these 'No' respondents thought that their peers would take up the copying offer.

In contradiction to the first year accounting students' findings, from the third year students' 'Yes' respondents, a very significant 70 percent indicated that it was very likely (that is, the 75% response variable) that their fellow students would also accept the copying offer. Together with the 20 percent of 'Yes' respondents who indicated 100% of their peers would accept the copying offer, a total of 90 percent of 'Yes' third year accounting student respondents thought that it was highly likely that the majority of their fellow students would also accept the copying offer. For the third year 'No' respondents, the percentage findings

were quite constant between the 25%, 50% and 75% levels with regards to fellow students taking up the copying offer. It is of interest to note that, except for the 1.9% of first year 'No' respondents, the majority of respondents all perceived that there were varying percentages of fellow students who would cheat in their assignment by copying. This finding is perturbing as it suggests that there exists a cheating culture at university that students are aware of and in which some would actually partake rather than achieving their degree through their own study efforts.

The second HES look at whether or not students would report to the course controller on fellow students who have copied from each other. It would appear that the egoism view, where people in their natural state are selfish and motivated by self-preservation and self gain, is reinforced by the findings from this question. The majority of respondents from both categories of first year and third year accounting students show a reluctance to report the copying; 94.2 percent of first year and 86.1 percent of third years indicated "No', they would not report the copying to the course controller. Only 5.8 percent of first year and 13.9 percent of third year accounting students would report the copying. This suggests that the majority of students were still located at the conventional level of Kohlberg's stages of moral development in terms of their moral character.

If the ethical analysis suggested by Pojman was applied, it may appear that the majority of first year and third year accounting students would see this action as optional and that they were indifferent to the consequences of not getting further involved in the situation by actually reporting on their peers to the appropriate authority. It would appear that they had 'neutral' character and motive rather than the 'virtuous' character and 'good will' motive that

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they might have been evaluated as having if they had taken the appropriate ethical decision to

report the fact to the course controller.

Second Hypothetical Ethical Situation - Reporting copying to course controller ethical issue:

	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
You find out about fellow students who have copied from each other. *Would you report this to the course controller?*	5.8%	94.2%	13.9%	86.1%		

Figure 10.3: Report Copying and Percentage Cross tabulation
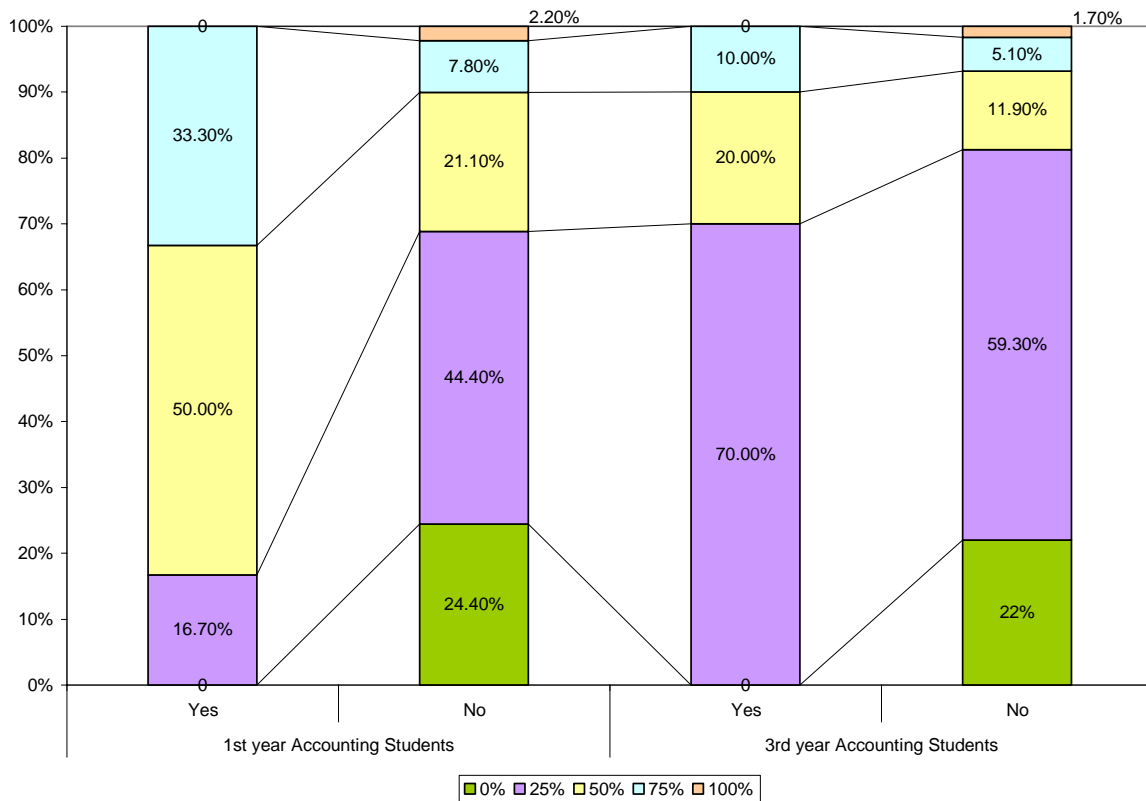
However, when Pojman's examination of right and wrong acts provided in Figure 4.6 was

applied, it was more difficult to indicate that the students had done the 'wrong type of action'

as it was not really about an act that was 'not permissible'. Students might have perceived the

act to be a neutral and optional act as they may have perceived the act not to report as 'neither

wrong nor obligatory'. This ethical situation might therefore be one where it would depend

upon whether or not the student had higher moral values compared to their peers because one

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could argue that it should have been an obligatory act as morality would require one to take action to report wrong doings when made aware of them. This finding may suggest that a small number of accounting students were at a higher level of moral development compared to their peers of the same category. However, care needs to be taken with this observation as the demographic findings of respondents did indicate that there were a small percentage of older students (who have returned to university studies after being in the work force) within the two different categories of respondents and this might or might not explain why only a small percentage of students were prepared to report on the wrong doings of other students.

In reviewing the percentages to which first year and third year accounting students thought that their fellow students would report the copying, from the first year 'Yes' respondents, a total of 83.3 percent thought that their peers would be more likely to report the copying (that is, 50 percent from the 50% category and 33.3 percent from the 75% category). This suggests that these more ethical respondents also thought well of their peers in indicating that the likelihood of their peers doing the right thing is also quite high. The first year 'No' respondents held the same type of perception of their peers in that a total of 68.8%, that is 44.4 percent of the 25% category and 24.4 percent of the 0% category, thought also that their peers were less likely to report the copying to the course controller. The percentage findings from the third year accounting students were quite different from that of the findings for the first year students. From the 'Yes' respondents of third year students, a significant 70 percent of third year students felt that only 25% of their peers would report the copying, while from the 'No' respondents, a total of 81.3 percent (that is, 59.3 percent of the 25% category and 22 percent from the 0% category) thought that their peers would also be less likely to report the copying. This finding suggests that the majority of third year accounting students thought less

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well of their peers in comparison to the first year accounting students in that a significant

percentage of them thought their peers were less likely to do the 'right' action when required.

The third HES is similar to the first HES as it also involves a copying/cheating situation. The

first situation, however, did not indicate whether the student's grade would be affected by the

situation whereas the third personal HES actually indicates that a higher grade would be

obtained by copying the friend's assignment. The findings for this third HES were not too

dissimilar from the first situation.

Third Hypothetical Ethical Situation - Higher grade copying offer ethical issue:

	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
A friend advises you of a simple alteration in your work which will give you a higher grade (this entails copying the friend's assignment). *Would you accept the offer?*	50%	50%	45.8%	54.2%		

Figure 10.4: Higher Grade Copying Offer and Percentage Cross tabulation

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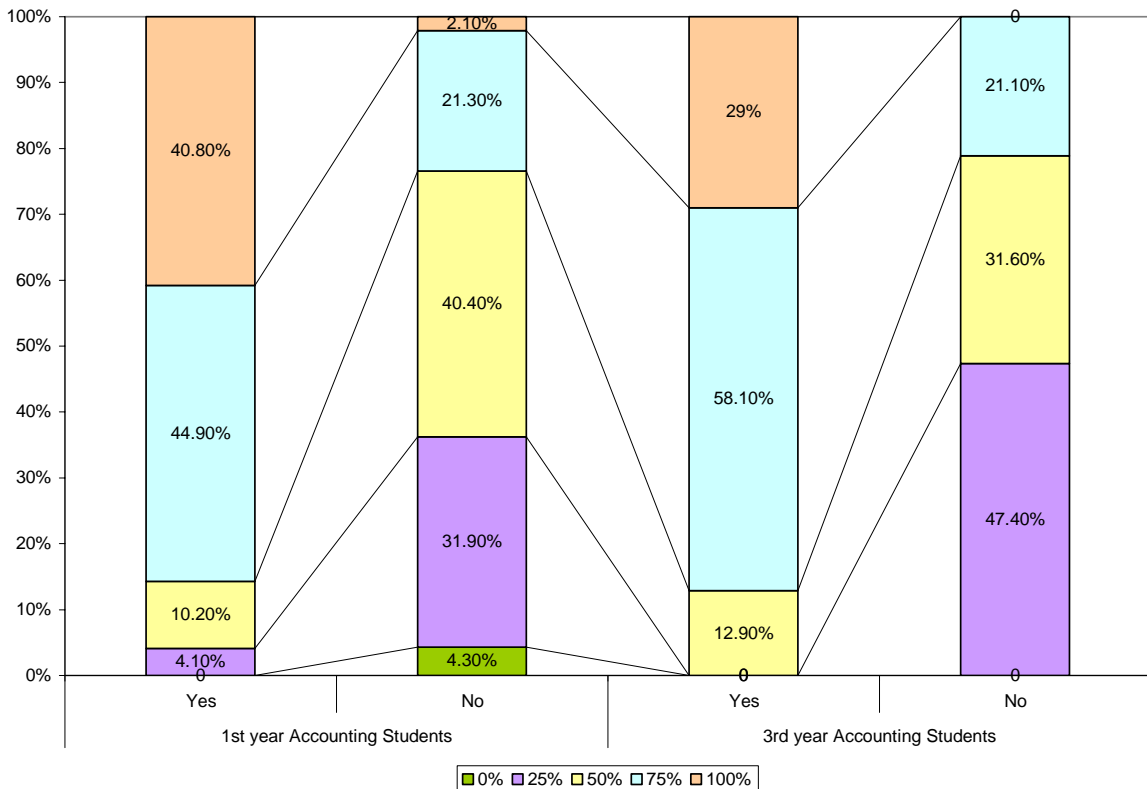
There was, however, a higher percent (54.2%) of third year students who were not prepared to accept the higher grade copying, compared to the 41.7 percent 'No' respondents indicated for the first hypothetical situation. This might suggest that third year students might feel that it was acceptable to copy tutorial assignments when there were less serious consequences and where grades might not be implicated, but were more reluctant to copy when grade implications become a more serious consequence. This finding appears more favourable. However, it might also mean that copying/plagiarism rules were more clearly specified with regards to a graded assignment, causing students to think more carefully about the consequences of being caught copying.

In contradiction to third year accounting students, there was a slight increase in percentage in terms of the number of first year accounting students who would accept the high grade copying offer; there was only 45.2 percent of 'Yes' respondents in the first hypothetical situation compared to 50 percent in the third situation. This finding is interesting given that this clearly would be a 'wrong act' (Pojman) for students to be involved. In the first hypothetical situation it was indicated that it was perhaps the fear of punishment (Kohlberg's Stage 1) that explained why a lower percentage of first year students were prepared to cheat. It might appear now that 'self-interest', as well as the perception that higher grades were more important than integrity, caused a change to the number of first year students who might get involved in unethical behaviour.

The fourth HES looks at whether or not respondents would be prepared to distort the truth in attempting to get a better salary offer from an employer. This HES might explain how prepared individuals are to lie to gain more money in their lives (see money culture discussion in Chapter Four). According to Pojman's examination of right and wrong acts, this ethical

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situation would be one that involved a 'wrong act' in that one ought to tell the truth and

therefore, that, telling lies is an act that one has an obligation to refrain from.

Fourth Hypothetical Ethical Situation - Rival firm offer claim ethical issue:

	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
You receive a slightly disappointing salary offer from an accounting firm, but you have heard that they are negotiable. By claiming a better offer from a rival firm you may be able to induce an increase in the offer.						
Would you do this?	31.1%	68.9%	16.7%	83.3%		

Figure 10.5: Rival Firm Offer Claim and Percentage Cross tabulation
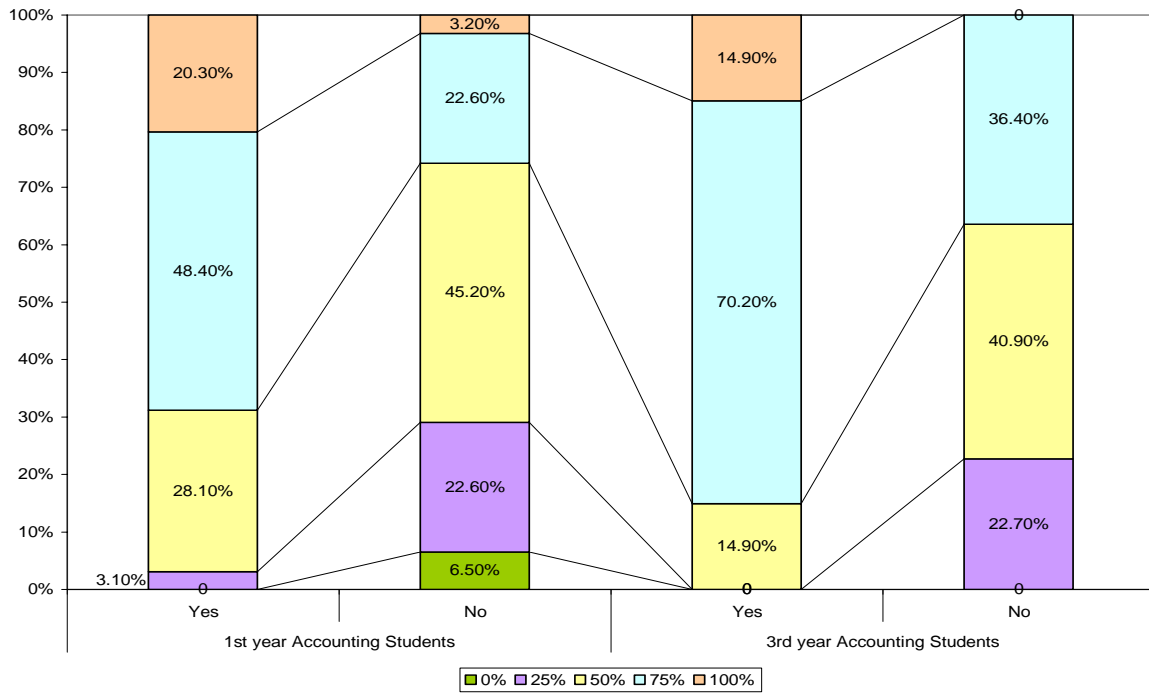
The findings are more favourable for third year respondents than first year respondents in that

a higher percent (83.3%) of third year students were not prepared to lie about a rival firm's

offer, compared to the 68.9 percent of first year students who were not prepared to lie about

such an offer. This finding might suggest that a significant percent (31.1%) of first year

accounting students were still in Stage 2 of Kohlberg's moral development where the 'self-

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interest' of the respondents played a more key role in their ethical reasoning; this suggests that these students were applying the hedonistic ethical theory to their decision-making. If someone was already prepared to lie to get a better salary offer from an employer, then one can only speculate as to the extent to which that individual would be prepared to become involved in unethical behaviour for self-gain.

In contrast, there was a much lower percent (16.7%) of third year accounting students who appear to be still at the 'self-interest' stage of moral development. This suggests that the majority of respondents to this ethical situation were at the 'pleasing others', Stage 3 of Kohlberg's moral development levels where "ethical decisions were motivated by the need to be seen as 'good people' by those for whom they feel loyalty and affection, such as family, friends and colleagues" (see Table 10.2, Sourced from Dellaportas et al., p. 43). This finding also implies that respondents were applying the Naturalism and Virtue ethical theories. According to Graham (2004), in relation to Aristotle's arguments, "happiness is not mere content with one's lot, but the exercise of healthy appetites, the imaginative and productive use of one's mental faculties, and the establishment of good personal, professional and public relationships" (p. 54).

The cross tabulation of 'Yes' and 'No' respondents for both first year and third year accounting students with the percentages (0%, 25%, 50%, 75% and 100%) that they thought likely that their peers would lie about a rival firm's offer to get a better salary, however, shows that most respondents from both 'Yes' and 'No' respondents perceived that their peers would more likely (that is from the 50% and above category of percentages) choose the unethical action: 'to lie'. For instance, there was only 3.1 percent of 'Yes' first year respondents who perceived that 25% of their peers would lie about the rival firm's offer

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compared to the significant 28.1 percent of 50%, 48.4 percent of the 75% and 20.3 percent of the 100% percentage categories that they thought their peers would be more likely to lie.

Even the 'No' first year respondents perceived poorly of their peers in that only 6.5 percent indicated 0% and 22.6 percent indicated 25% of their peers would be likely to be unethical, whereas a total 77.4 percent indicated the 50%, 75% and 100% categories would be more likely to be unethical. The percentage cross tabulation of 'Yes' and 'No' respondents for third year students is quite similar to the first year respondents in that third year respondents, whether they were from the 'Yes' or 'No' groups, also perceived poorly how their peers would act in this ethical situation.

The fifth HES with regards to personal values and behaviour looks at whether or not a respondent would lie about their abilities in their curriculum vitae (CV). The ethical issues for this situation would be similar to the issues raised in the fourth ethical situation. The situation where the individual would be stating an untruth in an important document that an employer might be using to decide whether the individual was to be employed by the organisation would be an act of deception and therefore a 'wrong act' (Pojman, 1998). For this situation again the ethical issues are of 'self-interest' and 'pleasing others' levels of Kohlberg's stages of moral development. The findings for this situation in terms of the percentages for the 'Yes' and 'No' responses were identical to the fourth HES for both categories of respondents. The majority of third year students were prepared to do the 'right act' compared to a lower percentage for first year students.

Fifth Hypothetical Ethical Situation - CV claim ethical issue:

	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
You are applying for a job and consider that your communication skills are not promoted well in your C.V. By claiming to have been a member of the school debating team this aspect would look better.						
Would you do this?	31.1%	68.9%	16.7%	83.3%		

Figure 10.6: CV False Claim and Percentage Cross tabulation
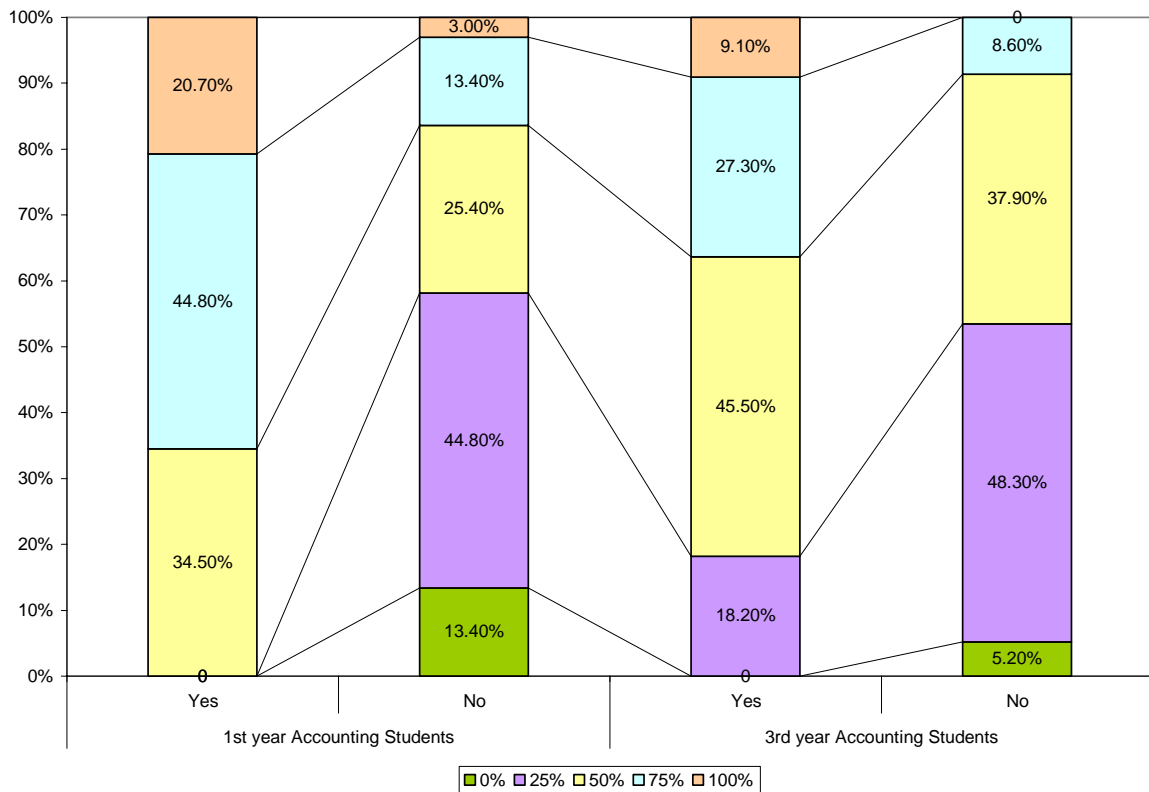
In contrast to the cross tabulation results found in situation four where both the 'Yes' and 'No' perceived poorly how their peers would respond, the 'Yes' first year respondents in situation five perceived that their peers would also be likely to claim an untruth in their CV. However, the 'No' first year respondents perceived that their peers would also be less likely to claim the untruth. This finding is supported by the significant 44.8 percent of 25% responses and 13.4 percent of 0% responses, giving a total of 68.2 percent compared to the total of 32.8 percent of responses for 50%, 75% and 100% responses where it was more likely

that their peers would claim the untruth. In a similar manner, the cross tabulation for third

year accounting students shows that the majority of 'Yes' respondents believed that their

peers would also be more likely to be involved in stating the untruth and the majority of 'No'

respondents believed that their peers would be less likely to be involved.

10.4   HYPOTHETICAL ETHICAL SITUATIONS: CORPORATE VALUES AND BEHAVIOUR

Leib (2002) writes that "[e]veryone knows that accounting irregularities haven't disappeared"

and explains:

> … 68 out of 100 major corporate CFOs responded "yes" when asked
> anonymously at a 1998 BusinessWeek conference: 'Has your CEO ever
> asked you to falsify financial results?' Twelve percent of the CFOs admitted
> to committing the falsification. (p. 36)

However, Leib citing Michael Young, a New York-based litigation partner for Wilkie, Farr &

Gallagher, also takes care to point out that "Far and away, most executives are honest and

decent people. But problems usually start when these same people are put under undue

pressure by senior management. If the tone at the top of an organization is that failure to meet

a quarterly sales or return would be 'unforgivable,' then line managers would feel forced to

enter the 'grey zone'" (p.36). This section of HESs reviews the respondents' ethical responses

with regards to whether or not they were prepared to enter the 'grey zone' and commit

themselves to unethical actions in a professional/corporate/business type environment.

The sixth and seventh HESs related to creative accounting and the income smoothing ethical

issue. Dellaportas et al. explain that the income smoothing hypothesis is the motive behind

creative accounting and, citing Peterson (1995), write that "[C]reative accounting necessarily

involves an element of contrivance and a perverse application of the accounting principles so as to secure a deliberately misleading result" (p. 176).

Sixth Hypothetical Ethical Situation - Income smoothing ethical issue:

	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
Income smoothing to avoid volatile share market reactions is unethical. *Do you agree?*	64.9%	35.1%	58.3%	41.7%	63%	37%

Figure 10.7: Income Smoothing and Percentage Cross tabulation
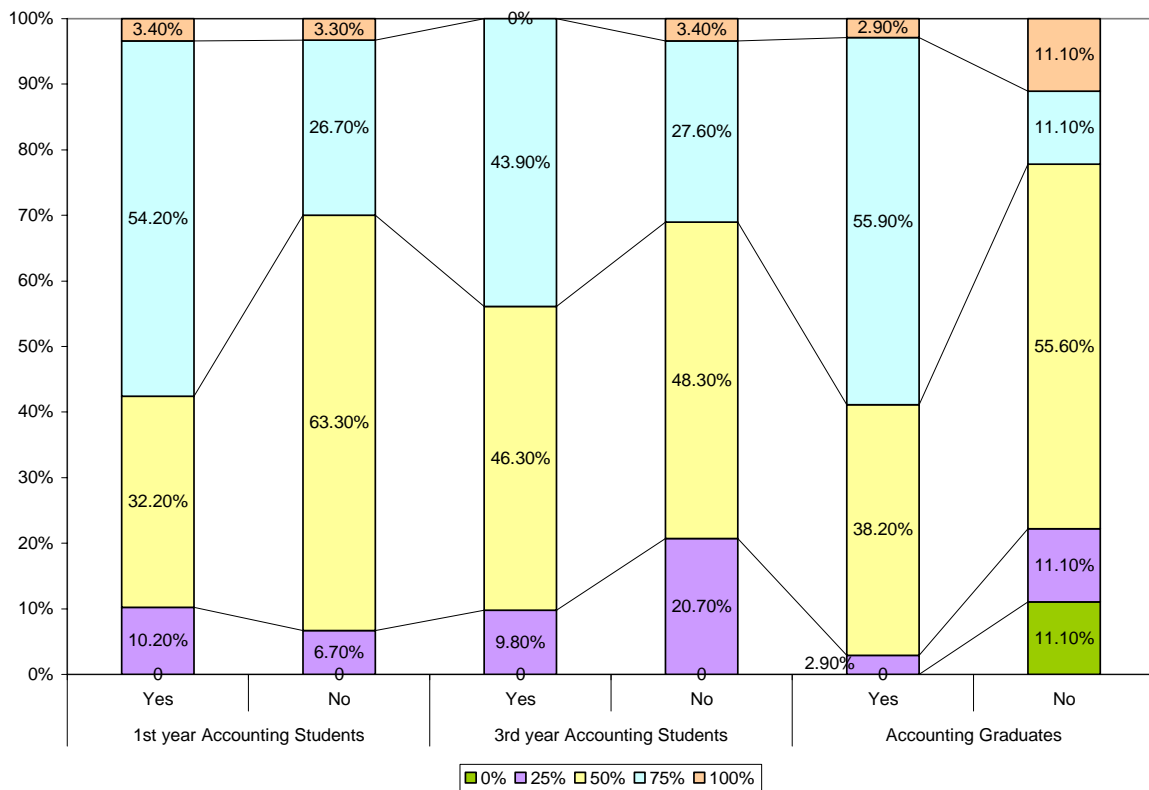
Furthermore, income smoothing is also explained by Dellaportas et al. as "a situation where companies, rather than having years of exceptionally good or bad profits, will try to keep the figures relatively stable by shifting revenues and expenses from one period to another through the use of reserves and provisions" (p. 176). Accordingly, it is perceived by company management that shareholders benefit from earnings manipulation because share values will improve from less volatile earnings situation for the companies. It seems that there is a

legitimation process, accepted by higher level authorities within organisations, that shareholders' interests must be looked after and if "accounting rules" allowed for more suitable levels of profits to be reported then the "accounting procedures" need to incorporate this.

It would appear that the majority of respondents from all three categories, that is 64.9% from first year students, 58.3% from third year students and 63% from graduates, agreed with the statement that income smoothing to avoid volatile share market reactions was unethical. This finding might suggest that the respondents knew that income smoothing was a 'wrong act' and not permissible and one which Pojman (1998) indicates is an act that one ought not to do because one has an obligation/duty to refrain from such acts. In addition, the finding might also suggest that the respondents were at Kohlberg's Stage 4 - Society Maintaining Orientation Conventional level where there is an orientation toward authority, fixed rules, and the maintenance of the social order; it also suggests that right behaviour consists of doing one's duty, showing respect for authority, and maintaining the given social order for its own sake (Kohlberg, 1971, see Table 10.1). This, arguably, can also reflect organisational legitimacy type issues for the participants.

While the majority percentages were of the appropriate response, of concern, however, is the significant percentage of respondents, 35.1% from first year students, 41.7% from third year students and 37% from graduates, who did not agree with the statement that income smoothing was an unethical action for them to become involved in. This is a concern because while Leib indicated that most executives are honest, it can be argued that it will take only the actions of a few to spoil the credibility of the work that accountants do. The cross tabulation of 'Yes' and 'No' responses with the percentages (0%, 25%, 50%, 75% and 100%) show that

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the majority of respondents, whether they were from the 'Yes' or 'No' respondents, perceived that their peers were more (that is in the 50% and above percentages) likely to agree with the statement that income smoothing was an unethical action. A lower number of respondents from all three categories indicated that only 25% of their peers would agree with the statement. Of interest is the 11.1% of 'No' accounting graduate respondents who indicated that 0% of their peers would agree with the statement that income smoothing was unethical. This is a perturbing finding as it implies that there may be a few more unscrupulous accountants in practice ready to contribute to yet another accounting scandal.

Seventh Hypothetical Ethical Situation - Creative accounting ethical issue:

Question	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
	Yes	No	Yes	No	Yes	No
You have been appointed CEO of a large public company with substantial bonus payments payable on future results. By creatively manipulating financial information immediately on appointment, you would be writing down immediate results to facilitate future performance.						
Would you do this?	23.5%	76.5%	40.8%	59.2%	12.5%	87.5%

Figure 10.8: Creative Accounting and Percentage Cross tabulation

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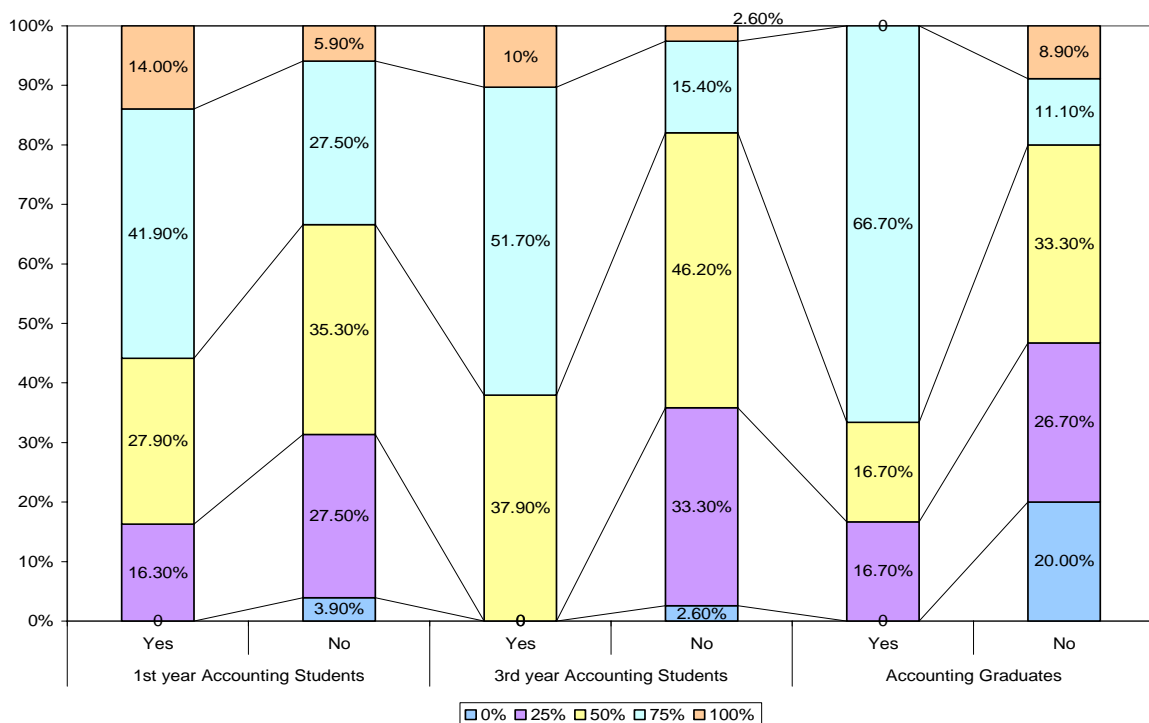
The seventh ethical situation did not ask the direct question of whether the respondents would become involved in unethical creative accounting practices and subsequently it was important that such a direct question was asked. The eighth situation asked if respondents would creatively manipulate financial information for 'self-interest' reasons, that is, manipulate financial information to allow for future personal gain through bonus payments for favourable future results. First year accounting students and accounting graduates showed 76.5 percent and 87.5 percent of respondents respectively indicating that they would not 'manipulate results by creative write-downs to facilitate future performance' and thus depicting lower percentages of these categories of respondents wanting to act inappropriately.

Of concern, however, is the high 40.8 percent of third year accounting respondents who indicated that they would creatively manipulate results for their future self gain. These are senior students who, in another year's time, will become the next cohort of accounting graduates. While the findings from the group of accounting graduates surveyed for this study show that they were more prepared to 'act right', the next cohort of graduates might be those who will precipitate another set of corporate and accounting scandals as both the sixth and seventh HESs show higher percentages of third year accounting students indicating the 'wrong action' to take in these ethical situations. In addition, similar to the sixth HES, the cross tabulation results for the seventh situation also show the perception that respondents thought that it was more likely that their peers would become involved in creatively manipulating financial information for self-gain.

The eighth, ninth and tenth HESs involved the respondent in considering whistle-blowing actions. Duska and Duska (2003) explain that professionalism is one of the necessary characteristics for accounting practitioners:

The practitioner should possess a spirit of loyalty to fellow practitioners, of helpfulness to the common cause they all profess, and should not allow any unprofessional acts to bring shame upon the entire profession. (p. 150)

They therefore argued that "it follows there may be a time when he or she is obliged to set aside loyalty to a fellow practitioner or a company and blow the whistle" (p. 150) and explained that "[t]he whistle blowing should be done for the purpose of preventing unnecessary harm, which includes violations of human rights, illegal activity, or conduct counter to the defined purpose of the profession" (p. 151).

Eighth Hypothetical Ethical Situation - Report unethical accountant to Boss ethical issue:

	First Year Accounting Students		Third Year Accounting Students*		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
At work you find out about other accountants who have acted unethically. *Would you report this to your boss?*	62.1%	37.9%	55.7%	42.9%		

* 1.4% indicated don't know

Figure 10.9: Report unethical accountants to your boss and Percentage Cross tabulation

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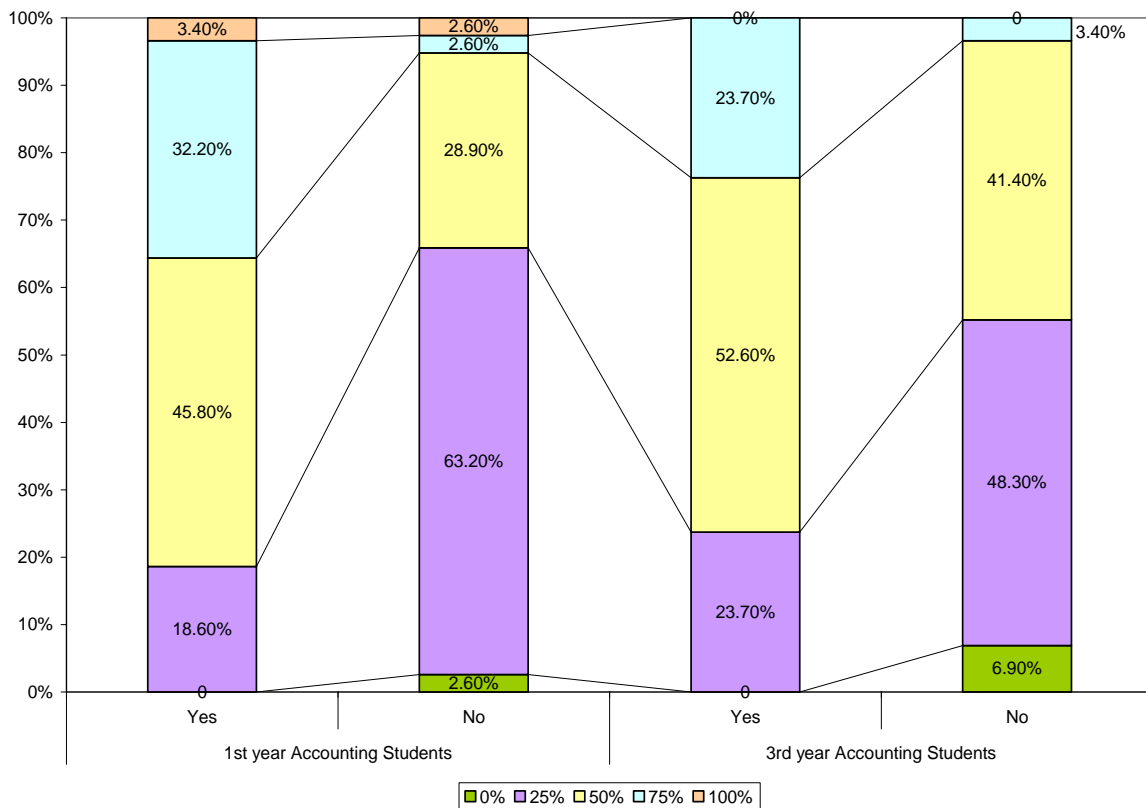
The findings on the eighth HES show that the majority percentage (62.1%) of first year respondents were more prepared to whistle blow on the situation to their 'boss'. While a greater number (55.7%) of third year respondents was also prepared to whistle blow in the situation, this lower percentage compares unfavourably with the findings from first year respondents. If one applies Kohlberg's stages of moral development to this situation, one would assume that third year students would have moved to a higher stage of moral development when compared to first year students. However, it would seem that the majority of first year respondents were at Stage 4: Society Maintaining Orientation of Kohlberg's Conventional Level where right behaviour consists of doing one's duty, showing respect for authority, and maintaining the given social order for its own sake, while the majority of third year respondents might still be at the Preconventional Level where self-interest might still be the more prominent factor in their ethical reasoning.

On the other hand, one could also argue that these respondents might be at Stage 3: Pleasing Others Conventional Level if one looks at the depiction by Dellaportas et al. (2005) of how accountants would act at this level. Dellaportas et al. indicate that "accountants may feel pressured to abide by peer group norms (colleagues and superiors), even though such behaviour may result in violation of company policy or accounting regulation" (p. 45) at Stage 3 of Kohlberg's moral development. This implies that if there was an inappropriate ethical culture in the work environment then there may be pressure for everyone else to abide by that culture or even to 'turn a blind eye' to the unethical behaviour. The cross tabulation findings from this eighth situation show that both categories of 'Yes' respondents perceived that the majority of their peers would also report the unethical action to the boss. In total, 81.4 percent for first year 'Yes' respondents felt that it was 50%, 75% and 100% more likely that their peers would whistle blow compared to the total of 76.3 percent for third year

respondents. In contrast, the 'No' respondents for both categories perceived that their peers would act in a similar manner to themselves as the findings show higher percentage totals of the 0% and 25% responses whereby it was perceived that it was less likely that their peers would whistle blow on the situation.

The eighth HES was presented only to first and third year accounting students as it was in reference to the general idea of a broader type nature that unethical situations can happen to them in the work place. This situation was modified slightly to provide a more specific illustration of an unethical action and was posed only to accounting graduates (Ninth HES) to gauge their responses to a type of activity that is perceived to be quite common in the work environment. The issue of accountants accepting perks/gifts is explained by Dellaportas et al. succinctly:

> Offers of gratitude from suppliers and clients such as gifts and hospitality are common in commercially beneficial relationships. Unfortunately for accountants, accepting offers of gratitude can give rise to self-interest and intimidation threats (IFAC 2003, paragraph C.6.2). A self-interest threat arises when offers are made to unduly influence the accountant's actions or decisions, encourage illegal or dishonest behaviour or obtain confidential information. Intimidation threats arise when offers of gratitude received by accountants are made public. (p. 321)

The findings show that the majority, that is, 56.4 percent, of accounting graduates would not report the acceptance of "perks" by fellow colleagues to the senior partners while only 43.6 percent would whistle blow about the perks. This is a major concern as the acceptance of perks by accountants and auditors, as explained by Dellaportas et al., might lead to issues that jeopardize the objectivity and independence that these professionals will need to retain in providing accounting services and functions to their clients. The significant percentage of

accounting graduates who would not whistle blow on the situation might suggest not only that

it is a common activity for clients to provide "perks" but also that a significant number of

accounting professionals do accept the perks as being part of the benefits that come with the

job.

Ninth Hypothetical Ethical Situation - Reporting perks to senior partners ethical issue:

	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
You find out about fellow colleagues who have accepted "perks" from their clients. *Would you report this to the senior partners?*					43.6%	56.4%

Figure 10.10: Reporting perks to Senior Partners and Percentage Cross tabulation
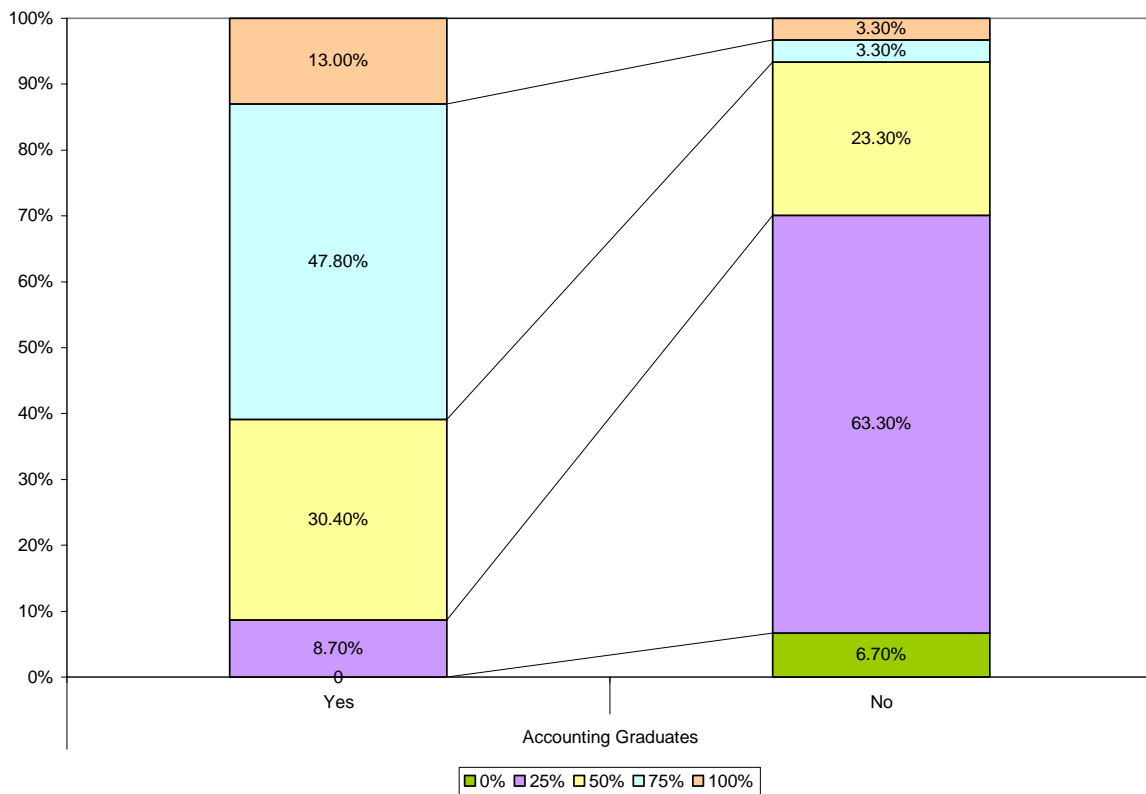
In terms of Kohlberg's stages of moral development, it might appear that the graduates were

at Level 1: Self-centred of the Preconventional Stage in which Dellaportas et al. (see Table

10.2) explain, "[i]ndividuals are likely to pursue the wrong course of action if the perceived

risk of detection is low, and punishment from wrongful behaviour is unlikely or insignificant,

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that is, people will do the wrong things if they believe they can get away with it" (Dellaportas et al., p.42). However, the question is whether the acceptance of gifts/perks is perceived by society to be a "wrong act" (Pojman) because it may not be permissible (that is, not appropriate because of likely compromising consequences resulting from the act) and hence an act that one has an obligation to refrain from. It may appear that the majority of accounting graduates are applying the hedonistic ethical theory to this situation, as self-interest appears to be taking centre stage for this important issue. The graduates are possibly perceiving that the acceptance of these perks is not unethical because they are part of the "normal courtesies of social life" (Dellaportas et al., 2005, p. 322). The cross tabulation results for this ninth hypothetical situation were not dissimilar from the results of the eighth situation in that the 'Yes' respondents perceived that their peers were also be more likely (50% to 100%) to whistle blow on the situation whereas the 'No' respondents thought that the majority of their peers would be less likely (0% and 25%) to report to the senior partner.

The tenth HES is to find out what accounting students and graduates would do when placed in a situation where they have been given confidential information by a client who is involved in a tax evasion scheme that essentially means that the client is breaking the law. The findings of the tenth HES show clearly that the majority of respondents from all categories realised that the tax evasion scheme was a serious issue that had to be reported to their boss. Duska and Duska (2003) write:

> It is important to recognise that if one is operating as an accountant in a
> culture that expects, promotes, or encourages unethical cutting of corners, up
> to even silently condoning illegal activity, to stay on would put one's
> integrity in mortal danger. The best course of action is never to condone
> such an activity, and when it is encouraged, to refuse to do it, even if it
> means losing one's job. (p. 149)

Tenth Hypothetical Ethical Situation - Client Evade Tax Scheme ethical issue:

	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
A client tells you in confidence of a scheme he had running to evade tax through the Cook Islands.						
Would you report this to your boss?	59.6%	40.4%	62%	38%	92.9%	7.1%

Figure 10.11: Client Evade Tax Scheme and Percentage Cross tabulation
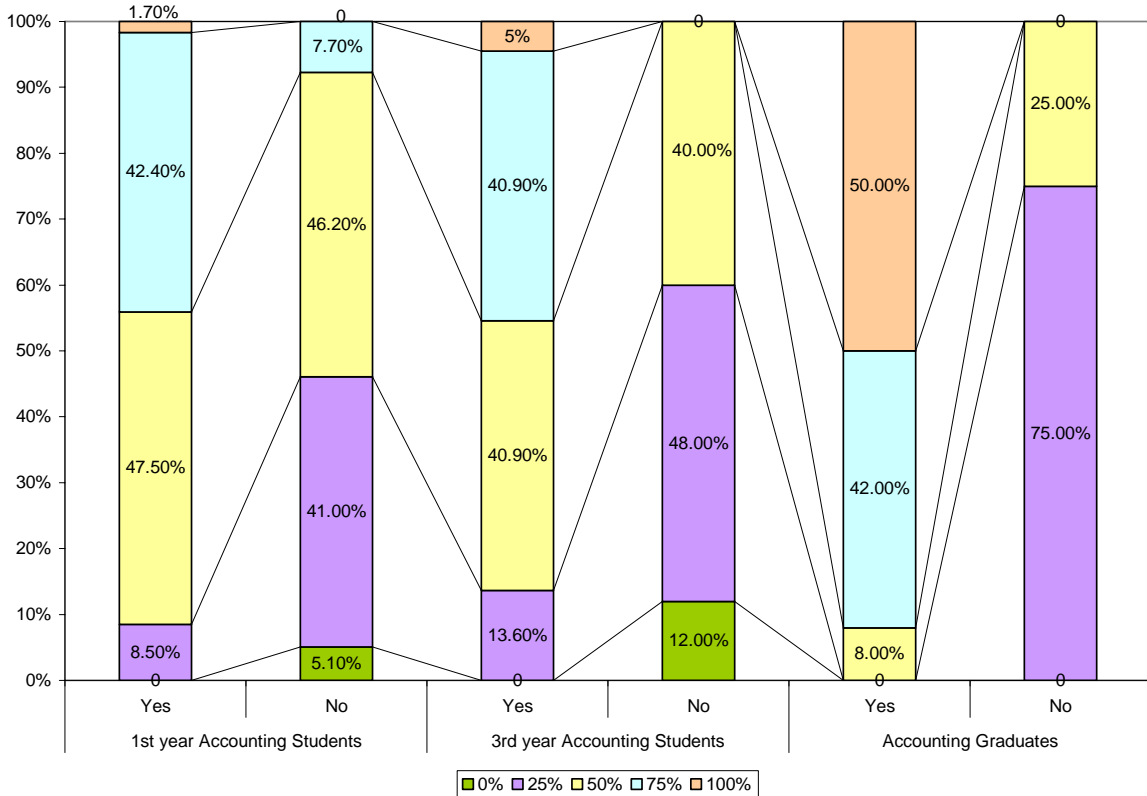
It would appear that the respondents were possibly choosing to report the matter in order to seek leadership directions from the 'boss' about the fact that they had been exposed to an illegal activity being conducted by a client of the firm. According to Duska and Duska, to say or do nothing would imply that you were 'silently condoning the illegal activity' and it would thus appear that the majority of the first year (59.6%), third year (62%) and graduate (92.9%) respondents knew that they had to report the action to their 'boss' so that the firm could take appropriate actions to not only protect the accountant from incurring penalty from the client's illegal activity but also to maintain the firm's reputation and credibility. In terms of applying

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Kohlberg's six stages of moral development to the ethical reasoning of the respondents, one could view the respondents' reasoning as being at Stage 1: Avoiding punishment, if one referred to Dellaportas et al.'s view of ethical motivations of accountants (see Table 10.2) which indicates:

> Accountants will avoid an unethical act and comply with professional duties
> if they believe that detection and punishment from the boss or regulators is
> likely. (Dellaportas et al., p. 45)

On the other hand, one could also take the view that the respondents were at the more advanced stage four of being a 'rule follower' that explains a moral course of action as being defined by compliance to authority and laws, and where Dellaportas et al. explain accountants' ethical motivation in this way:

> Accountants feel obligated and committed to the policies of the firm or the
> standards of the profession and are better able to withstand peer pressure.
> (Dellaportas et al., p. 45)

It is difficult to pinpoint more accurately the stage of moral development for the respondents without asking more questions as to why they chose the particular response in their decision-making over the ethical dilemma. One could argue that it was the fear of being found out and therefore the consequence of being punished that led to their decision. Alternatively, it could also be argued that the respondents, as practicing and future practicing accountants, knew that they had to comply with the law and code of ethics. Either way, the respondents appear to have made the appropriate decision to report to the boss. Further questions in relation to this HES would have provided better insights into the stage of moral development of the respondents. For instance, it would have been interesting to find out what their responses would have been if they had been asked to indicate the action that they would have taken if

their 'boss' had asked them to ignore the information provided and to continue to do the accounts as if the client had disclosed nothing about the tax evasion scheme. Respondents taking the stance that it would be better to 'lose their jobs' (as indicated by Duska and Duska) would suggest that the respondents were indeed at a higher stage of moral development. The cross tabulation findings for this tenth HES were not dissimilar from the eighth and ninth HESs cross tabulations. Again, the 'Yes' respondents from all three categories perceived better of their peers in indicating that higher percentages of their peers would also report to the boss. The 'No' respondents also perceived poorly of their peers in indicating that lower percentages of their peers would report to the boss.

Similar to the tenth HES, the eleventh and twelfth HES revolved around taxation issues. However, the tenth HES was not a situation in which the respondent was actually involved in questionable taxation activities; this HES was more about receiving from a client confidential information that had legal and ethical implications and the respondent had to decide whether the appropriate ethical decision was to report to higher authority. The eleventh and twelfth HES were situations where the respondent would actually become involved in questionable taxation activities of tax avoidance (unethical but not illegal) and/or tax evasion (both unethical and illegal). The following extracts about the Bermuda Tax Haven, taken from the Investment International website, will help to illustrate the taxation issues raised in the eleventh HES.

> Bermuda Tax Haven
> The essential point is that Bermuda's tax regime remains one of the world's most attractive. There are no withholding, capital gains, wealth, gift or income taxes for non-resident entities. …

> Bermuda's reputation was exemplified this summer when scores of havens
> were left nursing their wounds following the OECD's attack on harmful tax
> practices. Bermuda escaped the purge almost completely unscathed.
>
> Similarly, a KPMG report that looked at tax havens also had positive things
> to say about Bermuda. …
>
> On the whole, Bermuda retains its strong reputation and the government has
> done little to upset the apple cart. Despite the potential clouds it is still a
> *legitimate* well-regulated and sophisticated home for investment capital.
> (n.p.) [italics for emphasis]

Foldvary (2002) explains clearly the effect that tax havens have on countries' tax revenue when organisations incorporate elsewhere while still keeping their main operations in their 'own' countries. He elucidates:

> Several U.S. corporations have incorporated in Bermuda to reduce their
> taxes. There is no income tax in Bermuda. Insurance companies have done
> so, and now manufacturers are doing it. Some are incorporating in other tax
> havens, such as the Cayman Islands in the Caribbean. Offshore
> reincorporations reduce U.S. Treasury tax revenue by $70 billion annually.
> (n.p.)

The question is whether such behaviour by management of corporates is 'wrong' (Pojman, 1998), when it has the overall effect of increasing the organisations' profits after tax as well as make savings on outward cash flows. Tax havens like Bermuda, after all, have been deemed as 'legitimate' and accepted globally for investment opportunities where organisations can either avoid paying tax entirely or reduce their taxation charges and thereby help their immediate stakeholders, the shareholders, to gain from this action. Foldvary also wrote that some people have criticised these companies for transferring their incorporation abroad to save on taxes. He noted that these people have perceived such actions to be greedy and

unpatriotic. Foldvary explains that "[S]uch accusations presume that paying taxes on income is a moral duty." (n.p.) If this is the case, then any actions to avoid paying tax can be perceived as unethical behaviour and if the action was to evade paying tax in the normal country of residence, then it may be more than just acting unethically as tax evasion is illegal (it has been indicated that there is a fine line between what is tax avoidance and tax evasion as the situation can quite easily turn to one of breaking the law if the 'intention' to evade can be proven by the taxation authorities).

Eleventh Hypothetical Ethical Situation (a) - Tax Scheme Off-shore ethical issue:

	First Year Accounting Students*		Third Year Accounting Students		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
You work for a large corporation which is implementing a substantial tax evasion scheme through off-shore centres. You are offered a chance to work on the scheme including a threefold increase in salary and frequent travel to exotic locations.						
Would you accept the offer?	29.1%	69.9%	45.8%	54.2%	21.1%	78.9%

*1% indicated that it would depend on other factors

Figure 10.12: Tax Scheme Off-shore and Percentage Cross tabulation

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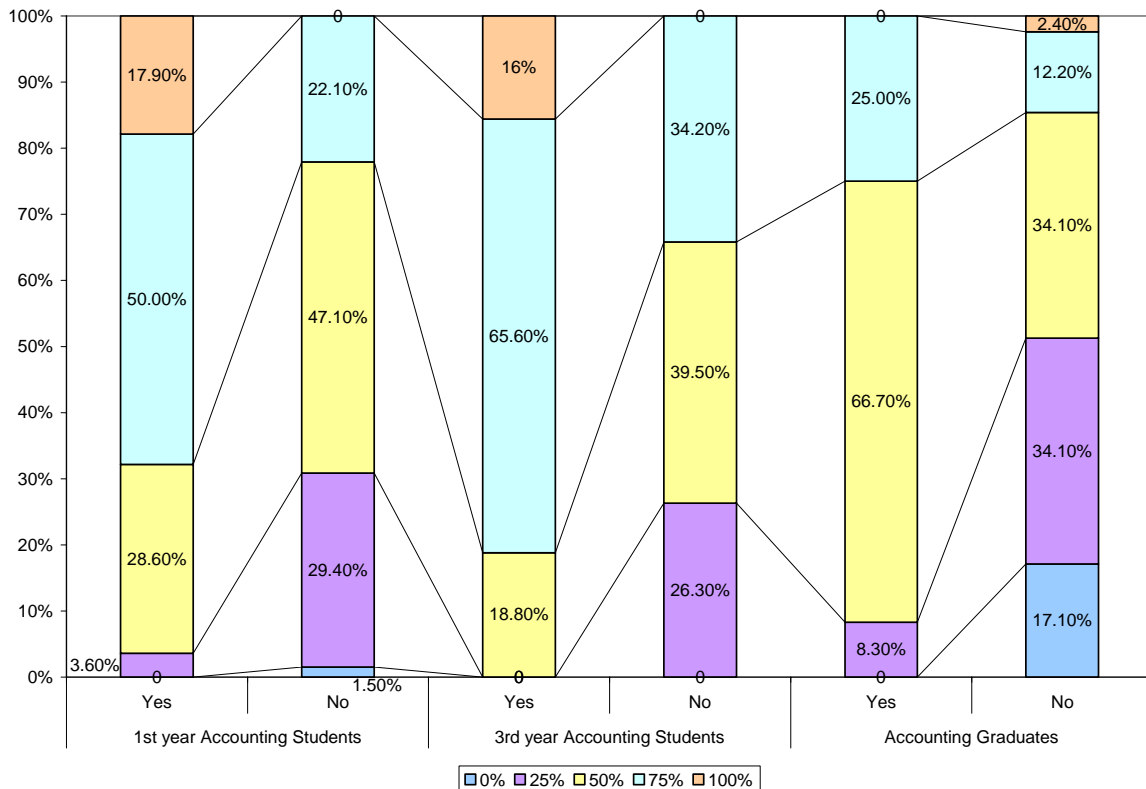
Eleventh Hypothetical Ethical Situation (b) - Tax Scheme Off-shore ethical issue, report to appropriate authority:

	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
You work for a large corporation which is implementing a substantial tax evasion scheme through off-shore centres. You are offered a chance to work on the scheme including a threefold increase in salary and frequent travel to exotic locations. *Would you report this to the appropriate authority?*	44.7%	55.3%	21.1%	76.1%	37%	63.0%

Figure 10.13: Tax Scheme Off-shore – report to appropriate authority and Percentage Cross tabulation
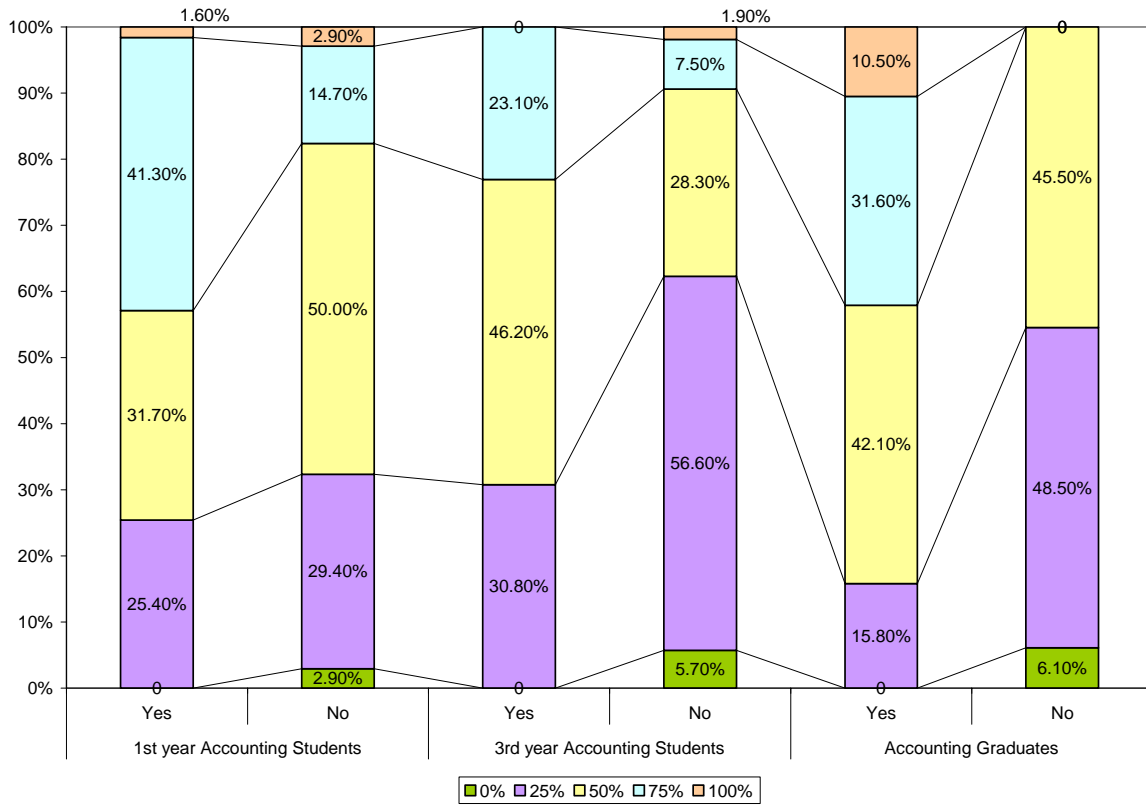
The eleventh HES therefore involve significant ethical issues as the respondent would not only just be involved in corporate unethical behaviour, but also be breaking the law by actually becoming involved in tax evasion activities. This HES depicts an organisation that has the type of culture and values that gives rise to corporate crises and accounting scandals. The lure of money and overseas travel would impact significantly upon an individual's ethical

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reasoning and this is shown by the percentages of students and graduates who would accept the offer. The follow on question to this eleventh HES vignette asks if respondents would report the activity to the appropriate authority.

It may appear from the findings for the eleventh HES (a), that the higher percentage of respondents from all three categories were of the opinion that it was not appropriate behaviour for them to become involved in. The cross tabulation results (Figure 10.12), however, show all three categories of respondents thought that their peers were more likely to accept the offer. In looking at the findings of the 11th HES (b) with regards to whether respondents would report the tax evasion scheme to the appropriate authority, it would appear that while the majority of respondents from all three categories perceived that the scheme had ethical and illegal implications and hence their reluctance to accept the lucrative salary and travel offer, the majority of them were unprepared to report the situation any further. The findings suggest that the respondents in the eleventh HES (a) appear to be at Stage 5 (Social Contract Orientation) of Kohlberg's stages of moral reasoning, whereby they saw society's rights and values as outweighing the corporation's rules, policies and practices (as explained by Dellaportas et al. in Table 10.2) and hence their refusal to take part in the scheme. However, their reluctance to report to the appropriate authority suggests that these 'more ethical' respondents for the 11th HES (b) were not quite at Kohlberg's Stage 6 level of moral reasoning.

Interestingly, the twelfth HES showed a significantly higher percentage of first and third year accounting students prepared to conduct tax evasion activities to retain a client. This finding directly contradicts the eleventh HES finding where the majority of respondents appear to be at Kohlberg's Stage 5 of moral reasoning. Following the earlier discussions on tax evasion

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being an illegal activity, it may appear from the twelfth HES, that first and third year accounting students were prepared to commit the 'wrong' act (Pojman, 1998) for self-interest, thus indicating that these respondents were back at Kohlberg's Stage 2 of moral reasoning where the 'hedonistic ethical theory' appears to be the key philosophical underpinning for the actions taken by the respondents. This is of major concern as it means that these respondents are prepared to commit themselves to becoming involved in activities that are not 'legitimate' (acceptable by society) in their professional practice.

Twelfth Hypothetical Ethical Situation - Tax Evasion Request:

	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
A client asks you to complete his tax return and leave out details of his secondary income from working as a wine waiter at night. The amount is trivial and most of his income is from unrecorded 'tips'. You are building an accounting practice and reluctant to lose new clients. *Would you complete the tax return as requested?*	59.6%	40.4%	62.0%	38.0%	42.9%	57.1%

Figure 10.14: Tax Evasion Request and Percentage Cross tabulation
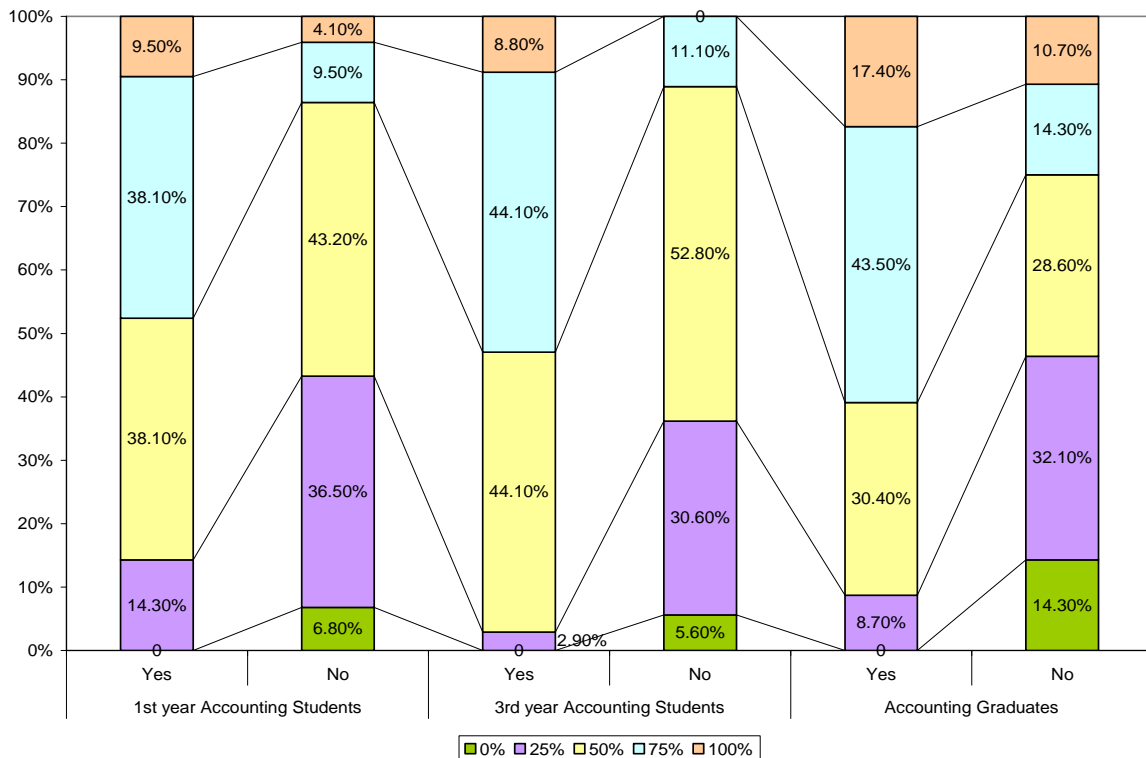
The findings from accounting graduates, however, show that a higher percentage (57.1%) of them were not prepared to commit the illegal activity of tax evasion, thus depicting that these respondents were at the higher level of moral reasoning. Duska and Duska explains that "[A]ccording to the standards [with reference to the AICPA Statements on Standards for Tax Services], it would be unethical to capitulate to the client's request to materially understate the client's correct tax liability, since in signing a return you are attesting that the return is true, correct and complete. To sign it would be to engage in lying, and that is a clear-cut ethical violation." (p. 159)

The cross tabulation findings show that the majority of respondents, both 'Yes' and 'No' respondents, thought that the majority of their peers were more likely to conduct the illegal activity of tax evasion in order to retain the client. This finding is of major concern and suggests that the respondents did not consider 'fear of punishment' as a key issue as to why the act should not have been even considered let alone committed.

The thirteenth hypothetical ethical situations looks at the objectivity and independence principles that auditors and accountants are required to comply with in the profession's code of ethics when providing professional services to their clients. To illustrate the implications of an auditor providing an unqualified report when in fact a qualified report should have been filed by the auditor, the Bank of New Zealand (BNZ) case would sum up the situation very aptly. O'Sullivan reported in the 28 May 1993 National Business Review: "BNZ's former auditors Ernst & Young are expected to face stiff censure when the Securities Commission next week issues the results of its six month probe into a $200 million so-called captive insurance scheme the bank used twice to shift off-balance sheet bad debts" (p.1). The failure

of New Zealand's largest bank in the late 1990s, the BNZ, involved criticism of Ernst & Young for allowing the BNZ to claim a $100 million pre-tax profit. McManus (1993) writes:

> The 1990 accounts were given an unqualified approval by the bank's auditors, Ernst & Young, even though the auditors did not agree with the accounting method used by the bank to calculate its result. The 1990 accounts were not a true and fair view of the BNZ's financial position, nor could the scheme it used to inflate the profits be properly classified as insurance as the necessary element of risk transfer was not present. (p.6)

McManus also presented some of the key findings from the Securities Commission report on the BNZ affair:

> "We believe the reporting of the pre-tax profit in 1990 of $100 million when it was $36 million is indeed material," the commission says. "We have no doubt that users of the financial statements would have been misled to the degree that judgments and decisions made would be affected." …
>
> Overall, the overstatement was $66 million. "In our view," the commission said, "the bank's accounting in 1990 was an example of "creative accounting" - a practice condemned by the commission in the late 1980s, following the sharemarket crash. (p.6)

In light of the above BNZ affair in the late 1990s, the findings on the thirteenth HES raises significant concerns with regards to the high percentages of respondents (from all three categories) who were prepared to give an unqualified report so that the accounting firm did not lose its largest client. This HES finding suggests that the majority of respondents are at the conventional level and only at 'Stage 3: Pleasing Others' of Kohlberg's six stages of moral reasoning. The explanation by Dellaportas et al. (see Table 10.2) indicates that accountants may feel pressured to abide by peer group norms, in this case, colleagues and superiors, even though such behaviour may result in the violation of accounting regulation. Kohlberg explains this stage (see Table 10.1) as where good behaviour is that which please or

helps others and is approved by them and that behaviour is frequently judged by intention. However, although this explanation ties in with the Naturalism and Virtue Ethic Theory, the ethical reasoning of respondents in this HES appears flawed. Although the intention behind the action was so that the firm did not lose the client, and hence possibly cause financial difficulties for the accounting firm and that while this appears to be 'good behaviour', it can be contended that the action was breaching the profession's code of ethics because of a loss of independence thereby also creating a conflict of interest.

Thirteenth Hypothetical Ethical Situation – Qualified Report:

	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
You are a senior audit partner and you are dissatisfied with your client's interpretation of standard accounting polices. The client's business is essentially a profitable one. By giving a damaging qualified report you risk losing your firm's largest customer to a rival accounting firm.						
Would you give a qualified report?	65.0%	35.0%	74.3%	25.7%	80.4%	19.6%

Figure 10.15: Qualified report and Percentage Cross tabulation
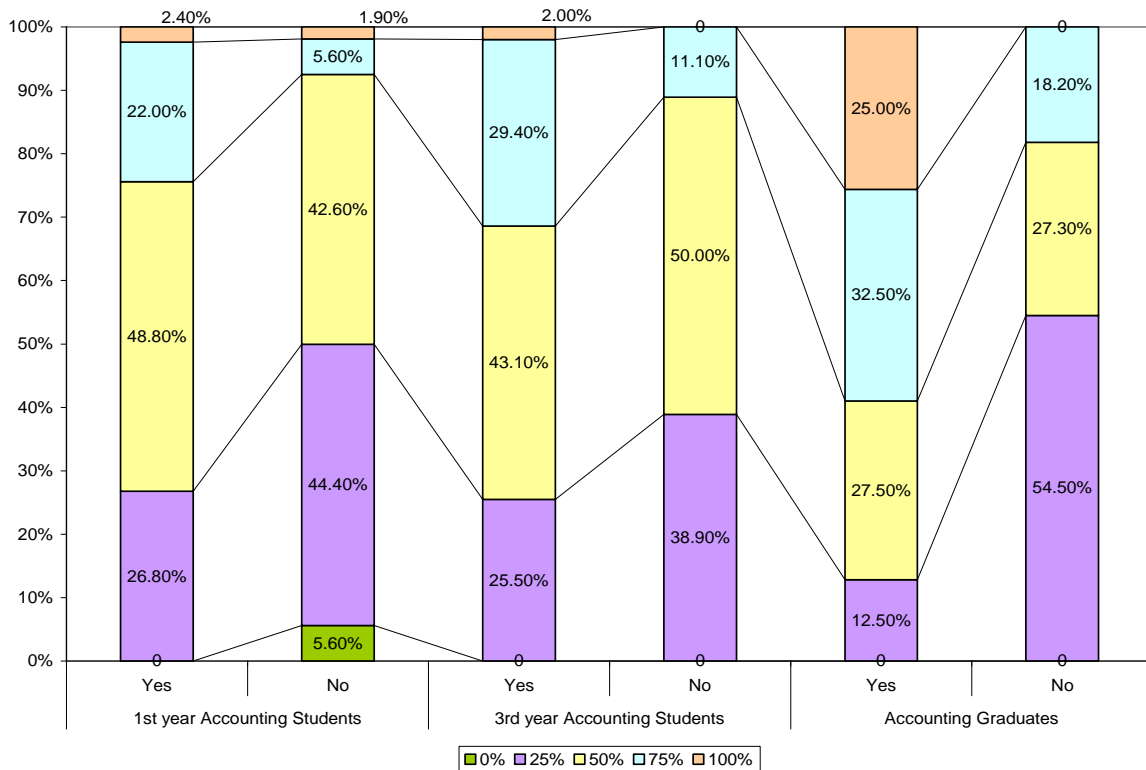
The final HES was addressed only to graduates. The situation asked if respondents were prepared to accept a friend's offer to complete a client's job. Similar to the findings in the Ethical Case – Situation B (see Chapter 9), graduates were able to indicate clearly that it was inappropriate of them to ask a friend to complete a client's job; 92.7 percent of graduates indicated "No" and only 7.3% indicated "Yes" that they would ask a friend for help. The cross tabulation results indicated that overall a higher percentage of "No" respondents also thought that it was highly unlikely that their peers would accept a friend's help for such a purpose.

Fourteenth Hypothetical Ethical Situation – Accept Offer from friend to complete a client's job:

	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Question	Yes	No	Yes	No	Yes	No
You are unable to complete a job for a client. You have been offered help from a friend in a competing accounting firm.						
Would you accept the offer?					7.3%	92.7%

Figure 10.16: Accept offer from friend to complete a client's job and Percentage Cross tabulation
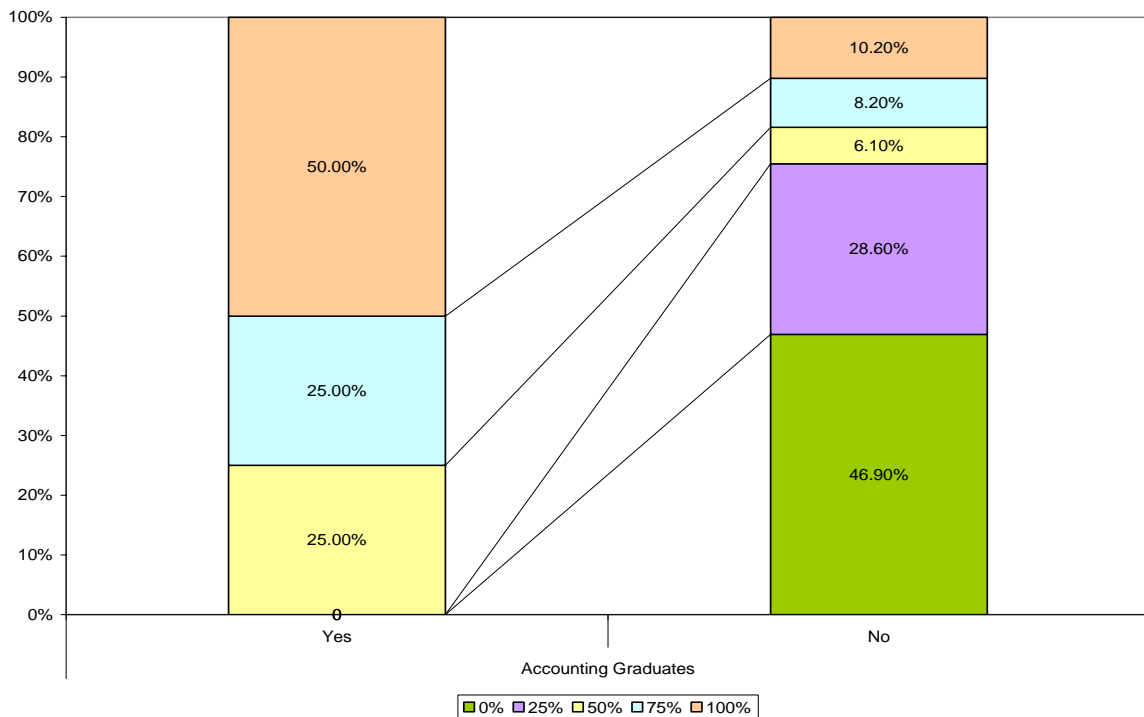
10.5   CHAPTER SUMMARY AND CONCLUSION

The findings of this chapter indicate that there needs to be more awareness of how accountants might act in situations that call for the application of personal and professional/ corporate/business values. A study conducted by the National Association of Accountants (cited in Farrell and Clevenger, 1994) indicated that 87 percent of managers surveyed were willing to commit fraud in at least one of the scenarios presented to them. While it may appear from the findings of this chapter that the majority of students and graduates in the study were unprepared to act unethically themselves, they generally perceived that their peers were somewhat less reluctant to act unethically. There is an element of hypocrisy in the findings in that students and graduates, while denying their own likely culpability, would believe that others would act unethically to obtain an advantage; whether it is for themselves or for their employers. The findings show that accounting students and graduates were aware that there is pressure to show revenues, incomes and balance sheets in the best possible light and that possibly they may also become involved in unethical and illegal taxation issues.

It has been indicated by many researchers (see Chapter 5 discussion) that accounting readily lends itself to manipulation because there is so much discretion and so many alternative methodologies in interpreting accounting standards and principles . It has been suggested that accountants can make it possible to turn an asset with a low historical cost of a few thousands into one worth millions and that they can manipulate earnings through income smoothing creative accounting practices. Furthermore, accountants do this because they have the deliberate intention of misleading users with regards to the "true" state of the organisations' performance and position. In New Zealand and globally, it would seem that the profession falls into this trap, which one might uncharitably call hypocrisy; that is, the Big Four accounting firms subscribe to the professional body's code of ethics (see again Sikka and

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Hampton (2005) and their discussion on accounting firms promoting tax avoidance schemes as a way of luring clients) but there have been several recent instances of these firms being publicly censured. For example, in 2003 PricewaterhouseCoopers defended its controversial $400 million valuation of a client's software asset, which its client had two years previously bought for only $5000. It was alleged that the excessive valuation, using a discounted cash-flow methodology, was aimed at attracting investors and achieving huge tax deductions (National Business Review, 25 July 2003, p. 9). The Economist (2005) reports that the firm of Arthur Andersen is back in court accused of "witness tampering" in connection with its destruction of masses of Enron-related documents (30 April, p. 61).

The two examples above are but a few examples cited to make the point that accounting students, graduates and most accountants would probably individually disagree with the actions of these accounting firms but from their responses were indeed aware that such misdeeds still go on and that such practices may even be socially acceptable and legitimate. With such awareness, it is no doubt difficult for accounting students and newly qualified graduates to know exactly what is the 'right act' to take, particularly if they think their career aspirations might depend on the moral stances that they take with them either to the interviewing room of the accounting firms or as they begin their careers as new accountants. The consuming issue then, is the important role that future ethical educational interventions must take to ensure that better prepared and morally resilient graduates begin to turn the tide on the insidious corporate and accounting work-type cultures currently in place. It would appear that until ethical educational interventions become more influential and having more impact in the teaching and learning by students whereby they can become more socially responsible 'citizens' in the workplace, the never-ending cycle of corporate crises and accounting scandals well continue to permeate society. Therefore, ethical interventions in

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accounting education are important to improve the ethical reasoning behaviour of students and graduates such that they can withstand questionable, that is, unethical but legal legitimation strategies that will draw them into the legitimacy whirlpool whereupon they perpetuate the corporate crises and accounting scandals that society ultimately becomes burdened with. The findings of Chapters Nine and Ten illustrate that accounting students and graduates are aware of the types of ethical situations that will confront them in the workplace but that their ability to identify ethical issues needs to be improved such that they can become more morally resilient to the demands placed on them by the complex work environment that they will find themselves in.

CHAPTER ELEVEN
RESEARCH FINDINGS: PERCEPTIONS ON THE IMPORTANCE OF ETHICAL EDUCATIONAL INTERVENTIONS

11.1   INTRODUCTION

The findings of Chapters Nine and Ten showed that there were some accounting students and graduated who were not only unable to identify whether some actions were ethical or unethical but that some of them were also prepared to take part in questionable behaviour if they perceived that it was acceptable and legitimate for society. Chapters Eleven and Twelve will pull together all the issues that have been raised on the importance of ethical educational interventions in the earlier chapters by discussing the findings of the perceptions held by accounting students and graduates on this important matter.

This particular chapter begins with an explanation of the importance of investigating this issue. It then discusses the quantitative and qualitative data analysis findings for this section of the questionnaire instrument. The findings from the three categories of respondents will be provided comparatively to highlight similarities and differences in their perceptions of the importance of ethics education and the extent to which these different categories of respondents believed that such education would influence ethical behaviour. To provide greater insights into the responses, where appropriate, the open-ended responses are analysed together with the quantitative data analysis using a content analysis approach.

11.2   INVESTIGATING ACCOUNTING STUDENTS' AND GRADUATES' PERCEPTION OF THE IMPORTANCE OF ETHICS EDUCATION

The importance of this section of the questionnaire stems from the researcher's belief that if accounting students and graduates perceived ethics education as important and saw such education as possibly influencing ethical behaviour positively, then there is a need to ensure

that such ethics education highlights what are ethically best practices. Chapter Two

highlighted the calls for ethics education but also noted research which indicated that current

ethical educational interventions were deemed woefully inadequate. The discussions raised in

Chapters Three, Four and Five illustrated that ultimately, it is people, within the organisations

who are responsible for organisational behaviour and who must also look after the needs of

communities and society. Clarke, Dean and Oliver (2003) claim that "[I]t is interesting to

note, when it suits, how the personification of corporate activity sheeted home the blame for

dubious corporate activity to the legal entity itself, not to its human agents – its directors,

managers, employees, accountants and auditors – and the system in which they function" (p.

316). They explained their position by referring to the 1950s' mercury poisoning at Minamata

by the Japanese chemical company, Chisso, where "[F]or decades, victims seeking

compensation were fighting an amorphous corporate giant. It was as if humans had played no

role in the poisoning of the sea around *Minamata* [sic]" (p. 362). They argued:

> Yet, surely only the human agents have conceived, implemented and
> followed the actions complained of; only they made the choices between
> alternative proposals; only they directed the manner in which the corporate
> vehicle interacts with other corporations and real individuals within the
> community. It surely is contestable whether corporate officers are
> necessarily acting in the best interests of their corporation if its resources are
> diverted from the market-driven financial objectives. (p. 316)

The illustration in the business ethics section in Chapter 4 of the serious consequences of the

actions taken by the individual contracted by a major electricity company reinforces this view

that it is the act of individuals, that is, the people working in the organisations, that society

need to look at when things go wrong. Chapters Nine and Ten showed that significant

percentages of students and graduates were providing inappropriate responses to the issues

raised in the hypothetical ethical cases and situations. The question thus arises as to whether

ethics education can improve the ethical reasoning and behaviour of individuals. If overall professional and business/corporate practices are to be improved for the betterment of society and if the 'social contract' between organisations (*individuals*) and society is to be better honoured, then research needs to find out whether the crucial players (students and graduates) of the future perceive that ethical educational interventions will have significant influences on their ethical decision-making behaviour.

11.3 RESEARCH FINDINGS

The research findings for Section IV: Perceptions of Ethics Education have been subdivided into appropriate topic areas to consolidate the discussion on that particular issue. For this reason, the findings have been divided into sub-sections relating to the areas of ethics education and its adequacy, the importance of an ethics component in study, appropriate place and timing to introduce ethics to accounting students, influences on an individual's ethical behaviour, Professional Competency Examination 1 (issue relating to accounting graduates only), and ethics education and its perceived influence on ethical behaviour.

11.3.1 Ethics Education and its adequacy

The first three questions asked of accounting students and graduates in the questionnaire aimed to find out the number and percentage of respondents who had had some ethics education coverage. Those who responded that they had prior ethics coverage were also asked to indicate the subject area(s) and whether they thought that the ethics coverage was adequate from their viewpoint. The responses to the first two questions have been summarised and presented in Table 11.1. The responses provided to the question which asked respondents to indicate the subject area for ethics coverage have been presented in bar graph format for better visual presentation in Figures 11.1 through to 11.3.

Figure11.1: First Year Accounting Students – Subject Area for Ethics Education Coverage
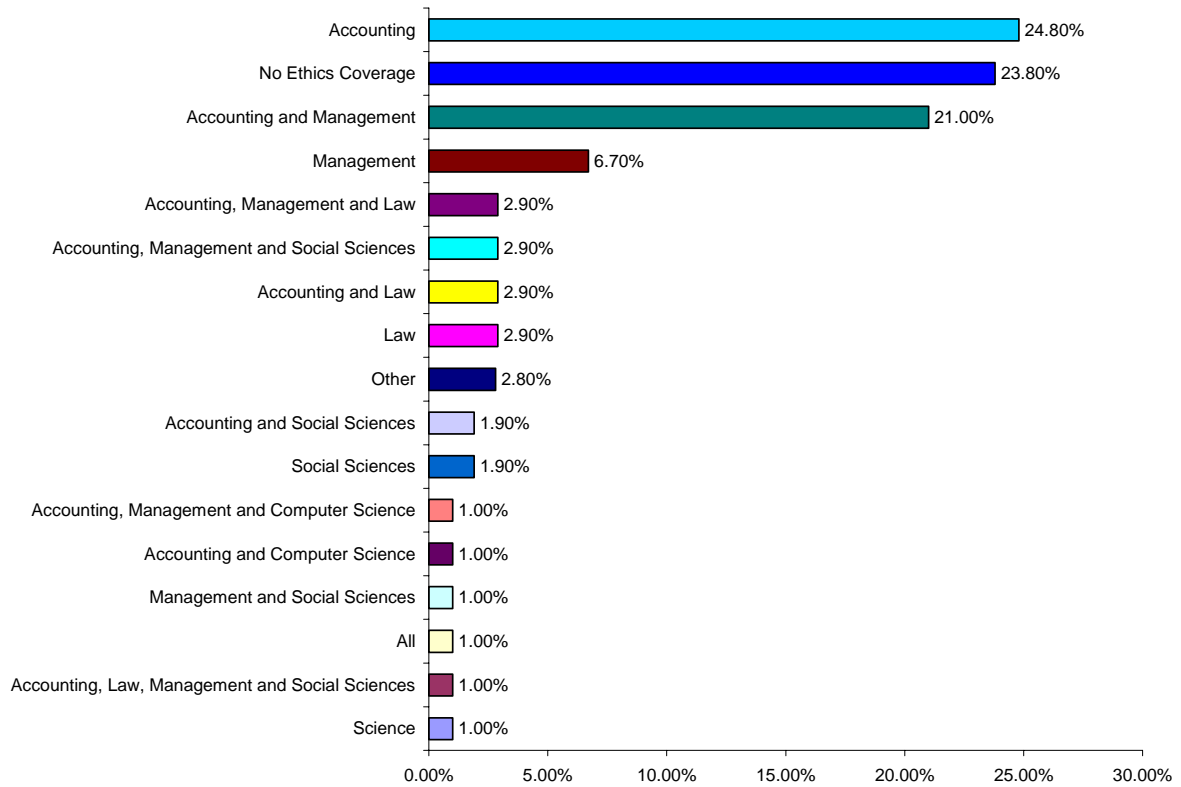
Figure 11.2: Third Year Accounting Students – Subject Area for Ethics Education Coverage

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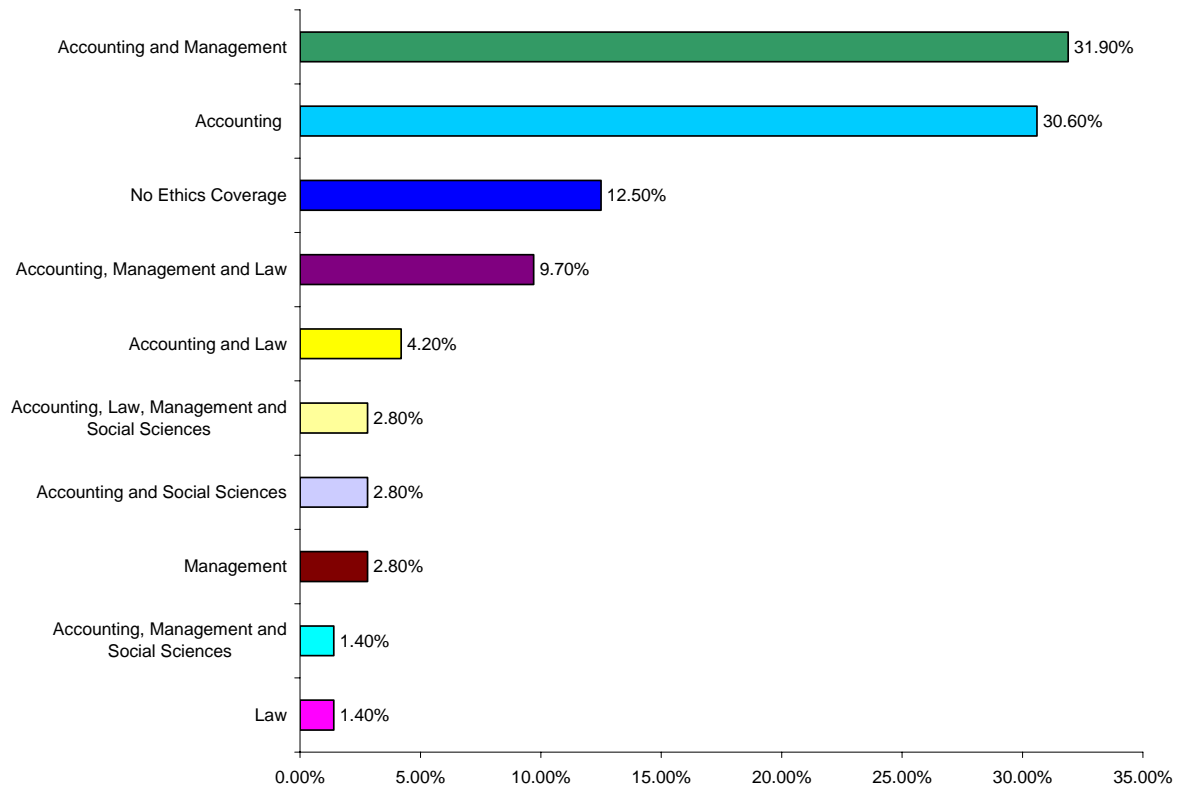
Figure 11.3: Accounting Graduates – Subject Area for Ethics Education Coverage
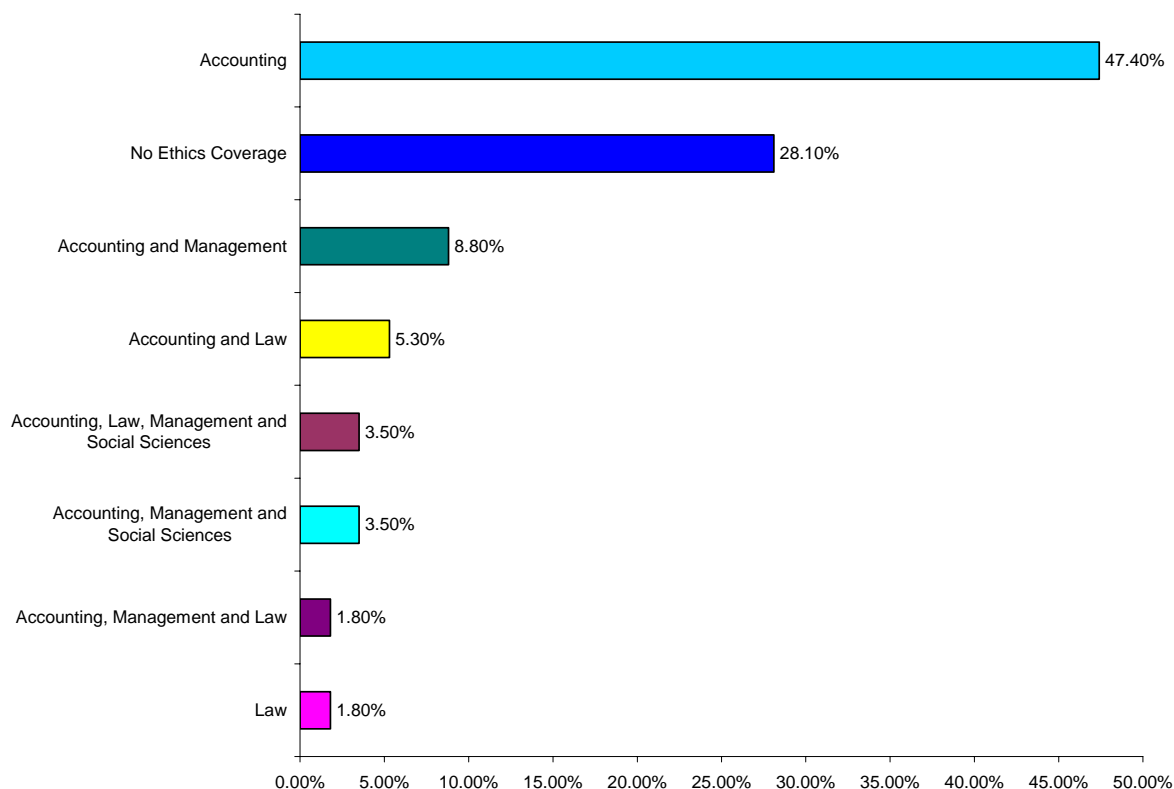
The subject areas that indicate smaller percentages in the bar graphs show that while accounting students and graduates were exposed to ethics education in a combination of different areas, the majority of respondents from all three categories gained the most ethics coverage exposure through their accounting papers (24.76% for first year students, 30.54% for third year students, although a higher 31.94% of these respondents indicated that it was in both areas of accounting and management, and 47.37% for accounting graduates). It was found that there was a higher level of exposure for this cohort of first year students to ethics education in different subject areas when compared to the responses provided by third year students and graduates. This could be explained by the fact that first year students tend to take a wider range of subjects at the introductory stage of their tertiary studies whereas third year students would be more focused on their major.

Of concern, particularly for the third year students (12.5%) and graduates (28.07%) categories of respondents, are the percentages that indicated that they had had no ethics coverage in their accounting degree programme. While 23.81% of first year student respondents indicated that they had no ethics education, it is still possible for them to pick up some ethics coverage in their papers as they progress through their university studies. In addition, the finding for first year students would have been different if these students had included the first year accounting paper that they were studying as it did include ethics coverage (this suggests that there may have been some incorrect interpretation of the question itself by respondents). This would imply that all first year accounting students would have had some ethics exposure in their first year of study.

However, the findings for third year students and graduates is quite concerning as it would imply that these groups of individuals would enter/be in the workforce without any ethics education. They would therefore be open to influences that might affect their ethical decision-making behaviour as they would not have been provided with any ethical educational interventions which would have helped them to learn how to resolve ethical dilemmas more appropriately. Furthermore, McQuilter (2007), a specialist in corporate investigations, writes that there is a "10-80-10 rule" where "10% of people are totally honest, 80% of people need to be kept honest, and the other 10% will rob you blind" (p. A12). He therefore suggests "[I]n business this means you should do two things: 1. Have as little as possible to do with the last 10%; and 2. Work on the middle 80%" (A12). However, he also contends that this is not so easy.

This "10-80-10 rule" is a very important consideration for accounting educators if 80% of people do indeed need to be kept honest. If significant percentages of students and graduates

were not being provided with appropriate ethical instruction during their formative learning periods, then society may be worse off if these individuals were in the 80% group that could be easily led astray. From Table 11.1, it is of interest to note that up to 73.6% of first year students and 86.1% of third year students had some ethics coverage. Contrary to these higher percentages it would appear that only 71.9% of accounting graduates had ethics education while they were at university. This finding suggests that tertiary institutions might have required the coverage of ethics in some of its accounting and business/management papers only more recently.

Table 11.1: Ethics Education and Adequacy

Question: Have you had any prior ethics education coverage in the papers you either are currently doing or have completed? [Graduate question: Did you have any ethics education coverage in the papers you studied at university?]						
	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Number of respondents:	106		72		57	
Yes	78	73.6%	62	86.1%	41	71.9%
No	27	25.5%	10	13.9%	16	28.1%
Missing	1	0.9%				
Question: If your response to the above was 'Yes', generally, what do you think of the ethics education coverage in the papers you are currently doing or have done?						
Inadequate	2	2.5%	3	4.8%	2	4.9%
Not very adequate	6	7.6%	13	20.6%	12	29.3%
Adequate	38	48.1%	33	52.4%	13	31.7%
Quite adequate	21	26.6%	13	20.6%	8	19.5%
Very adequate	12	15.2%	2	3.2%	6	14.6%
% on 'Yes' respondents	79		63		41	
No ethics coverage	24	22.6%	9	11.1%	16	28.1%
Missing	3	2.8%				

In terms of first year students' responses to how adequate they found the ethics education coverage, 48.1% found this coverage to be *adequate*; 26.6% *quite adequate* and 15.2% indicated that they found the coverage was *very adequate*. In contrast, a higher 52.4% of third year students found the coverage to be only *adequate,* although 20.6% indicated that they found the coverage to be *quite adequate.* However, only 2.8% of third year respondents

indicated that they found the coverage was *very adequate,* while a very significant 20.6% found the coverage to be *not very adequate*. Similar to third year respondents, a significant 29.3% of graduates felt that the ethics coverage was *not very adequate* but, like first year respondents, there was a higher percentage (14.6%) of graduates who thought that the ethics coverage was *very adequate*. It is important to note a limitation of this question with regards to the use of term "adequate" as it was not defined and it was a term used generically. Respondents therefore judged for themselves what "adequate" meant.

The content analysis of the open-ended responses (see Table 11.2) provided in Question 3 [see second question provided in Table 11.1] brought out four main negative issues on the adequacy of ethics coverage in the papers. Students and graduates were asked in the questionnaire to explain what they thought of the ethics education coverage in the papers that they were currently doing or had done. The explanations provided by first year respondents were generally more favourable than the third years' and graduate respondents' explanations.

From a review of the collated explanations to the open-ended responses provided by students' and graduates', it appeared firstly that students and graduates perceived any education on ethics was going to be theory-based and unrelated to practice. This finding might explain their lack of enthusiasm for the ethics coverage in their programme of study. Secondly, it would appear that both students and graduates wanted ethics education to help them deal with "real world issues" that would occur in the workplace. Thirdly, the respondents felt that ethics was up to the individual and part of their upbringing. Finally, respondents felt that the coverage was brief and not comprehensive enough. Verbatim quotes arranged under these main issues have been taken from the questionnaire to illustrate students' and graduates' perceptions of these views (see Table 11.2).

Table 11.2: Verbatim quotes on adequacy of ethics coverage

Issue 1: Theory-based and unrelated to practice

Everything we need to know was taught to us but it was done in such a boring way a lot of it felt irrelevant.

Ethics is mainly developed through life experiences, this course have just put it in perspective of the professional environment and not gone any further.

They raise issues to be aware of but little guidance of what should be done is given.

"Ethics" is bandied about as an important facet of us as people but is treated casually in the papers i.e. not much emphasis given on it.

Because the questions asked challenge us – we can say its right/wrong in the theory while in the practice we can't really tell.

Taught in such a way that ethics is only related to the particular paper and not in general. Taught what we're supposed to do and not what happens ie whistle blowers.

It is hard to teach ethics and in a classroom situation with students who have very little real world experience, everything tends to be black and white.

Issue 2: Real world issues

Very historical in nature and bypasses the 'real world' aspect of ethics.

Only real test of ethics is in real life examples.

What is taught covers a wide/broad area but it is not applied to real situations for us to learn about. We are told of examples, but that's about all.

It is hard to teach ethics – what is really right and wrong. The real world can be so difficult.

Didn't cover enough real world situations.

Issue 3: Ethics is up to the individual and their upbringing

There are no right and wrongs in ethics. People spend their whole lives studying ethics and still don't agree with each other!

Can't teach ethics, either have it or don't.

Even if we are told about, it's up to us anyway. You can't really teach ethics. But letting people know about is good.

Ethics is hard to teach in a classroom. It is developed by attitudes and behaviour.

Ethics is just the state of mind and it's up to individual to act ethically or not. There is guidance of course but there is no enforcement.

Could possibly have a little more but ethics is very much a personal thing.

Basics of moral behaviour covered. It is up to the individual if they get in a sticky situation.

Ethics is not easily taught. An awareness of what is and is not ethical is all that is needed. Ethics are acquired through your upbringing.

Ethics is not really something you can learn, you either are an ethical person or not. However you can be made aware of the consequences.

Issue 4: Ethics coverage brief

It is good that ethics is being dealt with, but often, the subject matter is rushed.

The coverage of ethics was very brief.

Would like to do a paper on it, not just touch on it briefly.

Because the ethics education is just cover a little area for accounting practice.

Only briefly covered.

More explanation, effects of acting unethical needed.

Previous papers only seems to introduce the idea.

Coverage was minimal.

From what I can remember it was brief, not comprehensive.

Only for 2 lectures.

Too brief.

[Quotes are colour-coded to indicate which quotes were extracted from *first year*, *third year* and *graduate* respondents.]

11.3.2   Importance of ethics component in study

Briloff (1991, in Farrell & Clevenger, 1994) believes that ethics is the very lifeblood of the accounting profession. He argues that teaching ethics does not imply a special course or day in class but that ethics have to permeate the curriculum and all interaction with colleagues and students. There are, however, contradictory views held on whether ethics education at the university level can make a difference. Baetz and Sharp (2004) and Williams (cited in Tannenbaum, 2004) contend that ethics education is more influential much earlier in the individual's life and that their ethical behaviour is influenced by family upbringing. Others such as Leung and Copper (2005) and Eynon, Hill and Stevens (1997) maintain that ethics education at the university level can still impact upon the individual's moral reasoning. Consequently, the next few questions of the questionnaires focused on the importance that students and graduates placed on compulsory and non-compulsory ethics education in their programme of study and in accounting specifically.

Table 11.3 provides a summary of the responses from students to the questions in this area. The first question in Table 11.3 asked about the importance of a compulsory ethics component in any programme of study. Across all three categories of respondents, it was found that significant percentages of students and graduates indicated that it was *quite important* (first year students: 28.7%; third year students: 35.7%; and, graduates: 28.1%) for students to have a compulsory ethics component in their programme of study. Together with the *very important* response percentages (first year students: 32.7%; third year students: 25.7%; and, graduates: 36.8%), these findings mean that 61.4% of both first and third year students and 64.9% of graduates indicated that it was important that students had a compulsory ethics component in their studies. This finding highlights the fact that students and graduates generally knew that they would be facing ethical situations in their working lives and wanted some understanding

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of ethics. However, the majority of first and third year students did not want the ethics component to be a whole paper and preferred it to be only a component of a paper. This question and two other questions (see Table 11.3) were not asked to the graduates as the issues were more directed towards students and what they perceived was important currently (that is, at the time the research was conducted) in their studies.

Explanations were sought from first and third year accounting students on the issue of whether or not the ethics component should be a whole paper or only a component of a paper. The arguments put forward by both first and third year students provide interesting insights to educators to be aware of, particularly if ethical educational interventions are to become more attractive and effective in the learning environment. The main reasons why students did not see the need for the ethics component to be a whole paper itself are: firstly, it is boring; secondly, there is not 'enough' material to cover to justify having it as a whole paper; thirdly, students would not want to do a whole paper on ethics; and, fourthly, ethics cannot be taught. Again, verbatim quotes have been taken and arranged under the main issues to illustrate students' perceptions on these issues (see Table 11.4).

The findings in Tables 11.3 and 11.4 are reinforced by Hindo's (2002) denotation of how well students receive ethics education in Chapter 2 and reiterated here for emphasis: "[B]usiness ethicists complain that the subject is seldom woven into other courses by their colleagues. When it is woven, they gripe, students greet such material with all the enthusiasm of a 6-year-old facing a plate of spinach" (p.2). In relation to whether accounting students and graduates perceived ethics education to be important, they were also asked whether they thought professional ethics could be taught. Table 11.5 provides the findings to this question.

Table 11.3: Importance of ethics component in study

Question: How important is it that students have a compulsory ethics component in their programme of study (i.e. any programme of study, not just in accounting)?						
	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Number of respondents:	106		72		57	
Not important at all	1	1.0%	0	0%	3	5.3%
Important to some extent	18	17.8%	15	21.4%	6	10.5%
Moderately important	20	19.8%	12	17.1%	11	19.3%
Quite important	29	28.7%	25	35.7%	16	28.1%
Very important	33	32.7%	18	25.7%	21	36.8%
No. of valid respondents	101		70			
Missing	5	4.7%	2	2.8%		
Question: Do you think ethics education in a programme of study should be a component of a paper or a whole paper in itself?						
A component of a paper	89	84.8%	57	79.2%		
A whole ethics paper	16	15.2%	14	19.4%		
Both			1	1.4%		
No. of valid respondents	105					
Missing	1	0.9%				
Question: How important do you think it is that accounting students have compulsory ethics coverage in their papers?						
Not important	0	0%	2	2.8%	2	3.5%
To some extent	8	9.3%	3	4.2%	3	5.3%
Moderately	12	14.0%	14	19.7%	15	26.3%
Quite important	39	45.3%	36	50.7%	20	35.1%
Very important	27	31.4%	16	22.5%	17	29.8%
No. of valid respondents	86		71			
Not accounting major	20	18.9%				
Missing			1	1.4%		
Question: Should the ethics coverage be a component of a paper or a whole paper in itself?						
A component of a paper	56	65.1%	44	62.0%	35	61.4%
A whole ethics paper	10	11.6%	7	9.8%	6	10.5%
Both	20	23.3%	20	28.2%	16	28.1%
No. of valid respondents	86		71			
Not accounting major	20	18.9%				
Missing			1	1.4%		
Question: If there was a separate but <u>not</u> compulsory accounting ethics paper available in the Department, would you choose to do the paper to learn about "appropriate" ethical behaviour?						
Yes	16	18.6%	20	28.2%		
Not sure	44	51.2%	30	42.3%		
No	26	30.2%	21	29.5%		
No. of valid respondents	86		71			
Not accounting major	20	18.9%				
Missing			1	1.4%		
Question: If there was a separate <u>and</u> compulsory accounting ethics paper available in the Department, how much importance would you place on this paper?						
No importance at all	1	1.2%	5	7.0%		
Of some importance	23	26.7%	12	16.9%		
Moderately important	26	30.2%	32	45.1%		
Quite important	25	29.1%	19	26.8%		
Very important	11	12.8%	3	4.2%		
No. of valid respondents	86		71			
Not accounting major	20	18.9%				
Missing			1	1.4%		

Table 11.4: Issues with regards to why ethics coverage should only be a component of a paper

Issue 1: Boring
But if it's a whole paper it must be very very good not waffly, also must point out why.
I think ethic education is boring.
Don't think it should be whole paper – waste of time.
Quite boring if it was a single ethics paper.
Too boring otherwise.
Can be a little boring.
Whole ethics paper would be rather boring – people either are ethical or not.
There is an ethics paper in science and everybody comments on how stupid it is.
Because it is quite tedious.
A whole paper would be boring. By having a component it would relate to the subject involved.
To try and sell a whole ethics paper to students would a major revolt because it would be perceived as boring and really it comes down to common sense.
Too boring if a entire paper. Better corporate with everything else.
I think a whole ethics paper would be too much and may not be interesting.

Issue 2: Not enough material
A whole ethics paper might be too hard to create.
Because it is not a large enough topic to warrant its own paper but otherwise it should be taught separately.
I don't believe there would be enough information to learn to justify a whole paper.
Not enough to learn about ethics that could last a whole semester.
I don't think there is enough info to make up a whole paper.
It wouldn't contain enough for a whole paper and also each individual has different ethics.
Ethics is important, but not important enough to have a whole paper on it.
Would not need 12 weeks to cover ethical issues relating to a programme of study.
Not enough to keep students interested.
There are not enough material to put in a whole paper.
Because there isn't much stuff to work with.

Issue 3: Students not wanting to do a whole paper on ethics
Students might find ethics more interesting as a component of a paper, rather than on its own.
If it was a whole paper people wouldn't do it, unless it was compulsory.
It would be too much time wasted. No one would select such papers unless it is compulsory.
Otherwise few people would choose it – should be a component of a compulsory paper.
Don't think many people will take it if it is a full paper.
As time goes by the concept of ethics would change. Just waste of time and money if ethic education is offered as a whole paper.

Issue 4: Ethics can't be taught
A whole ethics paper would be too much. Generally, if you are unethical, a paper in ethics isn't going to steer you straight.
By this stage in your life most of your ethical decision making has been made.
A component is sufficient because ethics is not something that can be taught.
You can't teach ethics.
By the time you're at uni, you have already developed morals and ethics. No paper can change our beliefs.

[Quotes are colour-coded to indicate which quotes were extracted from *first year and third year* respondents.]

First and third year accounting students were simply asked to indicate 'Yes' or 'No' responses for this question. However, accounting graduates were asked to also explain their 'Yes' or 'No' responses. This was done to elicit a better understanding of this issue from individuals who were already in the workplace and possibly already encountering ethical dilemmas. The findings showed higher percentages of first and third year accounting students believed that professional ethics could be taught. In contrast, 31.8% of graduates indicated *moderately* in their belief that professional ethics could be taught. However, a significant 24.6% of graduates indicated *to a great extent* and a further 8.8% indicated *absolutely* that they believed ethics could be taught.

Table 11.5: Can professional ethics be taught?

Question: Do you think professional ethics can be taught to students?						
	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Number of respondents:	106		72		57	
Yes	79	76.0%	45	63.4%		
No	23	22.1%	26	36.6%		
Depends if anyone could agree	2	1.9%				
No. of valid respondents	104		71			
Missing	2	1.9%	1	1.4%		
Not at all					4	7.0%
To some extent					16	28.1%
Moderately					18	31.6%
To a great extent					14	24.6%
Absolutely					5	8.8%

The next question in this section on the importance of having an ethics component in a programme of study was more specific and aimed to find out the respondents' views on whether accounting students should have compulsory ethics coverage in their papers (see Table 11.3). A conflicting message emerged when students were asked to provide a response as to how important it was that there was a separate and compulsory accounting ethics paper. Similar to the findings on the compulsory inclusion of ethics coverage in any programme of

study, the findings across all three categories of respondents for this more specific question also found that significant percentages of students and graduates indicated that it was *quite important* (first year students: 45.3%; third year students: 50.7%; and, graduates: 35.1%) for accounting students to have a compulsory ethics component in their papers. Together with the *very important* response percentages (first year students: 31.4%; third year students: 22.5%; and, graduates: 29.8%), these findings mean that very high percentages, 76.7% and 73.2% of first and third year students respectively and 64.9% of graduates, indicated that it was important that accounting students had a compulsory ethics component in their studies.

The majority of respondents, however, did not favour ethics coverage in their accounting studies being a whole compulsory ethics paper; only 9.4% of first year students, 9.7% of third year students and 10.5% of graduates favoured having a whole ethics paper. However, significant percentages of respondents across all three categories (18.9% of first year students, 27.8% of third year students and 28.1% of graduates), indicated that they wanted both for the ethics component to be more specifically related to an area and that a whole ethics paper could be used to promote high ethical standards for accountants.

The study also aimed to find out whether students would choose to do an accounting ethics paper if it was available but was not compulsory. It found that only 18.6% of first year and 28.2% of third year students would choose to take the separate accounting ethics paper if it were available but was not a compulsory paper for their degree programme (see again Table 11.3). Given the earlier responses that 48.1% first year students, 52.4% of third year students and 31.7% of graduates found ethics coverage in their papers to be only adequate, it is surprising that they place little importance on having a separate ethics paper to ensure that they are getting a more than adequate coverage of ethics issues.

The content analysis of the open-ended responses provided in Table 11.6 explains the reluctance by the majority of students and graduates to pick up the non-compulsory ethics paper. The analysis identified three key issues. Again the issue of the subject area being boring was raised. Students also indicated that they would need to see the content of the paper to decide. An important issue was the perception by students that they already know 'what to do'. Other issues raised were related to lack of interest in the area of ethics, lack of time to pick up on non-compulsory papers and the ethics subject lacking importance to the individual.

Table 11.6: Separate but not compulsory accounting ethics paper

Issue 1: Boring
Because ethics is such a subjective area it would be hard to gain high marks and although important, I find it boring.
Does not interest me much.
Too airy fairy and subjective.
Waste of my time, money, energy, unless its compulsory or it is looked as a good paper by companies/public.
Too boring.
Probably should but it is quite boring.
Ethics, although important, is boring and will do little to increase my practical skills.
Waste of time, not interested.
Does not sound very interesting.
Depends on if it was interesting or boring.

Issue 2: Depends on content
Depends what it was about.
Have to see the course content.
It would depend on how good the course was and if it would be necessary.
Depends on how hard it was.

Issue 3: Already know what is right and wrong
Because I don't need a paper to tell me what I already know what's right and wrong to do!!
I already have my own beliefs that a lecturer couldn't change.
I don't think ethics is something you can learn in a class situation.
I believe life has given me the tools necessary to deal with ethical dilemmas.
Because by doing a separate paper its not going to make me more ethical, other factors such as my own values and morals will reflect my decision.
It is waste of time coz ethics start from minds and to learn ethics for the whole semester? It is a life time subject.

Issue 4: Other issues
Personally don't like the subject of ethics.
No time to waste on non-compulsory courses.
I feel that ethics can be picked up on the job relatively easily.
No time to waste on non-compulsory courses.
I don't consider it important enough.

[Quotes are colour-coded to indicate which quotes were extracted from *first year and third year* respondents.]

The final question in this section aimed at finding out how much importance students would place on a separate and compulsory accounting ethics paper. The results showed an overall lack of perceived need for such a paper. The majority of first year (30.2%) and third year (45.1%) respondents indicated that they would only place moderate importance to having the accounting paper being separate and compulsory. Only 4.2% of third year and 12.8% of first year respondents indicated this was *very important*.

The overall findings of this section indicate that students and graduates did recognise the importance of having some ethics education coverage in any programme of study and the need to address the issue of ethics in their papers. Students and graduates, however, while recognising the importance of having ethics education in their accounting papers, did not place great importance on a separate and compulsory ethics paper, whether it was for their accounting studies or generally for their degree.

11.3.3   Appropriate place and timing to introduce ethics to accounting students

This next section of questions looked at the appropriate place to introduce ethics to accounting students. This question was followed by one on the timing issue with regards to when the appropriate time frame was to teach ethics. Julian and Van Peursem (1999) write that little empirical evidence emerged from their study on the issue of timing and, citing other researchers, indicated:

> Brooks (1993, p.45) believes this should be done in the first year to develop an understanding on the constraints placed on the professional, and to emphasise its importance early on. Loeb (1994) agrees and suggests that an integrative program most effectively conveys the ethical message. Others disagree on the basis that ethics education is most effective when delivered in the latter stages of an undergraduate programme (Parmental, 1989 in Bishop, 1992) (p. 12)

All three categories of respondents (see Table 11.7) were quite specific about the inclusion of ethical standards and issues in compulsory ICANZ (now NZICA) specified accounting papers, that is, the majority of respondents: first year students, 59.3%; third year students, 64.3%; and graduates 62.5% chose this option. However, they were less clear as to the best timing for this inclusion. First year students were clearly divided over the time frame as significant percentages indicated all four years of the degree programme. Third year students and accounting graduates, on the other hand, did not see the first year as being a good time to bring in ethics; both groups preferred the third and final years of the degree. Smaller percentages of respondents across all three categories also wanted ethics to be included in university studies as well as after university and in their professional examinations.

Table 11.7: Appropriate place and year to introduce students to ethics

Question: Where do you think is the most appropriate place to introduce to students to ethical standards and issues?						
	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Number of respondents:	106		72		57	
In compulsory ICANZ specified accounting papers	51	59.3%	45	64.3%	35	62.5%
In non-compulsory but also recognised ICANZ (elective) accounting papers	16	18.6%	7	10.0%	5	8.9%
As a separate accounting ethics course	7	8.1%	4	5.7%	4	7.0%
After graduation from university and in professional accounting schools	1	1%	3	4.3%	7	7.1%
Other	8	9.3%	11	15.7%	5	8.9%
No. of valid respondents	86		70		56	
Not accounting major	20	18.9%				
Missing			2	2.8%	1	1.8%
Question: In relation to the above question, in which year of study do you think this paper should be?						
First year	24	27.9%	4	5.6%	6	11.1%
Second year	26	30.2%	16	22.5%	7	13.0%
Third year	18	21.0%	30	42.3%	20	37.0%
Four year	15	17.4%	16	22.5%	18	33.3%
Other	3	3.5%	5	7.1%	3	5.6%
No. of valid respondents	86		71		54	
Not accounting major	20	18.9%				
Missing			1	1.4%	3	5.3%

That significant percentages of accounting students and graduates chose to have ethics coverage in compulsory ICANZ specified accounting papers suggests that the respondents perceived that, unless ethics was taught in these papers, then they might not be exposed to the area of ethics as it was very unlikely that many of them would, 'out of free choice', select a separate ethics paper for their studies. This is an important finding as it strongly stresses the point that the majority of respondents of this study would like to see ethics included in their programme of study and that it must be in compulsory accounting papers, otherwise exposure to this crucial area would be missed.

It is therefore of interest to note at this point the issues raised by Tan and Chua (1999) in their study on the teaching of ethics in tertiary institutions. They found that unless the Institute (NZICA) or the tertiary institution made it mandatory to include ethics in the accounting curriculum, the coverage of ethics would very much depend on the initiatives of the individual teachers. They explained that, in contrast to accounting professional bodies in the United States, the accounting body in New Zealand did not require ethics to be taught as part of an accredited accountancy programme as ethical issues were examined in the Professional Competence Examination 1 for provisional members. Tan and Chua subsequently identified that, as a result, "[A]ccredited tertiary institutions are therefore left to decide for themselves whether ethics should be covered in accounting education" (p. 23). Given such a stance by the only professional accounting body in New Zealand, it is therefore not surprising that Fry, Heaton and MacGregor's (1998) study found that there is strong evidence that "a gap exists between the profession's expectations and ethics education being delivered by accounting departments in the universities" and that "ethics represents a minor part of undergraduate accounting education in New Zealand" (p. 59).

11.3.4   Influences on an individual's ethical behaviour

A person's moral code and business ethics are made up of certain elements. Certain aspects such as childhood development, religious faith, personal experiences, education and philosophy have been identified as coming together to form an individual's moral and ethical code (Farrell & Clevenger, 1994). Table 11.8 shows the students' and graduates' responses to how much they thought an individual's ethical behaviour was influenced by their religious and moral upbringing and education. A survey of accountants in Hong Kong by Leung and Cooper (1994) found that "family upbringing, the conduct of one's peers and university education were believed by the respondents to be the important factors which influence a person's ethical conduct" (p. 24). Baetz and Sharp (2004) also consider that, "[a]nother challenge to teaching business ethics is that some students and even faculty may deem the subject to be irrelevant, since values are supposed to be developed much earlier in life and in other contexts, e.g. family, church" (p. 59).

Table 11.8: Influences on an individual's ethical behaviour

Question: How much do you think an individual's "ethical behaviour" is influenced by their religious and moral upbringing and education?						
(a) influenced by religious and moral upbringing						
Not at all	4	3.8%	1	1.4%	1	1.8%
To some extent	9	8.6%	2	2.8%	2	3.5%
Moderately	4	3.8%	12	16.7%	4	7.0%
To a great extent	49	46.7%	33	45.8%	36	63.2%
Absolutely	39	37.1%	24	33.3%	14	24.6%
No. of valid respondents	105					
Missing	1	0.9%				
(b) influenced by education						
Not at all	4	3.8%	1	1.4%	1	1.8%
To some extent	21	20.2%	11	15.3%	13	22.8%
Moderately	42	40.4%	33	45.8%	26	45.6%
To a great extent	30	28.8%	26	36.1%	15	26.3%
Absolutely	7	6.7%	1	1.4%	2	3.5%
No. of valid respondents	104					
Missing	2	1.9%				

The findings in Table 11.8 appear to mirror Baetz and Sharp's opinion. When analysed, comparative to the influence that education is considered to have on an individual's ethical behaviour, the responses show that students and graduates placed greater emphasis on religious and moral upbringing as important influences. Significant percentages, that is, 83.8% of first year students, 79.1% of third year students and 87.8% of accounting graduates, indicated *to a great extent* and *absolutely* that religious and moral upbringing would influence an individual's ethical behaviour.

In contrast, it should be noted that only 34.9% of first year students, 37.5% of third year students and 29.8% of accounting students and graduates indicated *to a great extent* and *absolutely* that education would influence an individual's ethical behaviour. Greater percentages of first (39.6%) and third (45.8%) year students and accounting graduates (45.6%) perceived that education would only *moderately* influence the individual's ethical behaviour. However, the responses do not indicate any feeling of 'irrelevance'' about the influence that ethics education might have on ethical behaviour as the higher percentages placed on 'moderately' is certainly better than to have higher percentages of respondents choosing the responses of 'not at all' and 'to some extent'. A different interpretation of the result provides an interesting slant on the situation. The question on educational influence was not specifically about ethics education at tertiary level but education in general and could imply education from pre-school through to tertiary level studies. The findings in Table 11.8, therefore, appear to support the view that William (cited in Tannenbaum, 2004) holds on ethics education (see Chapter 2 discussion) in that maybe ethics education do need to commence much earlier in an individual's life in order for there to be a more lasting influence on that individual's ethical reasoning and decision making behaviour.

William's view is further supported by Mastracchio (2005) who asks whether teaching ethics at the college level is too late (p. 6). Clearly, the important issue that needs to be addressed is whether ethics education at the tertiary level is indeed too late. Given these insights and the findings in Table 11.8, one conclusion that could be drawn with regards to the unethical behaviour of participants in corporate scandals is that perhaps more faults could be attributed to the limitations of the individuals' specific prior ethics education and fewer to the potential limitations of ethics education at the university level. Mastracchio, however, also argues, "[a]t best, one can only hope that education can help" (p. 6). He also contends that while accounting students should be well grounded in ethics, society's attitude has to change also.

11.3.5   Professional Competency Examination One

This next section of questions was directed only to accounting graduates. The researcher wanted to find out graduates' perception of the importance of the ethics component of the Professional Competence Examination 1 (PCE 1) that only provisional members (accounting graduates who have completed the academic requirements) of NZICA could attempt. Of the 57 graduates, 56.6% have completed PCE 1. Table 11.9 shows that significant percentages of these respondents perceived that the ethics material was *adequate* (35.5%), *quite adequate* (25.8%) and *very adequate* (29.0%) for learning about ethical standards and resolving ethical situations. However, in contrast to this finding where the majority of graduates had indicated that the ethics material was adequate or better, quite significant percentages of graduates were indicating that ethics were *not important* (25.8%) or *to some extent* (19.3%) important in influencing the graduate's ethical behaviour in difficult situations. The content analysis of the open-ended responses provided in Table 11.10 might help to explain why some graduates were satisfied with the PCE 1 ethics coverage and why some did not accredit the ethics coverage in PCE 1 with greater adequacy or importance.

Table 11.9: Professional Competency Examination One

Question: Have you done PCE 1?		
	Accounting Graduates	
Yes	30	56.6%
No	23	43.4%
FQE	2	3.8%
No. of valid respondents	53	
Missing	2	3.5%
Question: The ethics component of PCE 1 is about 50% of this professional examination. How adequate do you think the PCE 1 ethics preparatory material is for learning about ethical standards and resolving ethical situations?		
Inadequate	1	3.2%
Not very adequate	2	6.5%
Adequate	11	35.5%
Quite adequate	8	25.8%
Very adequate	9	29.0%
No. of valid respondents*	31	
Not done PCE 1	24	42.1%
Missing	2	3.5%
Question: How important has this ethics coverage in PCE 1 been to you in terms of whether it has influenced your ethical behaviour when dealing with difficult situations?		
Not important	8	25.8%
To some extent	6	19.3%
Moderately	6	19.3%
Quite important	9	29.0%
Very important	2	6.5%
No. of valid respondents*	31	
Not done PCE 1	24	42.1%
Missing	2	3.5%

* One of the respondents who did the FQE (Final Qualifying Examination for membership) also answered these questions.

Generally, it was found from the open-ended responses that graduates found benefits from the PCE 1 ethics material as it gave them examples and guidance to think through ethical situations. Only two respondents explained why they found the PCE 1 ethics coverage of lesser importance. One explanation was more to do with actual dissatisfaction with the PCE 1 examination and is therefore not quite related to the issue being considered. The other explanation is worth noting because it suggests that ethical values is not something you can pick but that it is ingrained in the individual over a longer time.

Table 11.10: Adequacy and importance of PCE 1

Adequacy of PCE 1 ethics preparatory material for learning about ethical standards and resolving ethical situations	Importance of ethics coverage in PCE 1 in influencing ethical behaviour when dealing with difficult situations
Comments supporting adequacy of PCE 1 ethics material: ▪ *Pretty theoretical, CD ROMs are quite useful.* ▪ *We had to know entire code of ethics and were given case studies to apply ethics to.* ▪ *Gave good examples that assisted the learning process.* ▪ *The models and hypothetical situations seem to be very adequate for someone who is only learning ethics for practice instead of for academic purposes.* ▪ *The ethical decision models are excellent.* ▪ *Gives you a good basis and introduction as to what ethics is and difficulties surrounding ethical decision making. If anything, having an awareness as to what would be "ethical" actions is beneficial to all professional occupations.*	Comments supporting importance of PCE 1 ethics material: ▪ *Has given guidelines on how to deal with ethical dilemmas. Also taught me what ICANZ standards are.* ▪ *Business examples "opened my eyes' to the real world.* ▪ *It has given me a more formal concept of ethics and has come up from time to time when I face difficult hypothetical situations and not clean-cut real life situations.* ▪ *It has provided a set of ethical guidelines/ principles for me to behave ethically.* ▪ *It has helped me think through ethical problems.* ▪ *Better understanding of how important ethics was to the profession.*
Comments not supporting adequacy of PCE 1 ethics material: ▪ *Relied more on the ethics course taught at the Poly.* ▪ *Overly so. Work/reading required was too extensive and "theoretical".* ▪ *Rote remembering exercises. Test of how fast you can write, rather than understanding of the material.*	Comments not supporting importance of PCE 1 ethics material: ▪ *Was a test of ability to write fast, not demonstrate how much you know.* ▪ *I don't think people can learn ethics, in a short time, it is more ingrained over time.*

11.3.6 Ethics education and its perceived influence on behaviour

The final question (Table 11.11) asked students to what extent they thought having ethics education in their programme of study would help influence their behaviour in an ethical dilemma. In comparing the influence of education on an individual's ethical behaviour in an earlier question (see Section 13.3.4), it would appear that similar percentages of students and graduates in this question indicated that ethics education would help influence their behaviour in an ethical dilemma. This finding is important as it suggests that educators must look to how they can improve the extent of influence on ethical behaviour that ethics education can have on the individual from being only moderate to higher levels of influence. Leung and Cooper (2005), state that more emphasis must be placed on ethics education and the researching of accountants' ethical sensitivity and motivation. They argue that "recent corporate collapses have highlighted the complex ethical problems faced by accountants" and that accountants'

role "in corporate governance can be further enhanced through developing their capabilities in

the handling of complex relationships and ethical issues" (p. 86).

Table 11.11: Extent of influence that ethics education will have on ethical behaviour

Question: To what extent do you think having ethics education in your programme of study will help influence your behaviour so that you act in an "appropriate and correct manner" when placed in an ethical dilemma [either while you are still at university or] in the workplace?						
	First Year Accounting Students		Third Year Accounting Students		Accounting Graduates	
Number of respondents:	106		72		57	
Not at all	4	4.4%	1	1.4%	1	1.8%
To some extent	13	14.4%	12	16.7%	14	24.6%
Moderately	24	26.7%	30	41.7%	25	43.9%
To a great extent	34	37.8%	20	27.8%	15	26.3%
Absolutely	15	16.7%	6	8.3%	2	3.5%
No. of valid respondents	90					
Missing	16	15.1%	3	4.2%		

An earlier finding (see Section 11.3.2) indicates that students and graduates are aware of the

importance of ethics education. They appear, however, from their responses to this question,

to be unsure of the extent to which such ethics education would help them in the workplace.

The students' conflicting responses on the influence of education on ethical behaviour suggest

that while they believed that their moral stances might already be developed by the time they

reached university studies, the findings of this section indicated that further moral

development to help them in ethical dilemmas may still occur through ethics education.

These findings therefore support Kohlberg's (1983) theory of moral development which

indicates that "college-age students' moral values and approaches to ethical situations are not

permanently entrenched in already formed moral stances, and may be developed through the

educational process" (in Leung & Cooper, p. 24). Eynon, Hill & Stevens (1997) also support

this view that ethical interventions can still influence the ethical decision making abilities of accounting students (see earlier discussion in Section 2.4.1).

A significant percentage of first year accounting respondents did not answer this last question. It is possible these 'missing' students misunderstood the instructions in the questionnaire and did not answer the last question as a result. The findings of this particular category of respondents therefore need to be interpreted carefully with the 15.1% missing students in mind. This category of respondents shows that, unlike third year students and accounting graduates, the majority of first year students perceived that ethics education would influence *to a great extent* (37.8%) and *absolutely* (16.7%) their behaviour in an ethical dilemma.

The study found that, overall the majority of third year accounting students (41.7%) and graduates (43.9%) perceived that ethics education would only have a moderate influence on their ethical behaviour. The open-ended responses provided by accounting graduates may provide some insights into why some graduates felt this way (see Table 11.12). These verbatim quotes pose a serious challenge to educators because, if upbringing does not provide the 'right' ethos, then the question arises as to whether it is too late at the tertiary level to do anything constructive. Noteworthy, however, are the comments from the other graduates who indicated that ethic education is important as it will raise the individual's awareness of how to approach an ethical situation.

Table 11.12: Issues relating to ethics education influence on ethical behaviour

Issue 1: Ethics is up to the individual and their upbringing
▪ *Some individuals need to be taught, others would act appropriately anyway.*
▪ *Everyone has their own moral upbringings but a paper could show people that everyone has their own ideas. People need to be more aware of this.*
▪ *I think ethics comes down to individual personalities.*
▪ *Basics covered will factor in decisions made but it will mainly be a gut feeling decision.*
▪ *Ultimately it is up to the individual's thinking that influences how they approach an ethical situation.*
▪ *Education will only really help them realise ethics is a real issue.*
▪ *People act instinctively, rather than what they learn in ethical dilemma situations.*
▪ *In between – depends on individual morals/beliefs and workplace ethics (peers etc).*
▪ *To a large degree, I think ethics are inherent in a persons' personality. But education provides an awareness of issues.*
Issue 2: Leadership at work
▪ *Depends on where you work and your training in the workplace as to whether you will act ethically – good leadership from seniors.*
▪ *Always going to do what the senior approves – who wants to lose their job and also no one really cares.*
Issue 3: Peer influence
▪ *Work mates behaviour etc will have a bigger effect.*
Issue 4: Ethics education can help raise awareness
▪ *Ethics training will cover rules you may not otherwise be aware of.*
▪ *It highlights avenues, rules and guidelines and appropriate channels.*
▪ *Gives a better understanding for approaching an ethical dilemma.*
▪ *Although education cannot ensure that all professionals will become ethical, adequate education can at least make sure that students are familiar with what is ethical behaviour and influence them in their decisions in ethical dilemmas to a certain extent.*
▪ *Without education on ethics, it may be possible that an individual will act ethically, however with education, they will have the awareness to know when a situation is difficult and seek help before making what could be an unethical decision.*
▪ *Having an early exposure to ethical values will assist an individual to act in ethical ways.*
▪ *May raise awareness of possible conflicts.*
▪ *Ethical education provides an opportunity to identify ethical decisions as well as providing the tools to deal with them.*
▪ *Graduates may get a better understanding of what is right and wrong.*
Issue 5: Real world issues
▪ *Factors in decision in real world not the same as course emphasises. Message ok.*
▪ *Ethics education is necessary to 'fine tune' the students natural ethical standards. Some education in this area is required because situations can be complex and difficult.*

11.3.7   Any Other Comments

The questionnaire had a final open-ended question that encouraged respondents to provide any other comments that they thought would contribute to the body of knowledge on ethics and education. Not many comments were provided by third year accounting students and accounting graduates but the few comments they did give raise again very significant issues that accounting educators need to be aware of when setting goals for any ethics education

delivery; their learners need to be challenged and be given 'real world' situations to deal with so that they realise that they do not necessarily know it all because the moral values that they receive through their upbringing, their family and friends, their primary and secondary education and peers may not be enough when they enter the complex world of businesses and their legitimacy strategies.

Only four comments were provided by accounting graduates and these are reproduced verbatim below:

- *My ethics papers did not make me think/act more ethically. They just gave examples of situations where there is not a definite right/wrong answer and make one realise why someone may act in a certain way, or make particular decisions on occasions that you might not agree with.*

- *Teaching ethics as a course is one of the silliest notions I've ever heard of. Students study it only to pass their exams. Ethics courses will not solve future ethical dilemmas – the individuals' religious and moral background will determine the outcome.*

- *Personally I think that ethics education can be designed to be taught in the language and thinking style of the young people for this age. I mean it is very natural for people to be self-centred and concerned about the welfare of themselves and their close family the most. Therefore, I believe that ethics may be more efficiently/effectively got through to most people if this message is emphasised and reinforced regularly. Only by everyone behaving in an ethical manner can the welfare of all people be promoted.*

- *Whether someone acts in an "ethical" or "unethical" manner will depend on many factors such as their background/education/ upbringing, the situation itself and the advice (if any) available to the individual in making a decision. Of these, education may be the easiest or perhaps the only one that outsiders can influence. The earlier ethics is introduced in education the better however industry specific papers on ethics perhaps should be left until later, when individuals will have a better feel for situations in their chosen field that will expose them to making ethical or unethical decisions.*

The first quote raises concerns about how ethics education is delivered as it would appear that the graduate did not gain much from what was delivered in the ethics classes to help him/her to think or act more ethically. The second quote confirms the view held by some that ethics cannot be taught as individuals will fall back on their own personal and religious values in an ethical situation. The third and fourth quotes, however, are of significance to accounting educators as these are clear indications that these graduates believe that ethics education has an important role to play in influencing individuals to act ethically.

Third year accounting students provided eleven comments which have been provided verbatim below:

> - *Ethics is important. It should be covered in a course but should not be in a course of its own. Many would see it as a 'bunny' paper.*
> - *Case studies – create working situation – controlled so pressures can be created then determine what choices students would take – explore reasons helps educate practicality of life.*
> - *If you teach us on ethical issues, it may also give us knowledge on how to act unethically and get away with it.*
> - *Ethics is a subjective term.*
> - *Ethics is different for the individual. Having a compulsory course won't change people's ethical behaviour.*
> - *Case studies on unethical behaviour or practices in tutorials relevant to NZ.*
> - *Hard to teach ethics because it's hard to change peoples' mind sets and values so late in life.*
> - *In my opinion, the level of ethical concerns among professionals is developed as they work. By supplying students with more and real-life cases, this process can be shortened.*
> - *Can't regulate minds... but can regulate behaviours through incentives and punishments.*
> - *Good idea.*
> - *A paper would let you recognise the options available when presented with a situation, but not provide the answer or solution – that's up to the individual.*

Similar to the issues raised by accounting graduates, some third year accounting students thought that ethics education would help individuals with their ethical reasoning but then some students also believed that ethics education at the tertiary level was too late as it was up to the individuals and the mind sets and values that they already had in place. Twenty-four first year accounting students provided a comment to this final question. Similar to the findings of the third year students' responses, quite a few first year students thought that ethics education at the tertiary level was too late. One student indicated that ethics education should be done at the secondary school level while another thought that it should even be at the primary school level. Again, similar to the third year students' comments, quite a few respondents thought that ethics education would have no impact as it was very much up to the individual and the values that he/she had would decide the ethical path taken in an ethical situation. The comments provided by first year accounting students are presented in Table 11.13 under the main themes identified from the content analysis.

Interestingly this category of respondents provided the most insight into the issue of legitimacy and how individuals can try to legitimise their actions. Comments such as: "ethics being relative to societies [sic] goals"; "still bend the rules to do my best"; "it depends on the situation, people involved, when it comes to dealing with ethics in the real world"; "Ethical position may vary depending on which situation you (stakeholder) are in ie [sic] tax avoidance – maximise profit for owners (ethical) or illegal/immoral in the eyes of IRD (unethical)"; and "You know to keep up, you have to push the limits if in testing cases, if you don't, someone else will and they never seem to get caught, sadly", should be of grave concern to ethical educators as they have much to do to try to influence the learning of these individuals so that they enter their employment prepared to act ethically rather than unethically.

The insightful comments provided by first year accounting students suggests that, even as freshmen, they already know that as they leave university for gainful employment in due course, they too may become involved in business practices that are not only questionable but also very unethical but which nonetheless would have to be engaged in if they are to keep their jobs. Such findings provide strong messages for accounting ethics instructors. It explains in a manner why ethics education is continually being perceived as woefully inadequate to meet the pressures put upon newly qualified graduates. The implications of the comments suggest that a stronger message of character, integrity and moral resilience needs to put across as it appears that at the moment this important message is bypassing the 'learners' because they have another stronger but different message and perception about their future roles in society as practicing accountants.

Table 11.13: First year accounting students – Other Comments to contribute to ethics education research

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Issue 1: Ethics is important
- *Ethics plays a huge part in today's society. It is important to be taught!!*
- *Ethics is an integral part of how professional accountants operate. It is primarily up to the individual but if the individual knows what's expected and the consequences of his actions he is more likely to behave ethically.*
- *Ethics can be taught at university with great care. It's very important for accounting students to recognise the need for ethical education.*
- *Overall I believe that ethics is important, but it shouldn't be made compulsory to those who prefer not to do the paper.*
- *Keep it relevant with practical examples to enforce principles.*
- *Ethics is an important part of studies at university, in work and in life.*
- *Nothing is ever 'black and white' but by having a framework or guide on accepted ethical standards of practice and actions, assessing a situation and deciding on how to resolve it must be enhanced.*

Issue 2: Ethics education at tertiary level too late
- *I think that if ethics are taught from the grass roots of accounting then it may become a very important factor in accounting. If you learn it at uni level then it will be hard to change the veins and values of a typical uni student.*
- *I think ethics is being brought into education at too late a level. By the time we are university students we have our own minds largely made up on what is right or wrong and it is harder to influence us. Ethics should be introduced in secondary level.*
- *I think that in general ethics and morality is something you develop as a young child according to both parental influence and environment. Education after primary school has little effect on changing someone's ingrained ethical stance.*

Issue 3: Individual and his/her personality, upbringing, self-beliefs
- *Ethics to me is what you believe in, not what others think.*
- *It should act as a guideline to students as opposed to a set of rules because everybody is different and will therefore act differently in any given situation.*
- *Ethical education is a hard case, it comes from personality and how a person is brought up (and experience).*
- *It is hard to decide what is ethical and what isn't. You can make students aware of these components but really most will go with their own ideas and focus on what they will get out of ethical or unethical deals.*
- *Although ethics education may be of some benefit when students join the workforce, it will not be the deciding factor/influence on their decisions. Upbringing, personality etc would have more of a bearing on behaviour of graduates when faced with a questionable situation.*
- *At the end of the day when faced with a ethical dilemma you just have to do what you think is best, whatever the result, you will learn from it, I don't think a university course would cover the dilemmas of real world situations. To a great degree that is for the individual to decide.*
- *Ethics is a matter of self belief and opinion. What one person finds ethical may not be to another no matter what we are taught.*

Issue 4: Legitimacy
- *Ethics are relative to the circumstances which you are in and to societies goals. Ethics change, they are not fixed.*
- *Many of the questions were marginally ethical, not cut and dry, yes and no's. I believe that I am ethical but still bend the rules to do my best.*
- *Even though a person could do a paper in ethics and know what is ethically right or wrong, it depends on the situation, people involved, when it comes to dealing with ethics in the real world.*
- *Ethical position may vary depending on which situation you (stakeholder) are in ie tax avoidance –maximise profit for owners (ethical) or illegal/immoral in the eyes of IRD (unethical).*
- *Hearing from speakers like John Judge (EY) CFO, he promotes ethical firms, motivates you to act ethically if you know this is valued by firm. Also comes down to people's morals and values, your age. You know to keep up, you have to push the limits if in testing cases, if you don't, someone else will and they never seem to get caught, sadly.*

Issue 5: Other Issues
- *Students usually regard any "ethics" paper as just another paper they will take, try to pass. Usually, they don't take it to heart. If you want students to actually learn about ethics, need to add ethics as a component to ALL accounting papers, so people will learn it everyday, yearly and they might actually learn something about ethics.*
- *Keep it relevant with practical examples to enforce principles.*

11.4   CHAPTER SUMMARY AND CONCLUSION

It would appear that most students were unsure of the learning outcomes of tertiary level ethics education. Although the majority of accounting students and graduates perceived ethics education as important to include in their tertiary accounting curriculum, most of them also saw the intervention as having only a moderate influence on their thinking and ethical decision-making behaviour. Most open-ended responses focussed on the difficulty of teaching ethics, given that most of the students would have developed their own personal values and beliefs by this level of study and that, ultimately, ethical behaviour would depend very much on the individual and their judgement of the situation.

Arguably, the most enlightening comment of all those comments extracted from the survey is this comment raised by a third year accounting student; it highlights the legitimacy issue prominent in the business/corporate environment where individuals attempt to 'legitimise' their unethical actions so that these actions are acceptable to society although rewards would be only to the select few rather than to the whole of society:

> "If you teach us on ethical issues, it may also give us knowledge on how to
> act unethically and get away with it."

In response to the above comment, Crane (2004) very clearly summarises the whole situation about ethics education and why its importance cannot be ignored if educators are to help their graduates play their role properly and ethically in society:

> Business faculty members may not be able to change the character of scoundrels or influence corrupt individuals, but they can work diligently to persuade the overwhelming majority of students to accept the idea that ethical behaviour should be the overriding imperative in today's marketplace. In short, as Gioia (2002) suggested, we should focus on educating the 99% who "get it" and not the 1% who seem to believe that "anything goes" (p. 151).

Furthermore, as Leung and Cooper (1994) claim, "[a]s educators preparing students for a professional career, we have an obligation to discuss ethical issues in accounting, in order to make our students aware of the problems they may encounter in practice" (p. 24). If McQuilter's (2007) "10 – 80 -10 rule" is an appropriate indication of how individuals would act, then it does suggests that more emphasis needs to be placed on the type of ethical educational interventions that educators provide to their students. This is because there appears to be a very significant group of individuals who will readily be influenced to behave either way if ethical educational interventions have not left a significant and lasting influence on their learning. Such interventions must therefore help these individuals to apply relevant skills and competencies so that their ethical reasoning and ultimate decision-making behaviour will help them to honour more ethically their 'social contract' with society instead of choosing legitimacy strategies that enable them to get away with questionable actions.

CHAPTER TWELVE
RESEARCH FINDINGS: SEMI-STRUCTURED INTERVIEWS

12.1   INTRODUCTION

This chapter provides the research findings on the semi-structured interviews that were conducted with first and third year accounting students and accounting graduates. Similar to Chapter 11, both quantitative and qualitative data analysis will be applied to the responses and open-ended explanations provided by interviewees. This chapter will provide more useful insights on the importance of ethics education and the crucial factors that play a role in the ethical decision-making behaviour of the respondents. The issues that will be explored in this chapter are provided in Figure 7.3 and which was presented in Chapter 7. The chapter findings will be organised into subsections that will explore: firstly, the factors influencing ethical and unethical behaviour; secondly, influential factors that would prevent unethical behaviour; thirdly, rules and regulations for ethical dilemmas; fourthly, profession's rules and regulations for ethical dilemma; fifthly, key guidance for ethical responses; sixthly, legality issues and ethical actions; seventhly, impact of teaching ethics on behaviour; eighthly, whether accounting students are more ethical than other students? and finally whether accounting students/graduates are more inclined to follow rules and legalistic approaches to resolve ethical responses?

12.2   SEMI-STRUCTURED INTERVIEWS

The questions in the semi-structured interview schedule were developed to help the researcher enrich the findings from the questionnaire surveys. The findings from the interviews will allow for a greater understanding of the issues confronting individuals in their ethical decision-making. All the interviews with first and third year accounting students were

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conducted face-to-face at the researcher's place of work. The interviews with accounting graduates had to be conducted over the telephone at the participant's convenience.

The semi-structured interviews from the three different categories of respondents are analysed comparatively. To find out if accounting students' perceptions of ethics education and ethical issues might change as they progressed from being first year students to third year students and their exposure to accounting papers and ethics coverage increased, a longitudinal study was conducted with the same group of first year students that were interviewed. The longitudinal study involved analysing the initial responses of first year accounting students and their subsequent responses when they were again interviewed in their third year of studies.

In a sample pool of twenty first year students, eighteen students responded (90% response rate) and were interviewed. In the follow-up interview of these same students (as third year students), only twelve students responded therefore allowing for 67% of these students to be followed up for the longitudinal study. From the third year students' selection of twenty students, seventeen students (85% response rate) were interviewed. Accounting graduates had a 90% response rate as eighteen of the twenty graduates who volunteered for the semi-structured interview session were interviewed. The researcher made numerous appointments, emails and telephone calls to ensure the entire sample pool of first year students, third year students and graduates were successfully interviewed. However, due to timing difficulties, study and work pressures, a 100% interview rate could not be achieved.

12.2.1   Factors influencing individual's ethical behaviour

The questions asked in the semi-structured interviews were an attempt to identify factors that would impact on an individual's ethical behaviour. Gellerman (1986) contends that personal values and organisational values determined ethical behaviour rather than the training that individuals received in a tertiary programme. Hosmer (1988) argues that the moral standards of students have been already established by their families, their schools, their churches, their peers, and their jobs by the time they reach tertiary level programmes. It is therefore important to find out the extent of such influences that might impinge on the ethical behaviour of individuals. The key factors examined in this study related to: human nature, referring to the fundamental qualities that an individual might inherently have; nurture, in terms of upbringing; religion, in terms of whether the individual had a religious background; and education, not just at the tertiary level but progressively from the pre-school period. Interviewees were also encouraged to speak openly and indicate any other factors that they perceived to have an influence on an individual's ethical behaviour.

Table 12.1: Influence of nature – fundamental qualities

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	22%	28%	44%	6%
1st year students (in 3rd year)	0%	25%	25%	42%	8%
3rd year students	0%	35%	18%	41%	6%
Graduates	0%	11%	44%	33%	11%

Table 12.1 shows that high percentages of first year (also 1st year students in their 3rd year) and third year students perceived that the innate characteristics of individuals have influenced *to a great extent* in their ethical behaviour. The majority of graduates (44%), on the other hand, believed that the individuals' human nature would only *moderately* influence individuals' ethical behaviour. Comments like: "You're either a good person or not" and "Comes down to who you are as a person" might explain why interviewees perceived that the

individuals' human nature might have a significant influence on ethical behaviour. However, this finding when compared to the finding on nurture may suggest that interviewees perceived that what individuals are inherently from birth can change because of their upbringing as significantly higher percentages of interviewees believed that upbringing will *absolutely* or *to a great extent* influence their ethical behaviour.

Table 12.2: Influence of nurture – upbringing

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	0%	17%	61%	22%
1st year students (in 3rd year)	0%	0%	17%	67%	17%
3rd year students	6%	0%	12%	71%	12%
Graduates	0%	0%	11%	56%	33%

The finding in Table 12.2 reinforces the findings of the qualitative data analysis from Section IV of the questionnaire survey where the majority of respondents perceived that upbringing would significantly influence individuals' ethical behaviour. The content analysis conducted on the data collated from the semi-structured interviews also indicate that 'upbringing' is a key factor for ethical reasoning of individuals and that for some interviewees, even ethics education would not be able to impact and influence the way individuals behave because their values have already been ingrained and entrenched by their upbringing. The following quote from a graduate interviewee highlights this issue:

> *Don't think so [*with regards to influence of ethics education*]. It's just human nature and greed. Not really, there is a code of ethics which you can look at but no one does, its just here for the sake of it. It's something that is ingrained in you. You're either a good person or not. For the majority, no, education won't help.*

Table 12.3: Influence of Religion

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	6%	6%	28%	50%	11%
1st year students (in 3rd year)	8%	0%	42%	33%	17%
3rd year students	6%	24%	12%	47%	12%
Graduates	17%	22%	39%	22%	0%

Phau and Kea (2007) explains that in many aspects of life, religion has demonstrated its influential role towards the development of society. They also noted that many studies have provided strong theoretical support to evidence the relationship between the relevancy of religion and attitudes towards business ethics. The findings in Table 12.3 show that higher percentages of accounting students indicated that religion would influence them *to a great extent* in their ethical behaviour. For first year students, 50% of them indicated that religion would influence their ethical behaviour *to a great extent* although this percentage dropped to 33% when they were subsequently interviewed in their third year of studies. From the table, it is observed that 47% of third year students perceived that religion would influence them *to a great extent*. It is also interesting to observe from the analysis that none of the graduates perceived that religion would *absolutely* have an influence on ethical behaviour whereas first and third year students were inclined to believe that for some individuals, religion can have an absolute influence. It would appear that graduates were less convinced of the influences of religion on an individual's ethical behaviour.

Table 12.4: Influence of Education

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	6%	22%	33%	33%	6%
1st year students (in 3rd year)	0%	8%	33%	50%	8%
3rd year students	6%	18%	71%	6%	0%
Graduates	0%	50%	39%	11%	0%

The findings from Table 12.4 almost mirrors the findings of the questionnaire instrument where students and graduates were asked to indicate to what extent they thought that education would have an influence on individuals' ethical behaviour. First year interviewees perceived that education would *moderately* (33%) and *to a great extent* (33%), influence ethical behaviour. It is of interest to note that a significantly higher percentage, from 33% to 50%, of first year students when interviewed again perceived (as third year students) that education would influence, *to a great extent*, ethical behaviour. A very high 71% of third year interviewees indicated *moderately*. In comparison, graduates were less convinced of the influence that education would have on ethical behaviour and a high 50% of them indicated that education would only influence *to some extent*. This finding is quite significant as it suggests that education in generally (not just tertiary level but also primary and secondary levels) have not played any significant role in ensuring that young people of society receive any moral education. The increasing level of both criminal and corporate type crimes and increasing delinquent behaviour by teenagers (excessive drinking, drug abuse, violence and graffiti as evidenced by recent media reports) in society, might suggest that important moral education is not just being left out in tertiary education but also being left out of the primary and secondary level curriculum.

Other factors identified by accounting students and graduates as having *moderately* and *to a great extent* rating influences on peoples' ethical behaviour were friends/peers, societal values, experience, parental background, individual values, culture, work pressure/environment, mentor/role models, punishment, regulation, money and temptation opportunities in the work place. In particular a significant number of interviewees indicated the influence of friends and peers as a key factor for individuals' ethical behaviour.

12.2.2   Factors influencing individual's unethical behaviour

This next section of questions was asked to develop an understanding of the factors that might influence an individual to act in an unethical manner. Interviewees were asked to indicate the extent that factors such as individual's personal and materialistic attributes, unethical but important clients, peer/colleague pressure and employers might influence individuals to become involved in unethical behaviour. The findings of this section are important as it provides important insights into understanding why an individual who seemingly has an excellent degree qualification with significant ethics training from an internationally recognised university and who is also professionally recognised, can still become embroiled in unethical and questionable accounting and business practices.

Table 12.5: Influence of individual's personal and materialistic attributes

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	6%	22%	50%	22%
1st year students (in 3rd year)	0%	8%	0%	67%	25%
3rd year students	0%	12%	18%	71%	0%
Graduates	0%	0%	11%	78%	11%

Table 12.5 shows clearly that interviewees believed an individual's personal and materialistic attributes would very strongly influence that individual to become involved in unethical behaviour. If the influences that indicate *to a great extent* and *absolutely* responses were added together, 77% of first year students which increased to 92% when these students were interviewed again in their third year of studies, 71% of third year students and 89% of graduates believed that the individual's personal and materialistic attributes would cause the individual to become 'bad'. This suggests that interviewees perceived personal and materialistic attributes as negative traits which would pre-dispose such individuals to act unethical if and when the opportunity arise to benefit them. One may even suggest that an individual with strong materialistic attributes would not allow anything to stand in that

individual's path to his/her accumulation of wealth and private gain. The illustrations

provided in Chapter Five by Young (2003) and Clarke, Dean and Oliver (2003) indicate how

extreme the unethical behaviour can become when corporate executives and chief financial

officers/accountants become greedy.

Table 12.6: Influence of unethical but important clients

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	11%	39%	39%	11%
1st year students (in 3rd year)	8%	17%	25%	25%	25%
3rd year students	6%	24%	18%	47%	6%
Graduates	0%	50%	28%	22%	0%

Table 12.7: Influence of employers

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	6%	6%	78%	11%
1st year students (in 3rd year)	8%	0%	17%	67%	8%
3rd year students	0%	0%	18%	71%	12%
Graduates	0%	17%	28%	50%	6%

It has been presented that accountants, like other professionals, can easily find themselves in

an ethical dilemma, cast upon them either by their client or by their employer (Ferrers, 1999).

The findings that 50% of graduates would only be influenced *to some extent* while more

positive than the other interviewees from the first and third year students' groups, is still a

concern. The 28% *moderately* and 22% *to a great extent* responses, put together makes a

significant 50% of graduates who would be willing to compromise their professional integrity

by performing services required by client in the full knowledge that such services may result

in unethical outcomes.

The 'important client' issue might mean that the client is bringing in substantial professional

fees (income) to the accounting firm, or that the client has important political influences or

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that there are family connections, were hence being perceived by the interviewees as a situation where the accounting firm would be very reluctant to lose such a client. The high 47% of third year students indicating that the individual would be influenced *to a great extent* to behave unethically should be a significant concern to ethics educators and professional firms that value ethical behaviour by their employees. First year interviewees by their third year of studies perceived that some of them would be less influenced by such clients (8% indicated *not at all*). However, there was an increase in the *absolutely* responses, that is, this response increased from 11% to 25%. This finding is worrying as one would hope that the ethical reasoning ability of students to have improved such that the extent of influences for unethical behaviour would have moved closer to the left of the table by indicating *not at all*.

Ferrers (1999) indicated that the accountant must decide how to resolve this type of ethical dilemma "bearing in mind that he or she is a professional belonging to a professional body with rules and standards" (pp. 31 – 32) and that the "poor behaviour of one accountant reflects on the profession as a whole" (p. 32). The above findings that the majority of interviewees perceived that the individual would be influenced significantly to become involved in unethical behaviour for an 'important but unethical client' raises warning flags about the integrity and credibility of accounting professionals.

With regards to the findings from Table 12.7 on the influence that employers would have on an individual to behave unethically, the majority of all interviewees perceived that the employer would influence *to a great extent*. This suggests that the employer has a significant role to play in the ethical behaviour of its employees. If the employer is unethical then obviously this employer would lead by example in terms of the types of unethical actions that he/she would encourage and even allow employees to become embroiled in. Job security and

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job scarcity were key issues as to why interviewees perceived that employers would influence significantly on the ethical behaviour of individuals.

Table 12.8: Influence of peer/Colleague pressure

Interviewees	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	22%	28%	39%	11%
1st year students (in 3rd year)	8%	8%	33%	42%	8%
3rd year students	0%	24%	24%	41%	12%
Graduates	0%	17%	50%	28%	6%

The findings show that peer and colleague pressure in influencing unethical behaviour by individuals were more significant when the interviewees were students and less so for graduate interviewees. The majority of graduates (50%) indicated that peer/colleague pressure would only moderately influence individuals to behave unethically compared to the higher percentages of first (39%, 42% subsequently as a third year) and third year (41%) accounting students who indicated *to a great extent*. This is a significant issue as the findings in Chapter Ten illustrates that students copying and cheating at university can only lead to even more serious type of unethical behaviour when these individuals commence their professional careers. Family expectations and pressure, social norm, work experiences, culture of the organization and money were other factors indicated by interviewees as having significant influences on an individual to behave unethically.

12.2.3   Influential factors that would stop unethical behaviour

Questions one and two of the semi-structured interview schedules helped to identify: firstly the factors that would significantly influence an individual to behave ethically, and secondly the factors that would influence the individual to behave unethically. These questions were important to lead on the next issue raised in question three. Question three explored the

factors that would significantly influence an individual, on the cusp of making the decision to

behave ethically or unethically. The findings of this question are presented in Table 12.9.

Table 12.9: Factors that would influence an individual to not behave unethically

Individual's personal attributes

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	11%	28%	44%	17%
1st year students (in 3rd year)	0%	17%	25%	50%	8%
3rd year students	0%	6%	6%	53%	35%
Graduates	0%	0%	17%	50%	33%

Code of ethics in the workplace

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	22%	39%	28%	11%
1st year students (in 3rd year)	0%	17%	8%	67%	8%
3rd year students	0%	29%	35%	35%	0%
Graduates	17%	39%	39%	0%	6%

Peer/Colleague pressure

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	17%	33%	44%	6%
1st year students (in 3rd year)	0%	8%	25%	58%	8%
3rd year students	0%	18%	29%	53%	0%
Graduates	0%	11%	28%	56%	6%

Set rules and regulations and code of ethics from the profession

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	17%	22%	39%	22%
1st year students (in 3rd year)	0%	8%	17%	50%	25%
3rd year students	12%	18%	29%	35%	6%
Graduates	6%	22%	72%	0%	0%

Fear of getting caught by law enforcement authorities

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	0%	17%	50%	33%
1st year students (in 3rd year)	0%	8%	8%	33%	50%
3rd year students	0%	6%	18%	59%	18%
Graduates	6%	11%	39%	39%	6%

The responses contained in Table 12.9 suggest that the majority of interviewees perceived that the individual's personal attributes and peer/colleague pressure were the crucial factors that would influence greatly the individual to stop behaving unethically. The common perception is that rules, laws, guidelines and policies combine to provide professional boundaries for Chartered Accountants (Dyer, 2001). However, the findings in Table 12.9 show contradictory indications in terms of the importance of these factors being greatly influential for setting the boundaries for professional ethical behaviour. In particular, one would expect graduate interviewees to be greatly influenced by these factors as they are already in the workforce and would have had greater exposure to these factors when compared to first and third year students. One would therefore assume that graduates would see the code of ethics in the workplace, set rules and regulations and code of ethics from the profession and fear of getting caught by law enforcement authorities as crucial factors that would influence them greatly and stop them getting involved in unethical behaviour.

The most interesting finding related to graduate interviewees, 72% indicated *moderately,* 22% *to some extent* and 6% *not at all* as how influential set rules and regulations and code of ethics from the profession would be on stopping them from behaving unethically. This raises a significant concern for the accounting professional body as it prides itself with having members that are ethical in its dealings with society. Even first year and third year accounting students placed greater importance on these matters. Other factors that interviewees considered were important to stop the individual behaving unethically were family and employer influences.

12.2.4   The use of rules and regulations for ethical dilemmas

The following information was provided for the interviewees:

> Accounting procedures have set rules and regulations. To what extent do you think these rules and regulations will help you with regards to what is the "right" or "wrong" action if you were to be involved in an ethically compromising situation?

> For example, you were asked to show a better financial performance year for an organisation and this was to be done through the manipulation of the net surplus figure in the statement of financial performance. You were asked to lower the year's depreciation figure to achieve the required result. Do you think the accounting rules and regulations will help you with this ethical situation?

Interviewees were asked to indicate the extent to which the accounting rules and regulation would help them with this ethical situation. Reilly (2007) explains succinctly the issues that arise when accountants look to rules to decide what to record:

> Even those who generally support a more principles-based approach acknowledge that financial gimmickry is often behind the proliferation of rules. "There appears still to be at least a few out there who are interested in engineering around accounting objectives or in asking questions like, 'Can you show me where it says that I can't do this?'" said SEC Deputy Chief Accountant James Kroeker in a speech earlier this month. (p. C.1)

Table 12.10 shows that the majority of first year (39%), also in their third year (42%) students and graduates (39%) were more convinced that the rules and regulations would help them *to a great extent* whereas third year students were less convinced as the majority (35%) of these interviewees indicated *to some extent* only as the level of influence.

Table 12.10: Accounting rules and regulations – help with deciding "right" or "wrong" action

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	17%	22%	39%	22%
1st year students (in 3rd year)	0%	17%	33%	42%	8%
3rd year students	12%	35%	24%	24%	6%
Graduates	11%	22%	17%	39%	11%

To better understand why interviewees provided such varied responses to the usefulness of rules and regulations in helping to decide what is the "right" or "wrong" action for an ethically compromising situation, one needs to look at the explanations that they provided in the interview sessions.

Explanations from first year student interviewees:

Student A – when interviewed as a first year student:

- *Guidelines set up for individuals to follow, gives people a clear understanding of what is to be expected but people do not always follow the rules but can be used as guidelines.*

Student A - when interviewed again as a third year student:

- *Accounting standards are guidelines but there's always room for shifting guidelines, that is, interpretation and creative accounting and you can get depreciation and change it – accounting rules not as much as what I thought it to be.*

Student B – when interviewed as a first year student:

- *Problem with accounting rules and regulations is that they work well in theory but not in practice, too theoretical, don't really take into account what is happening in businesses.*

Student B - when interviewed again as a third year student:

- *Because those accounting rules and regulations do set the scene but there is flexibility and there is scope for creativity and the pressure from my boss or the company I am doing the books for will influence more.*

Student C – when interviewed as a first year student:

- *Would help because it can be used as an excuse to avoid confrontation.*

Student C - when interviewed again as a third year student:

- *Not sure about rules helping, rules can be interpreted to allow for this situation.*

Explanations from third year student interviewees:

- *You can creatively work it in your favour. Do as much as possible within the rules, would not break the rules. Provide guidelines and would not step over guidelines.*

- *As in using the rules to justify to the organisation why you can't do something. Rules are not that clear anyway and allows a bit of choice. Could depend upon the circumstances, for example, like an important client.*

- *Rules will help in terms of explaining what should be in the financial statements accurately but you need to look at who you are reporting to – to shareholder, potential investor. Is that my job or is my job to my company who will fire me if I don't compromise a bit. Who looks at the financial statements any way? Rules are more about status and protection of group of people who say that they are a body. In effect, they are setting themselves apart from others and protecting themselves. Rules whether to behave ethically or not makes no difference.*

- *Accounting rules can be bent. There is not a strict procedure. If lawful and accounting procedure which helps the organisation act or the client then it would be ok to bend the rules.*

- *Guidelines but if the boss asks you to do it then you may do it depending upon the circumstances and consequences whether they are minor. If you can get it past the auditors then you are fine!*

- *Don't think they provide much guidance at all, the way it is worded, the framework seems so broad. It sort of implies what you should do but it leaves scope for interpretation and judgement. It's what it comes down to and again it comes down to your integrity as to what you are going to do and again as to what you regard as right and wrong and to different people, what is right or wrong can be different.*

- *Pros and cons – if I know that by putting out this financial performance that I would (a) please the client/ gain a client (b) mare our accounting firm look good and maybe gain a bonus and then only thing stopping me is FRS1 that no one else has been caught on, then myself I would like to think I would follow FRS1 but in the workplace where there is a lot of pressure and a lot of material values, then I can't see someone dropping all the pros for 1 rule that they may not get caught on.*

The explanations provided by third year accounting interviewees raises significant concerns as they suggest that these future professional accounting members perceive that they already know about 'bending' and 'interpreting' rules to align with the different goals of the stakeholders that they represent. The three explanations (see below) provided by graduate are also worrying.

Explanations from accounting graduate interviewees:

- *More a personal thing. How important client was. How a person or employer view things. In a way they help but they also provide loopholes. Huge grey area. Does help but also encourages it. Seen audit examples. Junior and manager thought it should be changed but partner said no.*
- *Use rules in place to help to redo profit, to interpret it differently – rules allow some flexibility. There's some judgement in place.*
- *If bosses are telling you to do it and they are the ones to sign off on the accounts then I would need to do what the bosses say as they will be accountable for it – would be in a subordinate situation. Rules would help as you could use it to point out it is wrong especially if it is serious and you believe that what you are doing is wrong.*
- *By doing it you're going against all accounting rules and guidelines. Just because they are there doesn't stop you from doing it, you're going to do it one way or another. You're either going to or not, due to pressures to keeping the client if it was an important client then you could do it regardless of rules.*

However, the following explanations provided by some of the other graduates interviewees show a higher level of ethical reasoning as they indicate a level of unwillingness to 'interpret' rules to allow for 'wrong' actions to be undertaken.

- *Depending on the motivation of the person asking to change the depreciation figure, there are valid and acceptable methods to do this within both the accounting standards and within the code of ethics. I would say that knowing the code of ethics, the overriding issue would be is this the right decision for the right reasons, or is it fraud?*

- *You could, you obviously have to make sure that you got the underlying rules that the financials have to comply with GAAP and so whatever you have to comply with that and rules are the first port of call to deal with the situation but you could also refer to the Code of Ethics but that may not be too much help.*

- *Accounting rules say this is the way things are done. Generally in your job you're looking specifically at that – where as you might not at first think of it as manipulation at first, depending, but if they say it's a manipulation straight away you may question it a bit more.*

- *If you were inclined to be unethical then it would not help. If you worried about the ethics of a situation then rules could be used for guidance.*

The findings of this interview question reinforce the findings in Section 10.4 where the hypothetical ethical situation evaluated students and graduates responses to scenarios depicting questionable corporate values and behaviour. Some of the explanations provided in the interview transcripts suggest that the students and graduates know that the actions would be 'wrong' and unethical and yet they were prepared to interpret the rules to legitimise their actions for their clients/employers.

12.2.5   Profession's rules and regulations for ethical dilemma

Question five asked to what extent that interviewees thought that the accounting profession's set rules, regulations and standards would help accountants to resolve ethical actions more easily. The findings for this question differed significantly from the findings provided in Table 12.10. It may be that this question was worded generally and not to a specific situation that involved manipulation of expenses to show a better profitability.

Table 12.11: Resolving ethical actions using profession's set rules, regulations and standards

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	6%	22%	61%	11%
1st year students (in 3rd year)	0%	17%	25%	42%	17%
3rd year students	6%	12%	41%	41%	0%
Graduates	6%	11%	50%	33%	0%

It appears from Table 12.11 that the majority of first year (61%) and third year (41%) interviewees believed *to a great extent* that they could use the profession's rules and standards to resolve ethical situations more easily. However, although the percentage of first year students re-interviewed as third year students was still representative of the majority percentage (i.e. 42%) in the *to a great extent* help perception; there was a showed a significant decline by 19% who initially believed in that perception. While the majority (50%) of graduates perceived that the profession's rules and standards would only *moderately* help, there were 33% of these interviewees that believed it would help *to a great extent*. A perusal of the interview transcripts showed that some of these interviewees believed that the resolving of the ethical situation would be dependent on the individual and the values that this individual possesses.

12.2.6 Tax avoidance scheme and key guidance for ethical responses

In Chapters One and Two of this study, the ethical issues related to tax avoidance schemes had been highlighted by media reports of such schemes in the 1990s and more recently being emphasised by Sikka and Hampton (2005) who argue that accounting firms in their pursuit of higher profits and earnings have diversified into selling tax avoidance schemes even though it brings them into conflict with the state and civil society. This type of conflict between state and civil society suggests that accountants need to reflect more critically within themselves. This suggests that practicing accountants need to look more closely at their conscience and their values with regards to their social contract with society. They need to realise that the concept of 'public service' means that as accountants they have a 'duty to the greater good'; an essential criterion for professional status. Question six of the interview schedule therefore explored what interviewees would seek in guidance to help them resolve ethical dilemmas involving tax avoidance schemes. In a manner this questions leads on to question seven on legality issues because while tax avoidance schemes are legal, schemes which exploit aggressively any legal loopholes, can and should be perceived to be significantly unethical by all groups of stakeholders in society.

The findings of Table 12.12 shows that the majority of accounting students and graduates saw the importance of the professional code of ethics and appropriate taxation legislation as aids that will help them resolve this issue. Of particular interest from the findings presented in Table 12.12 is the extent of advice that interviewees indicated that they would obtain from their peers and colleagues. It appears that peer/colleague advice would influence *to a great extent* the ethical decision that would be made by the individuals with regards to whether they should or should not get involved in the tax avoidance schemes. While the majority of first and third year students perceived that the code of ethics in the workplace was important *to a*

great extent as guidance (although an equal 35% of third year students also indicated *moderately*), the majority of graduates (50%) saw the workplace code of ethics as *moderately* important to refer to.

The two areas that students and graduates did not place that much importance on for guidance were family advice and what was learnt at university. It was indicated by the interviewees that family advice would not provide much guidance as family members unless they were also accountants themselves would not really understand the issues related to tax avoidance. Their advice would therefore not be useful for this type of situation. Third year students and graduates placed little importance on what they learnt at university for guidance with this ethical situation. One possible explanation is that graduates believed that what they learnt did not readily translate to the real world. In other words, the issues faced in their professional lives were much more complex than what was taught and learnt at university.

12.2.7   Legality issues and ethical actions

Interviewees were asked in question seven to what extent they were prepared to perform an action that was unethical but was not clearly stated to be illegal. McDonald (2007) indicates that ethical propriety and legality do not necessarily coincide and asserts that ethical behaviour has to exist on a plane above the law because legality is not the main criterion for judging ethical behaviour. She argues that the law merely specifies the lowest common denominator of acceptable behaviour by society. Interestingly this view was indicated by an accounting graduate in the interview session: "*Ethics is not just about black and white. Should know if something is unethical, not looking at illegality.*"

Table 12.12: Guidance for Tax Avoidance Scheme Ethical Issue

Professional code of ethics as guidance to address tax avoidance scheme					
Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	17%	28%	28%	28%
1st year students (in 3rd year)	0%	17%	8%	33%	42%
3rd year students	6%	24%	12%	47%	12%
Graduates	17%	17%	22%	39%	6%
Code of ethics in the workplace as guidance to address tax avoidance scheme					
Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	6%	39%	44%	11%
1st year students (in 3rd year)	0%	8%	17%	42%	33%
3rd year students	12%	6%	35%	35%	12%
Graduates	11%	11%	50%	22%	6%
Peer/colleague advice as guidance to address tax avoidance scheme					
Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	6%	11%	11%	61%	11%
1st year students (in 3rd year)	0%	8%	25%	50%	17%
3rd year students	6%	29%	24%	41%	0%
Graduates	6%	6%	11%	50%	28%
Appropriate taxation legislation as guidance to address tax avoidance scheme					
Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	6%	11%	17%	44%	22%
1st year students (in 3rd year)	0%	17%	8%	25%	50%
3rd year students	6%	6%	6%	47%	35%
Graduates	0%	22%	6%	44%	28%
Family advice as guidance to address tax avoidance scheme					
Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	17%	33%	39%	11%	0%
1st year students (in 3rd year)	25%	33%	25%	17%	0%
3rd year students	18%	35%	29%	12%	6%
Graduates	33%	39%	17%	6%	6%
What you learnt at university as guidance to address tax avoidance scheme					
Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	17%	50%	28%	6%
1st year students (in 3rd year)	0%	0%	42%	25%	33%
3rd year students	18%	35%	29%	12%	6%
Graduates	33%	39%	17%	11%	0%

Table 12.13: Unethical but not illegal action

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	17%	17%	33%	28%	6%
1st year students (in 3rd year)	33%	25%	25%	17%	0%
3rd year students	18%	35%	24%	24%	0%
Graduates	50%	39%	6%	6%	0%

The findings in Table 12.13 suggest that significant percentages of interviewees perceived that it was inappropriate of them to perform an unethical action even though it was not illegal for them to do so. The finding for graduate interviewees is particularly favourable as it shows that 50% of them know that they should not get involved in unethical actions and that not breaking the law was not a consideration for them to get involved. The following extracted quotes suggest that these interviewees, in particular, had strong ethical values:

- *Law sets minimum standard. You base your ethics on top of that. Not right to do it just because it's not illegal.*
- *I feel that while the law is society's code of ethics essentially and a good guide to what is acceptable, people should be able to decide the ethics of a situation themselves.*

The finding is not so favourable for the other interviewees, approximately 67% of first year students in total would *moderately*, *to a great extent* and *absolutely* perform the unethical action because they possibly not be breaking the law and so perceived that it was alright to perform the action. However, by their third year of studies, these interviewees had improved their ethical reasoning as only 41% indicated that they would *moderately* and *to a great extent* consider performing the unethical action. In viewing the finding of third year interviewees in

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the same manner, 48% of these interviewees would be influenced to perform the unethical but not illegal action.

The significantly high percentages of interviewees who appear to be willing to perform such actions because they are not illegal may lead back to the issues of legitimacy raised in Chapter Three and the findings of the hypothetical ethical cases in Chapter Ten where accounting students and graduates ethical responses were evaluated and found lacking in some ethically questionable instances. A quote from a graduate interviewee highlights the problems related to ethical behaviour when an individual relates the situation to legality issues:

- *If you can benefit the client and it's not illegal, then there's nothing wrong. No other stakeholders then no problems at all. At the end of the day, employers take risk to go into business and employ people then its benefits they deserve.*

Other explanations that are important to highlight relate to the philosophical underpinning of the interviewee where the unethical behaviour was explained as being acceptable to do because of the 'not hurting anyone' consequences:

- *Think it depends on nature. Shades of grey and not hurt anyone. Depends on situation, example pushing amortisation for a year for private company – not hurting anyone.*
- *Depends on the situation. Who does it affect/impact? If it doesn't impact on someone – not at all. If impacts on someone – don't do action.*

The above quotes suggest the application of the utilitarianism ethical theory where the central issue indicates that action is best when the greatest happiness is produced. However, one may question whether the interviewees had fully considered who "anyone or someone' would actually cover as one could strongly argue against the 'not hurting anyone' issue when tax avoidance type schemes are considered. If the government is unable to maximise its collection of taxation revenues from individuals and organisations that can most afford to pay their taxes, then essential goods and services to society may be reduced as a consequence.

12.2.8   Impact of teaching ethics on accounting students and graduates' ethical responses

To develop an even deeper understanding of why accounting students and graduates did not believe that ethics teaching would have more than a moderate influence on their ethical responses (from questionnaire survey findings), question eight explored this issue further by asking for initially an indication of level of influence and then soliciting an explanation for their response.

Table 12.14: Impact of ethics teaching on ethical responses by students and graduates

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	17%	28%	39%	17%
1st year students (in 3rd year)	0%	17%	8%	42%	33%
3rd year students	6%	35%	35%	24%	0%
Graduates	0%	33%	28%	33%	6%

The findings from Table 12.14 shows that 39% of first year students believed that ethics teaching would have *to a great extent* impact on their ethical responses when they were interviewed initially. This percentage increased to 42% when they were interviewed again in their third year of studies. Third year students had 35% indicating *to some extent* only and this suggest a significant number of them were less convinced of the impact that ethics teaching

would have on their ethical responses. The graduates, however, provided mixed findings as equal percentages (33%) indicated *to a great extent* and *to some extent*. Better insights to the findings in Table 12.14 would therefore be obtained by looking at some of the explanations provided by interviewees.

Explanations provided by graduates who were less convinced of the impact that ethics teaching will have on their ethical responses were:

- *Teaching ethical framework. People have inherently ethical behaviour. Can end up in grey area. In the end people may decide something is unethical but still do it anyway – only guidelines.*
- *Can't teach what is right or wrong. Depends on how you teach it – teach how to go through process of making ethical decisions. But hugely impacted [by what was discussed above,] personal decision – not referred to PCE 1 at all since passing it.*
- *Sometimes no ethics courses taken. Rational in classrooms but not like that in real world. Only a few lecturers that taught it. Not much impact. Most of CA would just want to pass PCE 1.*

The manner in which the two interviewees discussed PCE 1 (Professional Competence Examination 1) in the above explanations seem to suggest the ethics component in the examination, like ethics teaching at the tertiary level, have also not made any significant impact for these interviewees.

Explanations provided by third year students who were less convinced of the impact that ethics teaching will have on their ethical responses were:

- *Like maybe with major areas but more to do with where you end up working, who you are working with and what you personally think will have more influence.*

- *Because learn many ethical things but I think that we should act ethically but the problem is I'm not sure in a real situation or work situation what can happen.*

- *Don't think ethics is something you can teach, you can tell people about it. Integrity is something you either have or don't have, so whether you tell someone that they either got ethics and they're great. Tell them about something they already know or highlight about people who are unethical. Don't think you can teach someone what is right or wrong. What you have inherently - this will influence the way you act.*

12.2.9   Accounting students compared with other students

Research indicates that students intending to enter business fields are more likely than any other group of students to engage in cheating and other forms of academic dishonesty (McCabe and Trevino, 1995). The issue that business students do not have as high ethical values as non-business students is supported by Stevens, Harris and William (1993). They explain citing other studies:

> The attitudes of business students have been compared against those of non-business students. Business students were found to value objective, rational decisions more than non-business students (Ruhe, 1991). One study concluded that business students possess lower ethical values than non-

business students (Harris, 1989), while another found business students to be more willing to engage in questionable behaviours than their non-business counterparts (Wood, 1988). (p. 612)

Two questions were asked in the interview sessions to find out: firstly, if accounting students and graduates perceived that they had better ethical values than their counterparts and secondly, if accounting students/graduates followed rules and a legalistic approach when resolving ethical responses when compared to other students/graduates. The findings from Table 12.15 indicate that interviewees generally did not perceive that they were any more ethical than their counterparts, although the majority of first year students when interviewed again in their third year of studies thought that they were moderately more ethical than their counterparts.

Table 12.15: Accounting students compared with other students

9. Do you think accounting students/graduates are more ethical than other students/graduates?					
Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	33%	17%	22%	17%	11%
1st year students (in 3rd year)	25%	0%	42%	25%	8%
3rd year students	59%	12%	12%	18%	0%
Graduates	39%	28%	11%	17%	6%
10. Do you think accounting students/graduates are more inclined to follow rules and a legalistic approach in resolving ethical responses when compared to other students/graduates?					
Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
1st year students	0%	11%	28%	44%	17%
1st year students (in 3rd year)	0%	0%	17%	67%	17%
3rd year students	0%	6%	35%	47%	12%
Graduates	17%	28%	17%	33%	6%

However, the majority of interviewees did perceive that they were more inclined to follow rules and a legalistic approach to resolving ethical responses. They saw the need to use rules in accounting procedures as one of the important reasons. Another frequently indicated reason was that interviewees perceived that they were going to become members of a professional

body that has both professional and legal requirements and which subsequently would become imposed on them. Explanations by interviewees provide useful insights for their responses to their perceptions on the two issues.

First year interviewees:

Comments when interviewed in first year of studies (no follow up comment in third year of studies):

- *Possibly, accounting students are more legalistic but depends on the type of students we are comparing them with, for example, law would be even more legalistic.*

- *Because accounting students have more set rules – more ways to handle a difficult situation than other students.*

When interviewed in first year of studies:

- *Because it's part of the profession.*

When interviewed again in third year of studies:

- *Because in accounting, rules and legislation are like the foundations of being an accountant, need rules and legislation to resolve situations*

When interviewed in first year of studies:

- *Because in accounting you are put within limits and the law does dictates what you can or can't do whereas you are doing another degree. For example, teaching or psychology, it's a lot more opinionated, lot more room to be creative. With accounting you can be creative in terms of what you can do with particular figures but you have got limits and those limits are more in the accounting profession.*

When interviewed again in third year of studies:

- *Perhaps other students might have more of a "airy – fairy" approach, they don't have the rules.*

Third year interviewees:

- *Lots of rules and regulations to follow more likely to refer to standards but depends on how broad the rules are and if it can be resolved – if there is a straight line between it.*

- *There's always rules in life, like the law and workplace rules, same thing with following them as following profession's rules. Comes down to your own personal nature. Lawyers pretty ethical as more pressure on them to be ethical whereas other students and professions wouldn't have that much pressure.*

Accounting graduate interviewees:

- *Having a fairly regulated environment gives people prescribed guidelines that they can follow easily.*

- *Due to tools being taught, more prepared view and know of avenues for support and guidance.*

- *Because we are more 'black and white' whereas marketing is more creative... and accounting students... have rules and procedures to follow to get to the answers at the end of the day.*

12.2.10 Additional questions for accounting graduates

Accounting graduates were asked in their interview sessions four additional questions relating to the Enron and Arthur Anderson fiasco. It was perceived by the researcher that accounting graduates would provide more useful insights to the ethical issues relating to this corporate crisis and accounting scandal than first and third year accounting students as the graduates were already working in accounting firms and therefore be more closely confronted with the repercussions of the latest and biggest accounting scandal at that time.

Table 12.17: Ethical issues possibly relating to collapse of Enron and Arthur Anderson

Interviewees:	Not at all	To some extent	Moderately	To a great extent	Absolutely
11. To what extent do you think it was the lack of "independence" between companies like Enron and accounting firms like Arthur Anderson that led to questionable accounting practices happening?	6%	33%	28%	22%	11%
12. To what extent do you think it was the ethics of the participants that played an important role in the fact that questionable accounting practices took place?	0%	11%	0%	56%	33%
13. Do you think the issuing of new accounting guidelines and improving corporate transparency would prevent such questionable accounting practices from happening again?	11%	33%	44%	11%	0%
14. Do you think the accounting standards and guidelines were lacking so significantly that it allowed such questionable practices to take place.	39%	39%	11%	6%	6%

The majority of accounting graduates clearly saw that it was more to do with the ethics of the participants (individuals) in Enron and Arthur Anderson that caused their collapse. Greed was identified by a number of graduates as being the crucial factor that impacted upon the participants' ethical behaviour. This finding is reinforced by Clark (2003) who denotes that "as a society, we apparently have become focused on what is possible under the law, rather than what is permissible in our conscience" (p.18) and that "[A]dditional rules and regulations from the government alone will not preserve a free society if the people lack integrity" (p. 18). The following quotes were sourced from one graduate's responses to the different questions. It was obvious to this interviewee that the collapse of Enron and Arthur Anderson was more to do with the individuals' unethical behaviour rather than the perceived lack of independence between the organisations or the deficiency in accounting standards and guidelines.

Question 11 Explanation:

      - Corporate greed

Question 12 Explanations:

      - Lower level of participants – to some extent because higher-up participants influenced then to be unethical as they had no choice as they might lose their jobs.

      - Higher level of participants – to a great extent – corporate greed.

Question 13 Explanation:

      - Fundamental beliefs that will make you behave/act ethically or unethically. People know what is right or wrong and going over that boundary. People will do what they want to in the end. Corporate transparency may make them more accountable but with accounting, there is potential for manipulation and hiding information.

Question 14 Explanation:

      - Accounting standards and guidelines are there but people turn them around and find loopholes in them so that they can do what they want i.e. generate profit by manipulation and unethical practices.

Quotes from other graduate interviewees reinforce the overall findings for this section of questions which suggests that the individual's ethical values and behaviour is the more significant issue when corporate collapses and accounting scandals happen.

- *Ethical behaviour has a top down effect so if ethical behaviour was encouraged from the top tier partners in Arthur Anderson and Enron, this collapse wouldn't have occurred and could be avoided.*
- *If someone is unethical and wants to act unethically, if the rewards are big enough, i.e. money and power then they will act.*
- *Auditors knew there was fraud, told management and did nothing about it. Too grey for a solution. Had a code to follow but didn't due to greed.*

- *Not lack of independence but due to people involved, both from Enron and Arthur Anderson. Dodgy dealings with people, not accounting practices.*

- *People are going to do it anyway. There were corporate guidelines. Depends on people involved.*

- *Can't put everything through regulation. Looking back, people knew of responsibilities but didn't enforce it. Comes back to personal thing. No amount of regulation can stop that.*

- *Only so many things you can't prohibit. Only so many things you can prohibit things happening. Again comes back to individuals.*

- *From Enron perspective, the Senior Managers had unethical behaviour – questionable ethics. Materialistic, tried to bend rules and knew what they were doing was wrong. Arthur Anderson, ethics ok but not independence factor.*

12.2.11 Additional comments to contribute to ethics education research

In further canvassing the views held by interviewees on ethics education, it was found that while there was still the broadly held view by a few interviewees that ethics was up to the individual and that ethical values were formed earlier in life through the individual's upbringing, there was however, a strong consensus that exposure to ethics education needs to occur at the tertiary level and that for some interviewees, it also should be made compulsory for students. The following quotations reflect the views held by the majority of interviewees:

First year accounting interviewees:

- *For accounting students they have to have the knowledge on what to do; good to know in case of a situation that arises and good to have the knowledge to know what can happen to you.*

- *Ethics is needed in everything that you do, especially in the workplace because it is getting more and more important nowadays like with ethical situations such as the tax issues – a big issue. Important to be taught ethics in our education.(as a first year student)*

  o *Still think it is really important to be taught ethics in our education. Helps you a lot like in my 499, being told by CEOs that ethics is very important to shareholders – shareholders look for it. Really important to be ethical. Nowadays, you are shown that you are ethical; it will probably help your stand really well. If you are shown unethical you more or less go down like in the Enron, WorldCom situation. Ethics education – direction more or less the right direction, what you can do when you are placed in different situations, broadens your mind and helps you look at it in the right manner and taking all perspectives with regards to what you should do. (as a third year student)*

Third year accounting interviewees:

- *Ethics is a huge part of our education. I think education could influence society. It can set the ground rules for how people should behave, can behave and give them options. Because when someone is cornered out there in the workforce, they are not going to know how to react and just following the rules will not get them through the situation. They need principles to fall back on or strong processes that will support them, more than just legalistic. The culture of the organisation and ways to foster an ethical culture in the organisation. Ethics is like a hidden subject that people talk about but because society has overall selfish drive, it becomes tokenism.*
- *Biggest part of ethics is your upbringing and this will influence your behaviour in situations especially if you are brought up to do the right thing. Education has a bearing. You learn something and it will be in your head. You will start thinking about it and it can influence you. If there is no training then it can leave you exposed.*

- *Have to teach ethics somehow. Have to make students aware of what people have done, some examples in the work force and how they have been pulled up about it and that it was not right and how a lot of is judgement and how you are brought up and taught. What you are taught influences you a lot and need to put across ethics in a course, it could influence people later on in life. Without this, mind's wide open and have not had the ethics at the back of your mind which can be brought forward to help you make decisions and judgements.*

Accounting graduate interviewees:

- *Ethics in education should be compulsory for all students and continually reinforced for accounting practitioners. Should be brought to the front so that people are continually reminded so that when people do make a decision, they know whether or not they are being ethical or unethical. If you keep talking and reading about it and if it is always there in front of you and ethical guidelines continually being updated, and makes a good topic of conversation, it would remind, reinforce people about the issue.*
- *Ethics is about awareness, thinking of others and acting appropriately. Education would help in awareness, getting a big picture view to act in the ethical dilemma*

The views and perceptions of one of the first year accounting interviewee were observed when a follow-up interview was conducted as a third year student. Initially the interviewee observed that ethics education involved:

- *More personal attributes than education. You cannot be taught how to behave ethically – you can follow a set of rules on how you are supposed to behave but if a person wants something out of it, they will go against the set of rules and break them. Some ethics education will help a lot – some people will be swayed not to but those will be certain people that are going to do it anyway... they will think its bad but they will still do it.* (as a first year student)

When the same student was interviewed again two years later, the comment was:

> o *Now a lot more education should help and with the guidelines –*
> *will help people with what is ethical and moral – to raise their*
> *awareness because people have different ideas of what is ethical. If*
> *guidelines are taught, people have a clearer idea and lead to less*
> *problems as people will know more. People can get swayed but if*
> *they know that it is unethical then they may not do it. (as a third*
> *year student)*

Exposure to two additional years at university may have highlighted deficiencies and
limitations in the ethics education area to this student. The views expressed by this student are
important considerations for ethics educators who bring ethics coverage on such an ad hoc
basis into tertiary level curriculum that it is more like a 'hit and miss' for some students who
may ultimately never get such exposures in their accounting studies.

12.3 IMPLICATIONS OF FINDINGS

The IFAC August 2006 Information Paper stresses the importance of ethics education and
that business education providers have a responsibility to contribute to the ethical
development of learners. The 2006 Information Paper emphasised the crucial role that ethics
education plays in the individual's professional life by denoting:

> The Treadway Commission (1987) cites ethics as a major factor in the
> prevention of questionable practices and recommends that business and
> accounting curricula should emphasize ethics education to help prevent,
> detect and deter fraudulent reporting. The Accounting Education Change
> Commission (AECC 1990) stressed the importance of teaching students how
> to handle ethical dilemmas. … In a recent open letter to the National
> Association of State Boards of Accountancy (NASBA) from the American
> Accounting Association's (AAA) Professionalism and Ethics Committee,
> "…..the Committee is concerned that many individuals entering the

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profession are not currently educated or trained to understand their professional and ethical responsibilities, or how to recognize and solve ethical conflicts when they arise". The letter further states that "university accounting programs can effectively contribute to this effort [to recognize and resolve ethical conflicts] through the delivery of professionalism and ethics training as a part of a student's formal education". (p. 35)

The following quotations taken from a first year student who was followed up as a third year student shows that university accounting programmes might indeed be 'missing the boat' in ensuring that individuals entering the profession are being trained to understand their professional and ethical responsibilities.

Quote when the student was a first year student:

> *Ethics is something that should get taught more at university. You never get exposed to it in high school. At university level, you dedicate a week or two weeks lectures or something to it and it's just basically indicating this is what you do. It doesn't even give you guidelines on what you do, it just says this is the problem out there and leaves it at that. But I don't feel it offers you enough solutions, it doesn't guide you in helping you make those decisions. So I think it should be exposed and perhaps have a course on ethics, accounting ethics or ethics in the workplace and can actually give you something solid, something real that you can actually apply as opposed to just one lecture. Seeing it work in practice and tailoring an ethics paper to accounting.*

Quote from the same student as a third year student:

> *It's really important to have something about ethics at university. You have to have some education on it, even if it is not on 'this is right' and 'this is wrong' but at least you are being exposed to the fact that it does happen and the fact that even though we have spent 4 years learning about all the rules and regulation there are times that you can manipulate those and further along the line you do have the scope to look at various aspects of financial*

standards and question it a lot more but perhaps a whole course of ethics in accounting, perhaps that could prepare you for the real world because the real world does involve ethical situations and it does involve situations that are not going to be black and white and so as a graduate going into the workforce I would like to be exposed to it in some way, for example, a paper that gives you ethical situation and you are encouraged to take a side and think through it critically.

A graduate interviewee provides the following insightful comment that both accounting educators and the professional body need to take into careful consideration because it highlights the issues that give rise to the inadequacy of ethics training firstly at the tertiary level and then subsequently the lack of ongoing ethics training at the professional level.

Definitely there should be education on ethics – I don't think there is enough but a lot of it is in the upbringing as well or when you go into the profession – it should be part and parcel of it and yet I don't think that apart from doing PCE 1, that will be it for me. It may come up again in PCE 2 but unless you come across problems, but it is something that is already in you, education gives you something to start with but then you are left to your own devices in terms of how you interpret the problem. The Institute can be a bit more proactive in getting the ethics message across all the time. At university, there should be more depth in what can be taught in ethics on one of the papers and at least then when you go into the workforce you have better knowledge and understanding of how to deal with a situation.

In addition, it may also appear that the focus on ethical responsibilities should not be just on whether ethics education at the tertiary level has been adequate for students and graduates but also whether senior partners and top levels of management are leading by example. A disillusioned graduate made this important contribution about ethics education needing to educate for better 'leadership':

> *From my experience, big 5 should take leadership role and examine own practices and objectivity.*
>
> *Too much importance placed on the dice.*
>
> *Key drivers = education*
>
> *Some people may never be ethical but more people are educated, will know.*
>
> *Good at the right level. Need to educate leaders, example, partners.*
>
> *Senior partners should continue with ethics education. One partner was a rogue, thought I was moving into ethical profession, I've worked with orchard workers with more ethics. Blatantly told staff not to have ethics. Chooses to ignore them. Will get caught some day.*

12.4   CHAPTER SUMMARY AND CONCLUSION

The semi-structured interviews were conducted on a sample of accounting students and graduates to provide more useful insights on the importance of ethics education and the crucial factors that may play a role in their ethical decision-making behaviour. The findings of the quantitative and qualitative data analysis strongly indicates that accounting students and graduates placed more importance on individuals' upbringing, peer/colleague pressure and the ethical culture of organisation in the influencing of ethical behaviours. The longitudinal study conducted on first year students showed some small changes in the responses provided by these students when they were interviewed again in their third year of studies. There were some explanations that were more insightful and reflective of students in their third year of university studies which may possibly indicate that their moral development has progressed further. However, this longitudinal study could not draw conclusive findings on whether the ethical reasoning ability of this group of students has significantly changed.

The analysis of qualitative data in this chapter strengthened the issues raised in legitimacy theory in Chapter Three as well as supported the findings of the hypothetical ethical cases and situations in Chapters Nine and Ten. In particular, there were clear indications that while students and graduates were inclined to follow rules and regulations for ethical resolutions, they were some who were prepared to 'interpret' and 'bend' the rules to legitimise their actions to meet clients/employers instructions. Stevens, Harris and Williamson (1993) write that "[B]usiness schools have been blamed for being more concerned about teaching students to be successful at the cost of placing ethical and social responsibilities second" (p. 611). The findings therefore suggest that more efforts must be put into informing accounting students that 'interpretation' of rules for self-interest reasons whether it is on behalf of themselves or their clients/employers could not be considered as 'acceptable' actions. Micewski & Troy (2007) contends that self-interest in business needs to be "tempered by (moral) duty and the rights of the business executives and his [sic] self-interest has to end where the rights of other stakeholders begin" (p. 19).

The findings of the semi-structured interviews while still mirroring the findings of the questionnaire in indicating that the majority of both questionnaire respondents and interviewees perceived that ethics teaching would only have a moderate impact on individual's ethical responses, have provided stronger indications on why ethics education should be compulsory in their tertiary studies. The extracted explanations in Section 12.14 enunciate very clearly the views held by some interviewees on why ethics education is important to ensure that the next generation of accounting professionals is better equipped with ethical reasoning abilities to deal with ethical dilemmas. Accounting educators need to provide ethical educational interventions that will allow their cohort of accounting students and graduates who are the next generation of accounting professionals to leave tertiary level

studies with higher levels of integrity and moral values. Smith (2003) indicates that "the

leadership of the accounting profession as well as academe has a responsibility to inculcate in

practitioners and students ethical behaviour and personal integrity" (p. 49).

CHAPTER THIRTEEEN
CONCLUSION AND CRITICAL REFLECTIONS

13.1   INTRODUCTION

This chapter firstly provides an overall review of the thesis. The chapter then discusses the findings of this study in the following manner: firstly, a summary of overall research findings is provided; secondly, the contribution to knowledge that this study brings to the accounting ethic education arena is highlighted; thirdly, the research limitations of this study are identified; fourthly, critical reflections arising from this study are addressed; and, finally, future research directions for accounting ethics education are suggested.

13.2   REVIEW OF THE THESIS

The issue of ethical educational interventions in the accounting classroom is not new. International research studies demonstrate that requests for ethical educational interventions at the tertiary level of education have been ongoing. As far back as 1967, the "Horizon for a Profession: The common body of knowledge for certified public accountants" study, indicated that if "[t]here were no ethical foundation to the profession then there would in fact be no profession" (p. 14). However, as indicated in Chapter Two, the 2006 Information Paper: "Approaches to the development and maintenance of professional values, ethics and attitudes in accounting education programs" commissioned by the International Federation of Accountants (IFAC) found that while there was, overall, "growing interest in professional and business programs responding to the call for greater ethics coverage in the curricula" (p. 13), the conclusion was "overall ethics coverage in accounting programs appears minimal" (p. 13). In New Zealand little research has been conducted on the issue of ethical educational intervention at the tertiary level.

The overall objective of this study is to ascertain the importance of ethical educational interventions in accounting education by examining the perceptions held by accounting students and graduates. The study also investigated the ethical reasoning of individuals by interpreting their ethical responses to hypothetical cases and vignettes/situations. The issues of legitimacy for 'ethical' actions by individuals were raised from the review of literature on legitimacy theory, ethical theories and recurring themes that has been suggested as contributory to the ongoing accounting scandals and corporate crises. These are important issues to address because they help to explain why, despite the ongoing efforts made in incorporating ethics education in the accounting curriculum and the accounting standards and law reforms, unethical behaviour by individuals/accounting professionals continues apparently unabated.

This study was therefore important to develop a deeper understanding of the importance of ethical educational interventions and the role that such interventions can play in providing accounting graduates with appropriate skills, competencies and ethical standards in order to cope with the intriguing corporate/business intricacies that they will encounter in their professional lives.

13.3 SUMMARY OF RESEARCH FINDINGS

This section of the chapter provides an overall summary of research findings by addressing the research questions asked at the start of this study. The research questions were asked to help develop a deeper understanding of two main issues: the importance of ethical educational interventions, and whether there is legitimation by individuals of their actions.

(a) What are accounting students' and graduates' perceptions of the importance of ethical educational interventions in the classroom?

(b)   Do accounting students and graduates believe that ethical educational interventions in the classroom can influence their ethical behaviour?

(c)   Does accounting tend to attract students with a rule-based single approach to life and problem-solving, hence predisposing students to equate rules/regulation with ethical behaviour?

(d)   Do accounting students seek rules/regulations to guide their ethical responses and does the pedagogy of accounting particularly influence students to develop a rule-based approach to ethical situations?

(e)   Are there other significant variables that should be considered when evaluating what impacts upon ethical responses?

(f)   Is there a legitimation of what constitutes appropriate ethical actions by individuals (in the case of this study, accounting students and graduates) in their ethical reasoning?

(g)   Is there an ethical theory that best describes the manner in which accounting students and graduates choose their ethical positioning?

13.3.1   Perception of the importance of ethical educational interventions and the extent of their influence on ethical behaviour

The majority of first and third year accounting students and accounting graduates perceived that ethics education would only have a moderate influence on their ethical decision-making behaviour (this overall finding is supported by both the quantitative and qualitative data analysis). However, the findings also indicate that while the majority of respondents did not believe that education would have a significant influence, they nonetheless thought that it was important that ethics education was included in their accounting degree curriculum. This would suggest that students' and graduates considered that exposure to ethics education were still valuable. This may also suggest that such interventions can be perceived as being useful

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to the learners to aid them in validating their views and where they can also learn to do the 'right' action in their future professional careers. Importantly, if the "10 – 80 – 10 rule" (McQuilter, 2007, p. A12) does indeed apply to the way individuals will behave in society, then accounting education at the tertiary level has to incorporate more ethics education in its degree programmes because it suggests that 80% of individuals can be influenced to act in an ethical manner in their professional dealings; together with the 10% who will always behave ethically, this makes up a significant 90% of individuals who will do right by society. It is hoped that this 90% will try to mitigate the chaos that is going to be created by the 10% of individuals who will behave badly regardless of any standards, law or restrictions.

This implication also suggests that the New Zealand Institute of Chartered Accountants (NZICA), which approves the academic component of professional membership preparation provided by New Zealand tertiary institutions, has to insist on more ethics education coverage in the accounting curriculum. Currently, to the researcher's knowledge no separate individual accounting ethics course is being provided in any tertiary institution although there are whole papers and partial papers on business ethics. The university in which the researcher is based offers a paper in which one-third of the content focuses on the business ethics area. Any accounting ethics education would usually be incorporated into presently taught accounting papers and be covered in one or two lectures with follow-up tutorials and test or examination questions in that area.

There were important themes found in the content analysis of the open-ended responses provided by respondents to the question on why they perceived that ethics coverage should only be a component of a paper. These themes pose significant challenges to ethics educators. Generally, it was found that a significant number of accounting students and graduates

perceived ethics education to be boring and that they already knew the difference between 'right' and 'wrong' actions. In addition, these respondents indicated that ethical behaviour would be very much up to the individual and his/her own moral values rather than what an ethics paper may teach them.

13.3.2   Attraction to Accounting as a Career

The findings from Section I: Demographics of the respondent of the questionnaire show that the majority of respondents across all three categories were not greatly attracted to accounting as a career because of the attraction of its rules (the question in the questionnaire was: "You like working within the boundaries identified by GAAPs (Generally Accepted Accounting Principles) and professional accounting standards") but more because accounting offered "job opportunities and financial rewards that are better than other career options".

On the one hand, the finding might be positive in the sense that this means that accounting students and graduates (society's future practicing accountants) will not be predisposed to just equate rules and regulations with ethical behaviour. On the other hand, the finding may be of concern as the accounting profession is possibly attracting individuals who are there because of better job and financial prospects (egoism and hedonism theories where self-interest will be of prominence to their ethical stances) rather than for public service to society. This finding is important to the professional body and accounting educators as they need to be aware that the dedication of these individuals to the profession may not be as strong as the commitment of those individuals who indicated that they were attracted to accounting as a career because they 'enjoyed' the different aspects of accounting work.

13.3.3   Accounting Rules and Regulation as Guidance for 'Ethical' Action

A number of questions relating to rules and regulations were posed in the semi-structured interviews to first and third year accounting students and graduates. Both the quantitative and qualitative findings indicate that rules and regulations were important mainly as guidance for how the individual should act in compliance with these rules. However, particularly for third year accounting students and accounting graduates, the rules and regulations could also be readily interpreted to indicate what was also possible for the accountant to do or not to do, depending on the circumstances required of them. This finding is a concern as it brings closer the 'legitimacy' type strategies that individuals might become involved in because they can get away with such misconduct. In addition, more positively, both accounting students and graduates also noted that they could use rules and regulations as a way out of having to perform unethical actions for their employers.

13.3.4   Significant variables that impact on an individual's ethical responses and the legitimation of 'ethical' actions – triangulation of findings

The findings of this thesis suggest that the research focus on the adequacy of ethics education in training accounting students and graduates to be better prepared professional individuals in the complex corporate/business environment may be too narrow. Figure 13.1 shows a significant number of variables and factors that impact on an individual's ethical reasoning; ethics education at the tertiary level is only one small part of that individual's whole gamut of influences. The findings from each of the chapters in this thesis have been triangulated in Figure 13.1 to show that a significant number of variables need to be taken into consideration when an individual's ethical behaviour is evaluated and found wanting. It appears that just to lay blame on ethics education being 'woefully inadequate' in improving practicing accountants' ethical behaviour is to ignore the other significant variables that may have caused the individual to totally ignore what they learnt at university.

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The quantitative and qualitative findings from the questionnaire and semi-structured interviews indicated that the majority of first and third year accounting students and graduates, while perceiving ethics education to be an important component of their degree programme, also noted very emphatically that this ethical educational intervention would only have a moderate influence on their ethical decision-making behaviour. The majority of respondents indicated that it was their family, friends (including work peers), upbringing (possibly also referring to their primary and secondary education), culture, religion (even respondents who indicated that they did not have a religion perceived that religion would play a significant role if they were religious), societal expectations, the law, the accounting profession's code of ethics and the organisation's ethical values that would have a greater influence on their ethical decision-making behaviour.

It could be summarised that their whole life experiences would be brought to bear when making ethical decision making. In addition, the recurring themes explored in Chapter Five, where it was portrayed that individuals live in a world that is dominated by money, legalistic cultures, corporate values and behaviour, and capitalism, are reinforced by the findings of this study as respondents in the hypothetical ethical cases and situations show that significant percentages of respondents were prepared to act unethically and that they perceived that their peers would also act unethically if the rewards for so doing were great enough.

What became obvious to the researcher from the open-ended responses provided in the semi-structured interviews was that accounting students and graduates were looking at ethical decision-making behaviour that was 'acceptable' to society and they were not breaking the law as a result of their actions. This suggests that, without any reference being made or even knowledge of legitimacy theory, students and graduates were, in fact, already exploring what

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'legitimate actions' they could take in their professional life so that they were not only fulfilling their own self-interests (job prospects and financial rewards) but also satisfying their 'social contract' with society by performing perceived 'acceptable' actions that did not break the law. This suggests that they might be prepared to become involved in unethical actions as long as their acts were within the legal boundaries; tax avoidance/planning acts falling clearly into this realm of 'acceptable' legal behaviour. The limits of their ethical boundaries would generally be bounded by what is provided within the law. The legalistic culture discussion in Chapter Five showed that individuals focus on acting 'legitimately' within legal boundaries as they saw this type of legitimation being acceptable to society, even as they know that their actions are highly questionable and unethical. It appears that the ethical reasoning of such individuals would assume that as long they were not breaking the law, society would be more forgiving of their 'unethical' actions and therein the issue of acceptance by society. Individuals, who conduct illegal behaviour, obviously should not be able to legitimise such actions as being 'acceptable' to society, hence the legitimacy gap in Figure 13.1.

The philosophical underpinnings, that is, ethical theories that are sometimes used in ethics education research to explain and understand ethical reasoning; have been placed to one side of Figure 13.1. The reasoning for this is that, while researchers and educators try to understand the ethical reasoning behind individuals' ethical decision-making behaviour using these theories, to a large extent, few students and graduates are even aware of these theories unless they have taken a philosophy course in ethics or a business ethics paper where these types of theories are explained and explored in more detail to enhance the understanding of behaviour. However, while noting this important issue, the researcher did perceive some philosophical underpinnings from these theories in the open-ended responses provided by the respondents in this study and this will be explained further in the next section.

Figure 13.1: The Accounting Individual - Factors Impacting on Ethical Reasoning, Philosophical Underpinnings and the Legitimacy of Actions
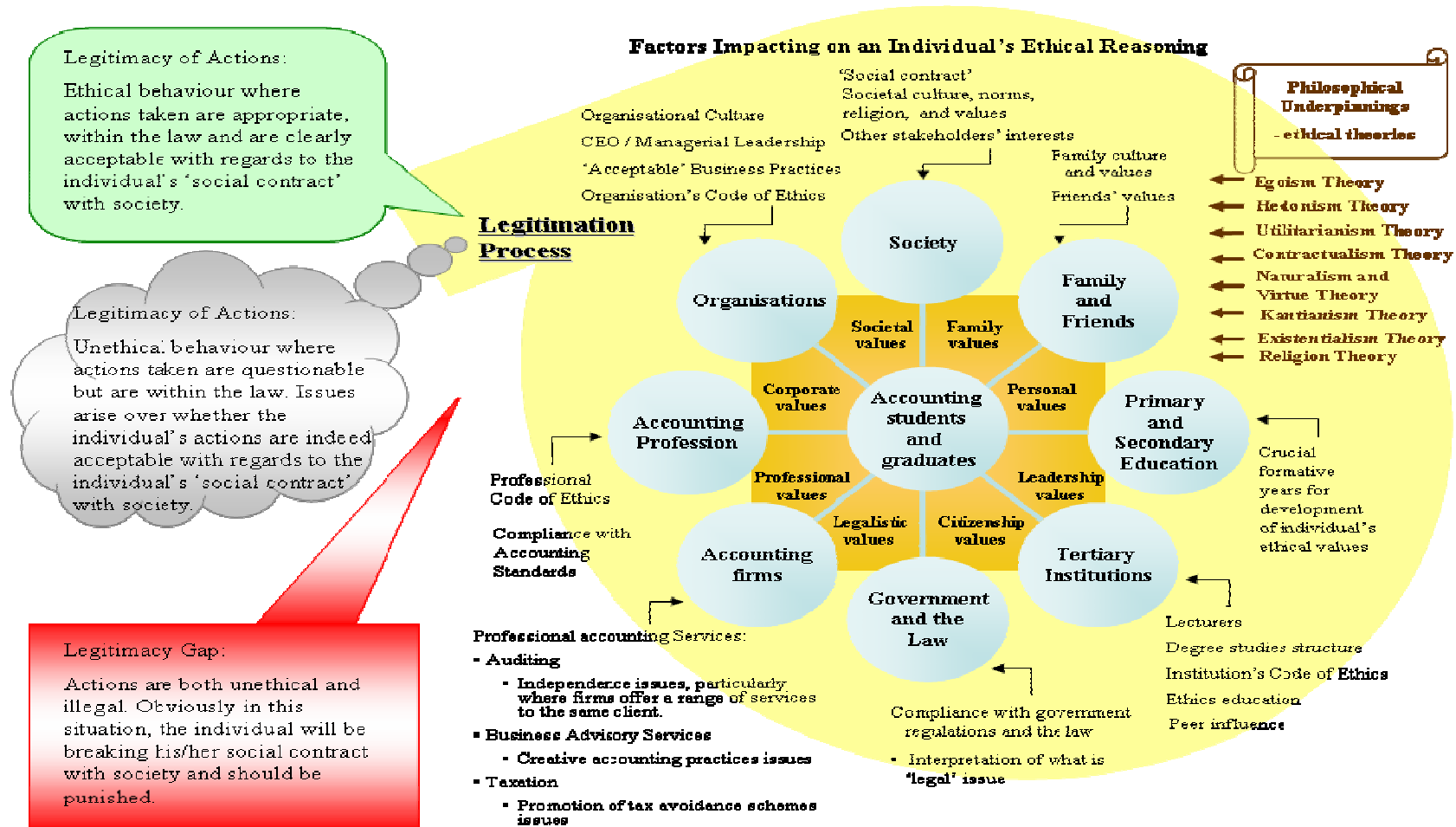
13.3.5   Ethical theories and ethical positioning of individuals

The findings of this study were unable to identify clearly an ethical theory that best described the manner in which accounting students and graduates reasoned ethically. The findings of Chapter Ten showed that various philosophical underpinnings were at play with regards to the responses provided by the respondents in this study. In applying Kohlberg's moral stages of cognitive development, the researcher was able to deduce the individual's likely stage of moral development and link that stage to an appropriate ethical theory.

For instance, the first hypothetical ethical situation (HES) asked if students would copy a class assignment if offered. It was found that the majority of third year accounting students appeared to be in stage 2 (self-interest – egoism theory) whereas majority of first year students were in stage 1 (fear of punishment – hedonism theory) of Kohlberg's pre-conventional stage of moral development. While the ethical reasoning for this particular HES was easier to deduce, for some of the other more complicated HESs, it was difficult, however, to place more interpretation on the ethical reasoning of individuals as explanations by way of open-ended questions were not included in the questionnaire instrument due to the time constraint factor. This was a limitation to the analysis on this section of the instrument as it did not allow the researcher to more appropriately identify whether or not there would have been any significant philosophical underpinning that guided an individual's ethical decision-making behaviour. Future students should include questions that require participants to explain their ethical reasoning so that more conclusive findings can be derived.

Nevertheless, the above finding still does suggest that ethics educators and researchers need to consider more carefully how ethical theories are used to explain the ethical reasoning of individuals. For instance, Reynolds and Mathews (1999) writes that "[T]raditional

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classifications of ethical theory such as deontology, teleology and virtue may provide guidance to the accountant seeking to form an ethical framework for the social responsibility that has been accepted by the profession" (p. 7). However, one wonders how the accountant is able to develop this ethical framework when ethics education in accounting have not generally covered ethical theories and have instead concentrated teaching ethical issues in accounting relating to breaches of the accounting profession's code of ethics. Unless the student had exposure to a business ethics paper that covered such theories or that the student actually studied a philosophy paper on ethics, the accountant (initially a student) arguably would not have had the exposure to ethical theories to develop an ethical framework for guidance.

13.4   CONTRIBUTION TO KNOWLEDGE

To the researcher's knowledge, very limited research has been conducted in New Zealand on the importance of ethics educational intervention as perceived by accounting students and graduates. This research study will therefore contribute significantly to ethics education at the New Zealand tertiary level. The findings of this thesis should help in confirming and arguing the importance of accounting ethics education in the tertiary curriculum. The thesis should therefore provide useful insights into the structure and development for any future decisions on the inclusion of accounting ethics education within an accounting degree. The thesis also argues that more ethics education research needs to be undertaken so that there is increased legitimacy of this subject area, thereby allowing more resources to be allocated into its development as an important teaching area.

In addition, this study further contributes to knowledge as it has directly linked legitimacy theory to ethical theories when trying to understand and explain the ethical reasoning of individuals. This thesis shows that a more insightful understanding of the ethical reasoning of individuals was obtained when legitimacy theory was linked to the philosophical

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underpinnings of individuals in their ethical decision-making behaviour. These findings will

help in building a greater understanding of how people act with respect to ethical issues.

13.5   RESEARCH LIMITATIONS

This thesis has three main limitations. Firstly, the literature review for Chapter Five, while

broad in scope was not a comprehensive or systematic review of corporate scandal issues. The

study is therefore fragmentary in the sense that the researcher chose to focus her discussion

mainly on five main themes as underlying factors that contribute to accounting scandals and

corporate crises. There is obviously a much wider range of issues that was not in the scope of

this study.

Secondly, this study was based on the 2000 year accounting student population from the

tertiary institution in which the researcher was based and was more of a convenience type

sampling. The study may have generated some bias in findings. However, this bias might

have been mitigated by the fact that the researcher used three different categories of

respondents (first and third year accounting students and accounting graduates) and a

triangulation research methodology to analyse the quantitative and qualitative data collected

from the questionnaire and semi-structured interviews.

Thirdly, this study focused on quantitative data analysis using descriptive statistics and

conducted only univariate and bivariate type analysis on the data as the researcher perceived

this approach to provide a clearer understanding of the particular issues examined for this

study. A limitation is that correlations between variables from the different sections of the

questionnaire were not conducted. For instance, it would have been interesting to find out if

there was any relationship between the respondent's gender and their perception on the

importance of compulsory ethics coverage in their programme of study. However, this type of analysis was not in the scope of this study.

Despite the limitations, this study offers a valuable contribution to research on ethical educational interventions in the accounting curriculum. This study highlighted two important issues. Firstly, accounting students and graduates have indicated the importance of including ethics education in the accounting degree curriculum but generally feel that what they have been learning has just been 'adequate'; some have even indicated that the subject area was boring and did not include 'real world' issues. It is therefore up to accounting educators to make the ethics subject area more relevant, interesting and challenging so that these learners can better develop their ethical reasoning abilities. Secondly, the legitimacy issue, and how it impacts on the behaviour of individuals, needs to be researched more if ethical educational intervention in the accounting curriculum is to have any significant and lasting influence on the learners that such interventions are targeting.

13.6   CRITICAL REFLECTIONS

Ethics in accounting education is important if the ethical reasoning of students and graduates is to be improved. The ongoing accounting scandals and corporate crises and ethics education research indicate that the current status of ethics education has been woefully inadequate in improving the ethical decision-making behaviour of individuals. Requests for ethical educational interventions are not new but it would appear from the accounting ethics education research literature that the teaching of this important area is usually on an ad hoc basis and that there are a wide disparity between courses and how they are delivered. Further exacerbating the problematic issues related to ethics education at the tertiary level, is the research indication (Hills, 1995) that the ethics education component/paper is usually taught by lecturers who are not adequately trained in teaching ethics. Importantly, from this study,

accounting students and graduates, while indicating that ethics education would only have a moderate influence on their ethical decision-making behaviour, also indicated quite clearly that they saw the importance of having ethics education in their degree studies.

It would appear that students and graduates want to improve their ethical reasoning ability and also to learn ethical problem solving skills and competencies so that they can be better prepared to deal with any ethical dilemmas they may find themselves having to confront in the professional and corporate environment. If this is the case, then these are strong arguments to suggest that the critical issue is to ensure that the most is made of ethical educational interventions. A more significant and lasting influence needs to be felt by the learner so that this influence can aid them with their ethical reasoning. Their exposure to good effective ethics education can only lead to more appropriate ethical actions and behaviour for the betterment of society.

Therefore, to make the most of what accounting students and graduates consider to be of moderate influence is vital. Educators need to provide an educational curriculum in accounting that is integrated with an ethics coverage that will influence students' thinking and ethical reasoning ability. It is the development of these learners' ability to think and to work carefully through ethical issues which needs to become more prominent in ethical educational interventions. As the research literature review in this thesis shows, accounting educators cannot necessarily expect to instil mind-altering beliefs in young adults who have already developed significant moral values and notions of what is 'right' and 'wrong' behaviour by the time they reach university. Instead, what has to be done in accounting ethics education is to integrate ethical issues into accounting processes to show how different technical

treatments may have different consequences and which subsequently may entrain longer term ethical ramifications.

However it is important to note that while a stand-alone course on ethics may be useful to some students; accounting students tend to be more vocationally focused. This poses a problem. The ability to integrate ethics smoothly into accounting teaching requires thought and the development of new pedagogical skills. The downside is that ethics might be treated by educators as a stand-alone topic within courses, which would defeat attempts at seamless integration. Technical education and technical competence are important but, without an education directed with thought to the consequences of accounting treatments which prefer a short term advantage, the latter may well have more appeal. Educating technically proficient but shallow graduates does a disservice to society. As was mentioned before and is repeated here for emphasis, a past president of the United States of America, Theodore Roosevelt stated: "To educate a person in mind and not in morals is to educate a menace to society".

13.7   SUGGESTIONS FOR FUTURE RESEARCH

This study has shown that more accounting ethics education research needs to be conducted in order to bring increased legitimacy to the teaching of this area in the tertiary level curriculum. While extensive research has been conducted on the importance of ethics education in the accounting curriculum, such research has focused mainly on the views held by academics and businesses as they respond reactively to accounting scandals and corporate collapses which highlight the divisive role that was played by accounting professionals. It has been presented that the views of students are seldom considered when establishing the requirements for ethics education in their accounting degrees (Bernardi & Bean, 2006). This indicates that accounting ethics education researchers must solicit the views of this important group of stakeholders if

ethical educational interventions are to have greater influence. However, the views of newly qualified accounting graduates should also be sought as they are in the best position to inform researchers how effective and influential their exposure to ethical educational interventions has been on their ethical reasoning when trying to decide how to behave in their professional life. Further research to advance knowledge on the importance of ethical educational interventions in the accounting curriculum at the tertiary level could therefore include:

■ A more extensive research study on the views of students majoring in the accounting disciplinary area at the tertiary level.

■ A more in-depth study of accounting graduates' views on the importance of ethical educational interventions at the tertiary level.

■ A fuller longitudinal study of accounting major students as they move from their tertiary studies (first, second, third and final year) to the commencement of their accounting careers as new graduates. The study could follow a group of students as they progress through university studies and as they gain relevant work experience and go through the NZICA professional examinations.

■ Research triangulation should be attempted through different tertiary institutions conducting the same research study and thus providing a larger population size to provide more conclusive findings on the importance of ethical educational interventions in the New Zealand accounting tertiary curriculum.

■ A research study could investigate whether ethics educational interventions should be part of the secondary school accounting curriculum. If research argues that interventions at the tertiary level might be "too little, too late", then research efforts must be put into finding out whether secondary school students studying accounting should be exposed earlier to ethics education.

■ A more in-depth study should be made of the ethical reasoning of accounting students and graduates by developing hypothetical ethical situations. Such a study would firstly require the participants to indicate what their response would be in terms of whether or not they would conduct the action and, secondly to provide an explanation for why they chose that action. These explanations are crucial to develop more insightful findings and, subsequently, a better appreciation of the ethical reasoning processes that individuals undergo. This type of study will help educators identify better goals in ethics education so as to improve the impact and influence of ethical educational interventions on individuals' learning.

13.8   IMPORTANCE OF THE RESEARCH AND CONCLUSIONS

This study has provided an important insight into the perceptions held by two very important groups of stakeholders on the issue of ethical educational interventions in the accounting curriculum at the tertiary level. This area is relatively unexplored, not only in the New Zealand accounting education literature. The overall findings from this research study indicate that accounting students and graduates perceived ethics education as having only a moderate influence on their ethical behaviour. However, the majority of respondents in this study, nonetheless, still believed that it was important to have ethics education in their degree programmes. This important finding suggests that the type of ethical educational interventions to which educators expose students will have to be very carefully considered.

Another important finding in this study that needs careful consideration by accounting ethics educators relates to the legitimacy of actions by individuals. Research literature suggests that individuals in organisations attempt to legitimatise their actions through strategies that try to influence society's acceptance of those actions. This suggests that individuals follow a

legitimation process that is imposed on them by the organisation they work in/for. This issue of legitimation for actions which might appear to be 'ethical' but are really questionable in terms of whether the 'social contract' between the individual (the focus being the accountant for this study) and society is honoured appropriately therefore needs to become an important area of consideration for ethics education.

The thesis shows that students are aware of the ethical issues that will confront them when they commence their accounting careers and that therefore while they perceived that the influences of ethical educational interventions may only be moderate, they still wanted these interventions in their accounting degrees. This finding suggests that ethic intervention has an important role to play and implies that interventions can work as students and graduates perceived that ethics education will raise their awareness and sensitivity to ethical situations. In addition, this finding suggests that students and graduates in a manner did perceive that interventions can strengthen their ability to think and resolve more ably any ethical issues.

However, to ensure that ethical educational interventions becomes more influential upon the ethical reasoning abilities of learners, serious questions need to be raised with regards to the types of legitimation strategies being used by organisations. Legitimacy theory may be seen as establishing 'acceptable rules' for business policies and practices but this theory should be more prominently promoted as the unwritten 'social contract' of right and wrong; the signposts for which can be made bolder and more visible through appropriate ethical educational interventions. Tertiary teachings need to substitute 'telling' about ethics education with more action and integration of ethics in education to provide more corporately socially responsible professionals and which subsequently should lead to a better future for all in society.

However, the final questions remain with the individuals, in this case, accounting students and graduates.

> Are they prepared to fulfill their 'social contract' and ethical responsibility to society in their professional capacity? Will they have the integrity and moral resilience and character to withstand the vortex of the 'legitimacy whirlpool' or will they succumb to questionable business practices all for self-gain?

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Appendix I (a)

Questionnaire Survey

Section I: Demographics
(Please tick one box.)

1.   Gender:
               Male   ☐   Female   ☐

2.   Age:

# 18	☐	19 - 23	☐	24 - 28	☐
29 - 33	☐	34 - 38	☐	39 - 43	☐
44 - 48	☐	49 - 53	☐	54 - 58	☐
\$ 59	☐				

3.   Which degree programme are you enrolled in?

               ☐   Bachelor of Management Studies
               ☐   Other. Please specify the programme:

               ....
               ....
               ....

4.   Which year of university studies best currently describes you?

               ☐   first year of studies
               ☐   second year of studies
               ☐   third year of studies
               ☐   fourth year of studies
               ☐   Other. Please explain your year of university studies.

               ....
               ....
               ....

Section I: Demographics
(Continued)

5.　If you are undertaking an accounting major or intending to undertake an accounting major, please answer this question.

To what extent do the factors below attract you to studying accounting and pursuing accounting as a career path? [For each of the following factors, please tick one box only.]

(a)　job opportunities and financial rewards are better than other career options

　　□ Not at all　□To some extent　□Moderately　□To a great extent □Absolutely

(b)　you like working with numbers

　　□ Not at all　□To some extent　□Moderately　□To a great extent □Absolutely

(c)　you enjoy determining the financial performance and position of organisations

　　□ Not at all　□To some extent　□Moderately　□To a great extent □Absolutely

(d)　you enjoy "balancing the books"

　　□ Not at all　□To some extent　□Moderately　□To a great extent □Absolutely

(e)　you like working within the boundaries identified by GAAPs (Generally Accepted Accounting Principles) and professional accounting standards

　　□ Not at all　□To some extent　□Moderately　□To a great extent □Absolutely

(f)　you like the idea of belonging to a recognised profession and the status that it will give you in society

　　□ Not at all　□To some extent　□Moderately　□To a great extent □Absolutely

(g)　it opens up other career opportunities later on, for example, as CEO (Chief Executive Officers) of large organisations

　　□ Not at all　□To some extent　□Moderately　□To a great extent □Absolutely

(h)　Other factors. Please specify
　　...
　　...

Section II: Hypothetical ethical cases

There are 3 hypothetical ethical situations provided in this section. Please read each situation. At the end of each situation, you need to indicate whether the action taken by the specified individual was, in your <u>honest opinion</u>, ethical, unethical or not sure. Select the answer which best match your own personal beliefs and not what you think the "wanted" answer should be. Please answer this section honestly. All responses are anonymous.

Please tick one box only.

Situation A

A recent graduate in an accounting firm is helping prepare the accounts for a client. He has just found out that his immediate supervisor for this job is involved in helping the client manipulate the profits figures by interpreting the Income Tax Act for legal loopholes so that minimum tax is paid by the client. The graduate spoke to a Senior Partner in the accounting firm about the situation as he was not sure what to do. The Senior Partner told the recent graduate that it was a fact of life that tax accountants will help their clients manipulate their clients' profits within the Income Tax Act.

(i)   The recent graduate in speaking to the Senior Partner was acting:

     ☐ ethically
     ☐ unethically
     ☐ not sure

(ii)   The immediate supervisor in helping the client manipulate the profit figure was acting:

     ☐ ethically
     ☐ unethically
     ☐ not sure

(iii)   The Senior Partner's advice to the recent graduate suggest that tax accountants were acting:

     ☐ ethically
     ☐ unethically
     ☐ not sure

Section II: Hypothetical ethical cases
(Continued)

Situation B

Two friends who are both accountants work for two different accounting firms. Friend X has been working for a number of years whereas Friend Y has only just recently graduated. Friend Y has been asked to work with a Senior Accountant on an important client - a publicly-listed company. The Senior Accountant who is having emotional problems is leaving Friend Y to do the work by himself. Friend Y does not want to appear foolish in front of the senior accountant by asking for guidance on some important matters relating to the client's accounts. Friend Y decided to ask Friend X to help him complete the work for the important client. Friend X helps Friend Y firstly because they are old mates and secondly because he had a personal interest (share investment) in this particular company and wanted to know how it was performing. The two accounting firms found out what was happening. The Senior Accountant accepted no responsibility for the situation. The two accounting firms reported the friends to the Institute of Chartered Accountants of New Zealand (ICANZ) for disciplinary action.

(i)   Friend X acted:
  ☐ ethically
  ☐ unethically
  ☐ not sure

(ii)   Friend Y acted:
  ☐ ethically
  ☐ unethically
  ☐ not sure

(iii)   The Senior Accountant acted:
  ☐ ethically
  ☐ unethically
  ☐ not sure

(iv)   The two accounting firms acted:
  ☐ ethically
  ☐ unethically
  ☐ not sure

Section II: Hypothetical ethical cases
(Continued)

Situation C

The Financial Controller and the Chief Executive Officer (CEO) of Company DDD are close friends. The Financial Controller was the best man at the CEO's wedding. Recently the Financial Controller found out that the CEO has been misappropriating significant amounts of funds from the company by reporting personal expenditure as part of the company's business entertainment expenses. The Financial Controller talks to the CEO and warned him to stop. The CEO ignored his advice and played on their friendship. The Financial Controller had no choice but to report the CEO to the Managing Director who is also a close friend of the CEO. The Managing Director advised the Financial Controller to ignore what the CEO was doing as it also helped to lower the company's tax as the expenditures were reported as operating expenses and the activities conducted by the CEO could be regarded as "hidden perks" for the hardworking CEO. The Financial Controller decided to maintain his friendship with the CEO.

(i)   The Financial Controller acted:

          ☐   ethically
          ☐   unethically
          ☐   not sure

(ii)   The CEO acted:

          ☐   ethically
          ☐   unethically
          ☐   not sure

(iii)   The Managing Director acted:

          ☐   ethically
          ☐   unethically
          ☐   not sure

Section III: Hypothetical ethical situations
(Circle Yes or No in the questions that require a Yes or No answer.)
(Circle a percentage (%) in the questions that require a % answer.)

1.   Income smoothing to avoid volatile share market reactions is unethical.

    a.   Do you agree?   Yes/ No

    b.   What percentage of your fellow students would agree?

        0%   25%   50%   75%   100%

2.   You are unable to complete a tutorial assignment but you have been offered a copy from another student from a different tutorial.

    a.   Would you accept the offer?   Yes/ No

    b.   What percentage of your fellow students would accept the offer?

        0%   25%   50%   75%   100%

3.   You find out about fellow students who have copied from each other.

    a.   Would you report this to the course controller?   Yes/ No

    b.   What percentage of your fellow students would report this to the course controller?

        0%   25%   50%   75%   100%

4.   At work you find out about other accountants who have acted unethically.

    a.   Would you report this to your boss?   Yes/ No

    b.   What percentage of your fellow accountants would report this to the boss?

        0%   25%   50%   75%   100%

5.   A client tells you in confidence of a scheme he had running to evade tax through the Cook Islands.

    a.   Would you report this to your boss?   Yes/ No

    b.   What percentage of your fellow accountants would report this to the boss?

        0%   25%   50%   75%   100%

Section III: Hypothetical ethical situations
(Continued)

6.   You work for a large corporation which is implementing a substantial tax evasion scheme through off-shore centres. You are offered a chance to work on the scheme including a threefold increase in salary and frequent travel to exotic locations.

   a.   Would you accept the offer?   Yes/ No

   b.   What percentage of your fellow accountants would accept this offer?

             0%   25%   50%   75%   100%

   c.   Would you report this to the appropriate authority?   Yes/ No

   d.   What percentage of your fellow accountants would report this to the appropriate authority?

             0%   25%   50%   75%   100%

7.   You are a senior audit partner and you are dissatisfied with your client's interpretation of standard accounting policies. The client's business is essentially a profitable one. By giving a damaging qualified report you risk losing your firm's largest customer to a rival accounting firm.

   a.   Would you give a qualified report?   Yes/ No

   b.   What percentage of your fellow accountants would give a qualified report?

             0%   25%   50%   75%   100%

8.   A friend advises you of a simple alteration in your work which will give you a higher grade (this entails copying the friend's assignment).

   a. Would you accept the offer?   Yes/ No

   b. What percentage of your fellow students would accept the offer?

             0%   25%   50%   75%   100%

Section III: Hypothetical ethical situations
(Continued)

9. A client asks you to complete his tax return and leave out details of his secondary income from working as a wine waiter at night. The amount is trivial and most of his income is from unrecorded 'tips'. You are building an accounting practice and reluctant to lose new clients.

   a. Would you complete the tax return as requested?   Yes/ No

   b. What percentage of your fellow accountants would complete the tax return as requested?

   0%   25%   50%   75%   100%

10. You have been appointed CEO of a large public company with substantial bonus payments payable on future results. By creatively manipulating financial information immediately on appointment, you would be writing down immediate results to facilitate future performance.

   a. Would you do this?   Yes/ No

   b. What percentage of your fellow accountants would do this?

   0%   25%   50%   75%   100%

11. You receive a slightly disappointing salary offer from an accounting firm, but you have heard that they are negotiable. By claiming a better offer from a rival firm you may be able to induce an increase in the offer.

   a. Would you do this?   Yes/ No

   b. What percentage of your fellow students would do this?

   0%   25%   50%   75%   100%

12. You are applying for a job and consider that your communication skills are not promoted well in your C.V. By claiming to have been a member of the school debating team this aspect would look better.

   a. Would you do this?   Yes/ No

   b. What percentage of your fellow students would do this?

   0%   25%   50%   75%   100%

Section IV: Perception of Ethics Education
[Unless otherwise specified, please tick one box only.]

1. Have you had any prior ethics education coverage in the papers you either are currently doing or have completed?

    Yes   □   No   □

2. If your answer to the above question above was "Yes", please answer this question and the next question. If your answer was "No", please go to Question 4.

    In which subject area did you have an ethics education coverage? [Tick as many boxes as you wish]

    □   Accounting
    □   Computer Science
    □   Law
    □   Management
    □   Science
    □   Social Science
    □   Other: Please specify
    ....
    ....

3. Generally, what do you think of the ethics education coverage in the papers you are currently doing or have done? [Tick one box only]

    □ Inadequate □Not very adequate □Adequate □Quite adequate □Very Adequate

    Please explain...
    ....

4. How important is it that students have a compulsory ethics component in their programme of study (i.e. any programme of study, not just in accounting)?

    □ Not important at all
    □ Important to some extent
    □ Moderately important
    □ Quite important
    □ Very important

Section IV: Perception of Ethics Education
(Continued)

5. Do you think ethic education in a programme of study should be a component of a paper or a whole paper in itself? [Tick one box]

      ☐   a component of a paper
      ☐   a whole ethics paper

      Please explain...
               ....

6. Do you think professional ethics can be taught to students in universities?
      ☐   Yes   ☐   No

      Please explain...
               ....

7. How much do you think an individual's "ethical behaviour" is influenced by their religious and moral upbringing and education?

    (a)   influenced by religious and moral upbringing

        ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

    (b)   influenced by education

        ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

Please answer questions 8 - 13 if you are already an accounting major student or intending to be an accounting major student.

8. How important do you think it is that accounting students have compulsory ethics coverage in their papers?

    ☐ Not important ☐ To some extent ☐ Moderately ☐ Quite important ☐ Very important

9. Should the ethics coverage be a component of a paper or a whole paper in itself?
    ☐   a component of a paper
    ☐   a whole ethics paper
    ☐   both as the ethics component can be specifically related to an area whereas the whole ethics paper can be used to promote high ethical standards for accountants

Section IV: Perception of Ethics Education
(Continued)

10.   Where do you think is the most appropriate place to introduce to students ethical standards and issues?

        ☐   in compulsory ICANZ specified accounting papers
        ☐   in non-compulsory but also recognised ICANZ (elective) accounting papers
        ☐   as a separate accounting ethics course
        ☐   after graduation from university and in professional accounting schools
        ☐   Other. Please explain.
            ....
            ....

11.   If there was a separate but not compulsory accounting ethics paper available in the Department, would you choose to do the paper to learn about "appropriate" ethical behaviour?

        ☐   Yes
        ☐   Not sure
        ☐   No

        Please explain...
        ....

12.   If there was a separate and compulsory accounting ethics paper in the Department, how much importance would you place in this paper?

        ☐   No importance at all
        ☐   Of some importance
        ☐   Moderately important
        ☐   Quite important
        ☐   Very important

13.   In relation to Question 12, which year of study do you think this paper should be?

        ☐   first year
        ☐   second year
        ☐   third year
        ☐   fourth year

Section IV: Perception of Ethics Education
(Continued)

Please answer this final question.

14. Finally, to what extent do you think having ethics education in your programme of study will help influence your behaviour so that you act in an "appropriate and correct manner" when placed in an ethical dilemma either while you are still at university or in the workplace?

□ Not at all □To some extent □Moderately □To a great extent □Absolutely

15. Any other comments on ethics that you think would contribute to the body of knowledge on ethics and education?

....
....
....
....
....

Thank you for your time and effort in completing this questionnaire.

Section I: Demographics (for ACCOUNTING GRADUATES)
(Please tick <u>one</u> box.)

1. Gender:

    Male ☐   Female ☐

2. Age:

    # 23   ☐ 24 - 28   ☐ 29 - 33   ☐ 34 - 38   ☐ 39 - 43   ☐

    44 - 48   ☐ 49 - 53   ☐ 54 - 58   ☐ $ 59   ☐

3. When did you graduate from University?

    19 _____

4. What is your degree and from which University? Eg. Bachelor of Commerce from Auckland University.

    ....

5. What is the nature of your work with your current employer?

    ☐   Auditing

    ☐   Business Advisory Service

    ☐   Information Technology

    ☐   Taxation

    ☐   Other
          Please specify:
          ....
          ....

6. How many years have you been working in this capacity?

    ☐   1 year

    ☐   2 years

    ☐   3 years

    ☐   4 years

    ☐   Other
    Please explain:
    ....
    ....
    ....

Appendix I (b)

<div style="text-align:center">

Semi-Structured Interview Schedule

ETHICS IN ACCOUNTING EDUCATION

</div>

Your participation in this PhD research project is greatly appreciated. It will only take 10 minutes of your time.

Please answer all questions HONESTLY. Your responses are very important in the study on the impact of ethical educational interventions on accounting students. All answers are strictly ANONYMOUS and CONFIDENTIAL. Your name is not required. Your responses will help me develop my PhD thesis and contribute to the body of knowledge concerning ethics and accounting education.

<div style="text-align:center">

Thank you very much for your participation

</div>

Q1.   What do you think influences people's ethical behaviour and to what extent?

➥nature - fundamental qualities
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

➥nurture - upbringing
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

➥religion
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

➥education
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

➥other factors?
Please specify and to what extent?
....
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely
....
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

Q2.   What do you think would influence people to behave in an unethical manner and to what extent?

➥the individual's personal and materialistic attributes
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

➥unethical but important clients
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

➥peer/colleague pressure
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

➥employer
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

➥other factors
Please specify and to what extent?
....
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely
....
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

414

Q3. With regards to Q2, what do you think would stop an individual behaving unethically?

❾the individual's personal attributes
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

❾code of ethics in the workplace
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

❾peer/colleague pressure
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

❾set rules and regulations and code of ethics from the profession
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

❾fear of getting caught by law enforcement authorities
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

❾other factors
Please specify and to what extent?
....
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely
....
☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

Q4. Accounting procedures have set rules and regulations. To what extent do you think these rules and regulations will help you with regards to what is the "right" or "wrong" action if you were to be involved in an ethically compromising situation?

For example, you were asked to show a better financial performance year for an organisation and this was to be done through the manipulation of the net surplus figure in the statement of financial performance. You were asked to lower the year's depreciation figure to achieve the required result. Do you think the accounting rules and regulations will help you with this ethical situation?

☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

Please explain
....
....
....
....
....
....

Q5.   To what extent do you think the accounting profession's set rules, regulations and standards help accountants resolve ethical situations more easily?

       ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

Please explain

....

....

Q6.   If you think you were to become involved in a tax avoidance scheme which is perceived to be unethical but not illegal, what sort of things would you look at or seek to guide your ethical responses?

✎professional code of ethics
    ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

✎code of ethics in the workplace
    ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

✎peer/colleague advice
    ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

✎appropriate taxation legislation
    ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

✎family advice
    ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

✎what you learnt at university
    ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

✎other factors

Please specify and to what extent?

....
    ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

....
    ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

----

Q7.   Would you feel that unless something was clearly stated to be illegal, it was not
        unethical to perform that action?

             ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

        Please explain
        ....
        ....
        ....

Q8.   Do you think teaching ethics will have any impact on ethical responses by students
        and graduates?

             ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

        Please explain
        ....
        ....
        ....

Q9.   Do you think accounting students/graduates are more ethical than other
        students/graduates?

             ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

        Please explain
        ....
        ....
        ....

Q10.   Do you think accounting students/graduates are more inclined to follow rules and a
        legalistic approach in resolving ethical responses when compared to other
        students/graduates?

             ☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

        Please explain
        ....
        ....
        ....
        ....

Q11. To what extent do you think it was the lack of "independence" between companies like Enron and accounting firms like Arthur Anderson that led to questionable accounting practices happening?

☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

Please explain
....
....
....

Q12. To what extent do you think it was the ethics of the participants that played an important role in the fact that questionable accounting practices took place?

☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

Please explain
....
....
....

Q13. Do you think the issuing of new accounting guidelines and improving corporate transparency would prevent such questionable accounting practices from happening again?

☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

Please explain
....
....
....

Q14. Do you think the accounting standards and guidelines were lacking so significantly that it allowed such questionable accounting practices to take place?

☐ Not at all ☐To some extent ☐Moderately ☐To a great extent ☐Absolutely

Please explain
....
....
....

Q15.   Any other comments on ethics that you think would contribute to the body of knowledge on ethics and education?
....
....
....
....
Thank you for your time in answering the questions in this interview session.

Research Issues & Research Questions

Chapter 1

Key Research Issues:

➢ The ongoing accounting scandals and corporate crises suggest that society needs better educated and ethically aware professionals.

➢ Calls for ethical educational interventions are not new but research literature indicates that such interventions have been woefully inadequate.

➢ This research study is therefore important to find out the importance of ethical educational interventions to two important groups of stakeholders: accounting students and accounting graduates

Research Topic:

Importance of Ethical Educational Interventions in Higher Accounting Education – A New Zealand Perspective

Key Research Questions:

➢ What are accounting students' and graduates' perceptions of the importance of ethical educational interventions?

➢ Do accounting students and graduates believe that ethical educational interventions in the classroom can have an influence on their ethical behaviour?

➢ Is there a legitimation process being applied in the ethical decision-making behaviour of individuals?

➢➢What do the ethical responses in the hypothetical ethical cases and situations asked of accounting students and graduates indicate about their ethical reasoning?

Theoretical Lenses

Chapter 2

➢ Accounting and business ethics literature suggests that better directions need to be set for ethics education to be more successful in providing better prepared, more competent and ethically aware graduates who will be able to make appropriate ethical decisions.

Chapter 3

➢ Legitimacy theory posits that there is a 'social contract' between organisations and society. Research argues that organisations (individuals) can work at 'legitimising' what is 'acceptable' to society through legitimacy strategies. This type of argument may explain why certain 'unethical actions' continue to occur, despite their consequences on society.

Chapter 4

➢ Ethical theories provide a philosophical underpinning for the ethical reasoning of individuals and therefore a better understanding of the evaluation of their ethical behaviours. The application of different ethical theories shows that distinguishing between 'right' and 'wrong' actions is not so simple. Wrong actions can be legitimate but have serious consequences.

Chapter 5

➢ Recurring themes highlight that accounting scandals and corporate crises continue unabated because there is, to a certain extent, 'legitimacy' of the unethical actions taken by professionals and business executives. It would appear that certain types of behaviour have become 'acceptable' and part of societal norms.

Methodology & Framework for this study

Chapter 6
Research Methodology

➢ A literature review on research processes, methodology, methodological approaches was conducted.

➢ Literature in accounting research methods identified a pragmatic and mixed method methodological approach.

➢ It was decided that this approach would best help the researcher to find answers for the research questions asked in this study.

Chapter 7
Methodological Framework for this study

➢ Mixed Methods Research Approach

✓ Multiple data sets:
  ❖ First year students
  ❖ Third year students
  ❖ Accounting Graduates

✓ Theory Triangulation:
  ❖ Legitimacy theory
  ❖ Ethical theories
  ❖ Research theories
  ❖ Accounting theories

✓ Multiple Modes of Analysis on Questionnaire Surveys and Semi-structured Interviews:
  ❖ Quantitative Data Analysis
  ❖ Qualitative Data Analysis

Key Research Findings

Chapter 8

➢The majority of respondents were attracted to an accounting career because of better job prospects rather than to the nature of the work itself. This finding raises a concern as it may mean that the profession is attracting less dedicated accounting professional members.

Chapter 9

➢Ethical Cases – Small but significant percentages of respondents from all three categories were unable to identify the appropriate ethical action for the parties depicted in the cases. What may be of concern is whether these respondents saw the actions as being 'legitimate' behaviour and hence their reluctance to indicate the action as unethical.

Chapter 10

➢Hypothetical Ethical Situations – the findings suggest that the majority of respondents perceived that they would act ethically but thought less favourably of their peers. It was difficult to identify clearly their level (Kohlberg) of moral reasoning as the findings show fluctuations in their ethical reasoning for different situations. It suggests that some respondents were looking at whether actions were 'legitimate'.

Chapter 11

➢From the questionnaire findings, it was concluded that the majority of respondents perceived that ethics education would only have a moderate influence on their ethical decision-making behaviour but they still saw it as an important area to include in their degree programme. Some interesting insights on the issue of individuals legitmatising unethical actions were raised in the open-ended responses.

Chapter 12

➢Similar to the findings of the questionnaire, the semi-structured interviews also found that the majority of respondents had indicated that ethics education would only have a moderate influence on their ethical decision-making behaviour. The majority of interviewees, however, did perceive that accounting rules would guide them with decision-making in choosing legitimate actions.

Conclusion & Critical Reflections

Chapter 13

Conclusion:

➢ The majority of first and third year accounting students and accounting graduates perceived that ethics education would only have a moderate influence on their ethical decision-making behaviour (this overall finding is supported by both the quantitative and qualitative data analysis). However, the findings also indicate that while the majority of respondents did not believe that education would have a significant influence, they nonetheless thought that it was important to include ethics education in their accounting degree curriculum.

Critical Reflection:

➢ Ethics in accounting education is important if ethical reasoning of students and graduates is to be improved. The critical issue is to ensure that the most is made of ethical educational interventions. A lasting and more significant influence needs to felt by learners. Such interventions need to aid these individuals with their ethical decision-making, particularly since they are aware that they can try to 'legitimise' their unethical actions and behaviours.

Contribution to Knowledge:

➢ To the researcher's knowledge, limited prior study has been conducted in New Zealand on the importance of ethics educational intervention as perceived by accounting students and graduates. This research study therefore contributes significantly to research on ethics education importance at the New Zealand tertiary level.

➢ The findings of this thesis should help in highlighting the importance of accounting ethics education in the tertiary curriculum. The thesis provides useful insights into the structure and development of any future directions for accounting ethics education inclusion within an accounting degree. The thesis also argues that more ethics education research needs to be done so that there is increased legitimacy of this subject area, thereby allowing more resources to be allocated into its development as an important teaching area.

A Schematic Encapsulation of the Ethical Educational Intervention Doctoral Study