

# The Impact of Ethics on the Behaviour of Accounting Practitioners

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## Abstract

Following the various financial scandals, the nobility of accounting as a discipline has been called into question. Indeed, these various events have tainted the political and economic sphere on an international scale. Thus, the subject of ethics is now a topical issue. It should be noted that ethics can be defined as a systematic and continuous analysis to verify whether the human conduct adopted, notwithstanding the sector of activity, meets the criteria of morality. In particular, it should be noted that, according to the academician Jean Jacques Nilles, ethics is nowadays a professional competence. Thus, having observed that some accounting practitioners take advantage of their discretionary powers to “embellish” reality by adopting unethical behaviour, the subject of ethics has become self-evident. In this article, we will analyse, based on a rigorous review of the accounting literature, how the practitioner’s level of ethics conditions their behaviour. By referring to two types of determinants, individual and organisational, we will show how the behaviour of the accounting practitioner is dependent on these determinants.

**Keywords:** Ethics, Behavioural Accounting, Accounting

## Introduction

The various financial scandals that have affected a large number of countries in the world have called into question values that were supposed to be unshakeable, such as honesty, transparency, loyalty, and finally, ethics. Indeed, whereas in the past decades the privileged users

of accounting information following an Anglo-Saxon orientation of accounting had an almost blind confidence in the information disclosed by companies, with the wave of financial scandals that affected the large economic entities that represented the emblem of transparency, now it is total scepticism that reigns between the producers of accounting information and the recipients of this information. We can cite the cases of Enron, World Comm, Parmelat, or in Malaysia, the scandal of large companies, which was described by the president of the Malaysian institute as “the Malaysian Enrons”. Among other failures that have marred the field of ethics, we can cite the case of the airline Transmile Group, which has overstated its earnings of RM5222 million, and this over the period 2005 to 2007. It is worth noting that the failures in the field of ethics have led to growing literature on ethical ideology. Parallel to the development of work in the field of ethics, many national and international bodies have adopted measures to ensure a minimum level of ethics in economic entities. In addition, some educational systems, such as the Malaysian system, require accounting graduates to have ethical values. It should be noted that the subject of ethics is one that has imposed itself on many disciplines, whether in management, marketing, finance, or psychology.

The producers of accounting information must now consider accounting as both a means of accountability and a strategic tool to enable the increasingly sceptical investor to make informed decisions about the use of funds.

In order to deal with a relevant and topical subject, we have decided to focus our research on a concept that is much talked about nowadays, namely ethics. According

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to Oboh et al. (2020), ethics is the basis of any responsible economic entity, and according to these researchers, development that lasts over time is based on ethics. As Dellaportas (2006) pointed out, financial scandals have tainted the nobility of the accounting profession, and as a result, all attention is now focused on the actions of accountants. Indeed, in the context of our research we decided to focus on the relationship between ethics and the behaviour of accountants and public accountants.

It should be noted that the concept of ethics is increasingly relevant to study, especially when the auditor of accounting information is faced with a complex situation.

Our research work therefore relates to the field of behavioural accounting, in the sense that we will study how the level of ethics influences the behaviour of accountants and public accountants. We are therefore concerned with how the personal factors of accounting practitioners, i.e., emotional and cognitive factors, condition the professional behaviour of these different parties.

It should be noted that we have focused our attention on the behaviour of these different parties because, in the performance of their tasks, they face many situations that impose the respect of a fundamental principle, which is ethics.

Given that today accounting plays a primordial role within the economic entity, especially following the wave of financial scandals, researchers have asked themselves a quite legitimate question: Why do well-trained and well-paid accountants unfortunately act in certain cases in a way that is antinomic to expectations?

In addition, Mele (2005) noted that while the accounting profession is a noble one, it is a complex one because in some situations there are alternatives that open up the possibility of unethical actions.

It is the pivotal role played by accounting in contemporary accounting that has led researchers to question why in certain situations accountants act in unexpected, and therefore, unethical ways.

Thus, starting from the observation that the accountant's behaviour can be explained by different determinants, determinants that relate to the characteristics of the economic entity and determinants specific to the accountant, our problem is presented as follows:

What are the determinants that have an impact on the ethical behaviour of accounting practitioners?

In order to provide a clear answer to our problem, our article will be composed of 2 main sections. In the first section, we will present a review of the literature, more or less succinct, on the concept of ethics, the object of our research. In the second section, following a logical reasoning, we will focus on the determinants, organisational and individual, acting on the behaviour of accounting practitioners, and finally, we will conclude.

## **Review of the Literature on the Concept of Ethics**

When we talk about the concept of ethics, we cannot omit to link this concept with that of norms. However, it is relevant to underline that there is a significant difference between ethics and norms. Indeed, norm is derived from the Latin word 'norma', which means square or rule, and therefore, implies the rule to be followed. As far as ethics is concerned, it is an "individual disposition", which leads to an individual acting in accordance with virtue. In the professional field, each agent must adopt an ethical behaviour. In fact, according to Jean Jacques Nilles, a lecturer in management sciences and a specialist in ethics, ethics must be considered a professional skill; without ethics, the durability of the company can be questioned. It should be noted that the code of ethics governing the various professional bodies has a normative character; for example, accounting practitioners must act in accordance with morality.

According to Morf et al. (1999), the concept of ethics is a voluntary action of respect for morality, responsibility, and finally, fairness. It is through respect for ethics that decisions taken will be relevant.

Booth and Shultz (2004) analysed how the ethical environment conditions the behaviour of the individual. After investigation, these researchers noted that the behaviour of the individual aligned with the ethical environment of the company.

According to Oboh (2020), ethics is the foundation of any autonomous, responsible society, and is a key element in sustainable development.

Starting from the quotations of Immanuel Kant, who was a visionary at the time and who stated that, "in a world as

curved as that of which man is made, nothing can be cut completely straight”, and that power inevitably corrupts the free use of reason, the concept of ethics was therefore born to try to frame the behaviour of decision-makers to the maximum. Thus, ethical codes have been established for all professional organisations.

According to Crebert et al. (2011), the purpose of ethical codes is to guide and shape behaviour in order to resolve complex situations that require respect for ethics.

It should be noted that since its appearance, accounting has developed, and it is therefore in the process of developing that researchers have proposed even more precise definitions than those formulated previously. Indeed, in 1990, Espeland and Hirsh defined accounting as an effective means of legitimising decisions on the one hand, and of preparing decisions on the other. In 1992, Dessertine noted that accounting represents the main source of reason, which is why the decision maker refers to this source in the first place. It should be noted that the relevance of the accounting tool is due to the fact that it is one of the first tools to which decision-makers refer when making their decisions.

In the field of accounting that interests us in our research, ethics constitutes a means of describing in a precise and meticulous manner the behaviour that accountants must adopt in accordance with the accounting principles that constitute a sort of constitution, in the sense that everyone must conform to these rules.

It should be noted that, according to Turpen and Witmer (1997), ethics in accounting is indispensable because it constitutes the basis of all professional norms. The researchers noted that ethics represents a means that dictates the attitudes to be held with reference to the norms of deontology.

Kohlberg (1973) stated that for an individual to follow a moral approach, they must necessarily go through reasoning in 6 stages. This reasoning is presented as follows:

- Conformity to the rules in order to avoid a possible sanction.
- The individual makes every effort to enjoy the benefits in kind.
- The individual conforms to the rules in order not to harm others.

- Right action is action based on respect for principles.
- The individual believes that laws should be respected only if they are based on rightness.

Still dealing with the field of professional ethics, Bommer, Gratto, Gravander and Tuttle (1987) developed a behavioural model of decision making in an ethical context and a behavioural model of decision making in a non-ethical context. The aim of these researchers was, firstly, to recognise the determinants acting on the level of ethics, and secondly, to describe these different determinants. They therefore proposed for each model a set of factors which could have an impact on the ethical behaviour of the individual when the latter is confronted with an ethical problem. These factors are: the social framework of the individual, the legal and institutional framework, the professional climate, and finally, their own characteristics.

Following the presentation of the concept of ethics, we will, in the following section, take a closer look at the determinants cited by Bommer, Gratto, Gravander and Tuttle (1987).

## **Determinants Conditioning the Behaviour of Accounting Practitioners**

The theory of cognitive moral development, initiated by the Swiss psychologist J. Piaget, was at the origin of the research on moral development. This researcher has therefore focused on understanding the moral development of the child. He put forward the idea that in the beginning, the child follows the morals inculcated by the adult, and then, as they grow up, they form their own cognitive development. In the same line of work, Kohlberg (1969) focused on the study of the cognitive behaviour of the individual when confronted with an ethical problem in the workplace. Thus, by referring to the theory of cognitive moral development, we can study the ethical behaviour of the accountant through the prism of these different determinants. It should be noted that these determinants are of 2 types: organisational and individual. These determinants include the ethical code, gender, education, training, experience, and finally, morality.

Based on the various studies, we will show how these factors model the behaviour of accountants.

The theory of socialisation advocates that despite the fact that individuals live in a community or society, each person acts in a singular way; in other words, each person acts in accordance with his or her expectations. In fact, according to Gilligan (1982), both men and women contribute their own values to the decision making process, i.e., the values contributed by men are different from the values contributed by women. Still referring to this researcher, women solve ethical issues in a benevolent way, always keeping in mind the feeling of responsibility towards the group. As far as men are concerned, they deal with ethical issues by referring to the rules of justice and equity. However, according to Betz et al. (1989), women and men react in a similar way, especially when there is an effective reward system in the business entity. In other words, when faced with an effective pay system, men and women will react in a similar way.

In the Taiwanese context, Chin and Chih (2008) conducted research to analyse how the gender of the auditor, male or female, affects his or her understanding of audit risk. In their research they found that female auditors were more ethical and that their behaviour was more risk averse than risk tolerant. Thus, female accountants were found to be more risk averse.

In line with Buckeyl et al. (1988) who stated that in certain situations men are more likely to break the rules than women, this unethical behaviour is justified by the saying “the end justifies the means”. Indeed, in complex situations, men tend to be more inclined to transgress than women.

In the Portuguese context, Marques and Azevedo-Pereira (2009) analysed the impact of ethics on the practice of the accounting profession. After analysis, these researchers noted that the determinants, gender and age, condition the ethics of professional accountants in Portugal.

In the Nigerian context, Oboh (2020) looked at the factors that influence the behaviour of the accountant and found that 35 respondents, comprising 18 chartered accountants and 17 non-chartered accountants, considered the gender determinant as having an impact on the ethical behaviour of the accountant. In contrast, the other 17 respondents did not consider this determinant as having an influence on ethical behaviour. It should be noted that the divergence

of results can be justified by the socialisation theory, which advocates that despite the fact that individuals live in a community or society, each person acts in a singular way, i.e., each person acts in accordance with his or her particular expectations.

With regard to the age determinant, Kohlberg’s theory advocates the existence of a positive relationship between age and the level of ethics. In other words, the older the decision-maker, the more ethical they will be, as many studies such as Bateman and Valentine (2010) and Walker et al. (2012) have recognised this relationship. We can refer, in particular, to the research of Ibrahim and Angelidis (1993), who noted that students were more concerned with the respect of the principle of ethics than managers; these results are in line with those of Smith et al. Indeed, these researchers justified their results by the fact that, with the exception of certain cases, the level of ethics is positively correlated with age, and also with professional experience.

In the Nigerian context, Adekoya et al. (2020) conducted research using a questionnaire, among 152 accountants, in order to determine the determinants that condition the auditor’s ethical behaviour. Following the analysis of the responses obtained, these researchers noted that factors, such as fear of punishment, religion, education, morality, as well as the intrinsic values of each, affect the ethical behaviour of the auditor. Indeed, referring to Kohlberg (1981), the number of years of education of an individual determines their degree of morality; so the higher the education of an auditor, the higher the probability that they will behave ethically.

In a careful review of the accounting literature, we found that women and men do not react in a similar way to a particular situation. Thus, according to Valentine et al. (2009), women are more ethical than men.

In the Libyan context, Musbah et al. (2016) analysed the impact of determinants like age, gender, education level, and morality, on accountant’s behavior. After empirical validation, these researchers noted a weak significant relationship between the various determinants. It should be noted that this last result is in contrast to the conclusions of Becker and Ulstad (2007), who first noted that gender is a determinant of ethical behaviour, and then stated that women are more ethical than men.

With regard to professional experience, Glover et al. (2002) noted that the more experience an individual gains in their work, the more quickly they will be able to determine what is ethical, and therefore, right. According to Trevino (1986), work experience affects the moral development of the individual, that is, ethical decisions are the product of organisational and individual values. It is worth noting that according to Pierce and Sweeney (2010), there is a positive and significant relationship between an individual’s work experience and decisions made in accordance with a fundamental principle, which is ethics.

Apart from these determinants, the accounting literature has highlighted that the presence of an ethical code indirectly leads to individuals acting in accordance with ethical rules. Indeed, the existence of an ethical code implicitly guides the behaviour of the decision-maker, but does not guarantee that the decision-maker adopts ethical behaviour. It should be noted that, by referring to the theoretical framework relating to ethics, the ethical ideology can be divided into three major general moral positions - deontology, ethics, and ethical scepticism.

In fact, deontological judgments are determined by laws, rules, or moral duties, while ethical judgments focus on the consequences of the action, which do not obstruct the morality of the action; finally, sceptical ethical judgments are inspired by both deontology and ethics in order to determine the action. Thus, the accountant’s behaviour will depend on his orientation.

According to Pater and Anita (2003), the presence of a code of ethics within an economic entity can serve as a guide for decision-makers, but according to Webley and Werner (2008), the mere presence of a code of ethics within an organisation cannot in itself constitute a guarantee that the decisions taken will be ethical. Indeed, in order to ensure that a code of ethics is correctly applied by all members of an economic entity, it would be wise to ensure that all members of an economic entity have assimilated this code of ethics and that they agree to apply it rigorously.

Indeed, we note that the majority of studies that have focused on the topic of ethics have noted the existence

of a positive relationship between the presence of a code of ethics and ethical decisions. For example, we can cite the work of O’Fallon and Butterfield (2005) and Kaptein McKinney et al.

After studying the organisational determinant relating to the presence of an ethical code, we will, in this section, focus on an individual determinant that interests us, namely the personal morality of the individual.

In fact, when we talk about ethics, several dimensions come to mind, including the individual’s personal morality, which underlies how an individual acts when confronted with an ethical situation. In fact, by referring to Schlenker and Forsyth’s model (1977), personal morality can be represented by a model composed of two dimensions: idealism and relativism.

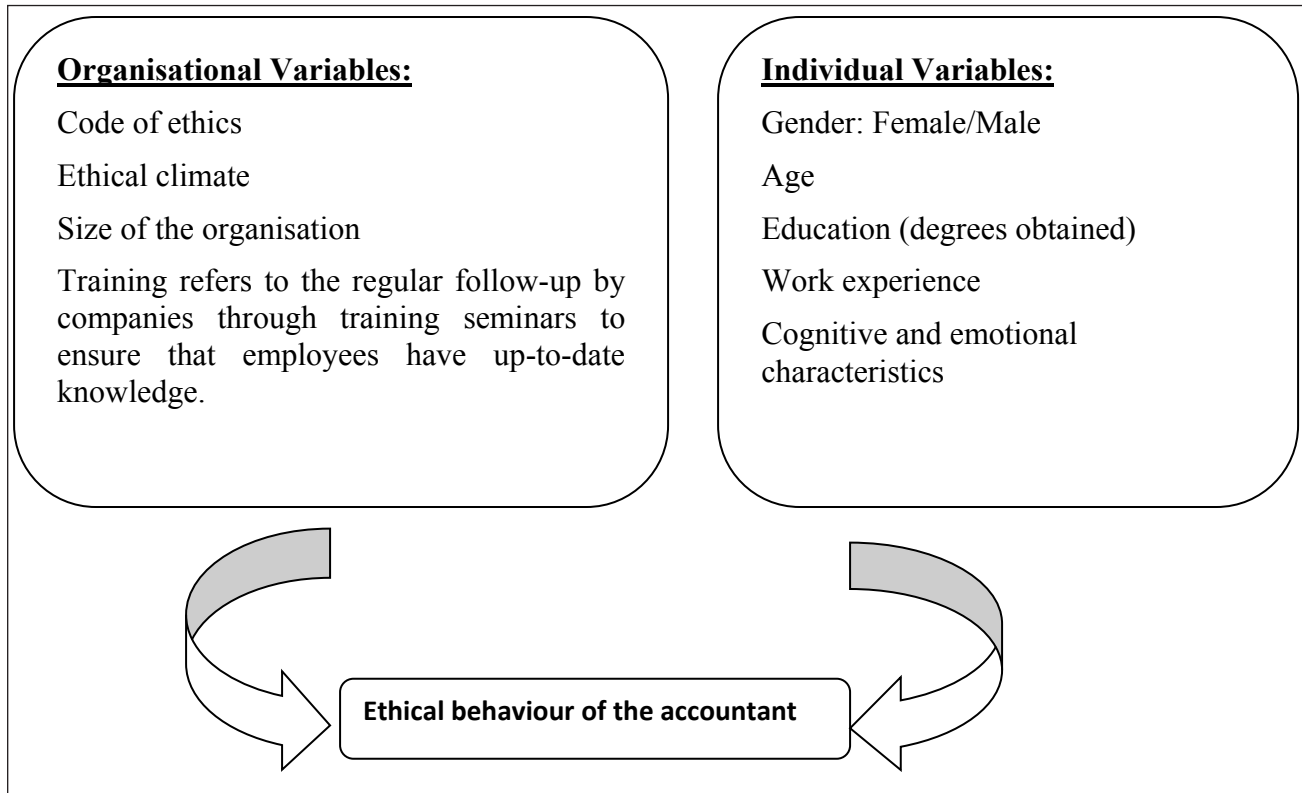
According to Forsyth (1980), idealism refers to the ability of an individual to focus on the good and the bad without worrying about the results obtained. So, an idealist accountant cannot conceive of taking decisions that would deviate from the respect of the well-being of others. On the other hand, as far as relativism is concerned, it refers to the fact that individuals will systematically oppose the moral rules. Thus, a relativistic decision-maker would reject all moral rules en bloc, and therefore, for this kind of decision-maker, there is no relation between ethics and morality.

Thus, in order to better understand the concept of relativism, we will present in the following table the difference between a decision maker with a high level of relativism and a decision maker with a low level of relativism.

<i>High Level of Relativism</i>	<i>Low Level of Relativism</i>
The morality of the action is assessed according to the specificity of the situation.	The morality of the action is judged through conformity to moral principles.

In order to better understand our theoretical framework, we will conclude by summarising in a diagram how the accountant’s ethical behaviour depends on 2 types of determinants: organisational and individual.

## Conclusion



**Fig. 1: The Ethical Behaviour of the Accountant Conditioned by Different Determinants**

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