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Beyond ethics: a community platform to secure moral integrity.

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Abstract

Stakeholders perceive the role of accountants to reflect trust, honesty, impartiality, fairness, and transparency. Schweiker (1993) considered the accounting professional is a fiduciary agent for time and the community and therefore its members should avoid any disingenuous claims to profitability. The aim of this paper is to explore avenues to strengthen moral integrity of professional bodies and their members. The resulting recommendations include a community or 'milieu' approach.

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Keywords: Values, accounting profession, community, milieu, moral, accountability.

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INTRODUCTION

“If trust and honesty mean anything, it is that these individuals will be motivated by them to suspend the continual quest for personal advantage in certain key situations. Where trust and honesty break down, society and individuals will have to spend a large part of their energy and resources in formulating detailed prescriptive rules and contracts, and then even more resources in enforcing them (Bronk 1998:2)”.

The billions of dollars lost by failed corporations such as Enron and WorldCom in the United States, and HIH and OneTel in Australia, have directed societal concern to the perceived lack of ethical conduct and the moral fabric of managers and directors. The preparation of financial reports and the auditing practices attesting to them were also subject to public scrutiny. As a result, public questioning included the ethics, integrity and associated practices adopted by, and used within, the accounting and auditing profession.

Lee (1995) suggests the profession is an institute of accountability. Yet accountability is dependent on honesty and trust - which should form part of the moral values underpinning decisions and actions of accountants. In recent corporate failures, the application of honesty and trust appear to have been overridden by greedy individuals and self-interest groups. Some individual members of the accounting profession have not resisted the pressures of management and other groups to misreport financial information (Doost 2003:2004).

The public expectation of the accounting profession is that its individuals prepare financial accounts and reports in a manner that is transparent and “as honest and

understandable as possible (Gellis *et al* 2002)”. Schweiker (1993) highlights what we account for, and our notions of good are bound up with both ourselves and others.

“When the entailed fiduciary relation is disrupted between actor and accountant, which in this case is the same being, we speak of self-deception, or, more radically, loss of self in estrangement. We also give an account regarding intentions, actions and outcomes to others who donate value to us (economically or otherwise). Here the violation of trust entails fraud or deceit.... (Schweiker 1993:244)”.

Implicit in the flow of financial information an accountant prepares for the client, are the signals it communicates. Although the signals are mainly financial, they will also reflect social responsibility and integrity, which can either add to, or subtract from a profession’s reputation (Bauer and Fenn 1972)¹. As Riaki-Belkaoui and Pavlik (1992:1) point out:

“A firm’s reputation is a very important asset that can generate future returns. Firms actively engage in reputation building through the measurement and disclosure of reputation signals that crystallize their statuses within an industrial social system”.

Integrity and ethics are a subset of reputation. In the case of WorldCom and Enron, the reputation of the accounting profession was undermined by the apparent increase in opportunism and dishonest behaviour of individual practitioners and their clients. Arthur Andersen was one of the Big-five CPA firms in the United States, with an impeccable reputation who aggressively generated wealth. For Enron there appeared to be collusion between the auditors, Anderson, and management, to hide millions of dollars of losses by off-balance-sheet financing. Both parties stood to reap huge fees and bonuses for their

¹Assuming rational decision making and efficient capital markets.

efforts. Another approach was the extension of the depreciable life of usable assets, and in the case of WorldCom, both the company and the auditors used slow-term depreciation, and capitalization to assist their profit margins, and provide both parties with huge fees and bonuses (Doost 2004:1181)².

Obviously, self regulation of the accounting and auditing profession did not prevent management of these firms and Arthur Andersen from dishonourable behaviour. As a consequence of these market failures, the profession changed the rules of conduct and government bodies intervened with an impetus of new legislation and regulations to uphold professional honour and reputation.

However, Doost (2004:1184) suggests the problems for the profession “are much broader than a mere revision of accounting and auditing rules of conduct”. The ‘public interest’³ to which the accounting profession purports to serve is no longer the mere provision of financial reports and associated information. The public now question the philosophies, trustworthiness and the morality upon which decisions and actions are premised. A similar viewpoint was expressed by Shearer (2002:542) who suggested that “we urgently need to reconsider the moral dimensions of economic life, to explore anew the adequacy of economic accountability in an increasing market-drive world”, and accountants must be involved.

² In the United States, “the questions on the role of Arthur Andersen, the federal government, the Financial Accounting Standards Board, and the Securities and Exchange Commission is well documented in a comprehensive 2003 video by the Public Broadcasting System, “*Beyond Enron*” with numerous academic and professional journal articles explaining the ‘misdeeds’ (Doost 2004:1182).

³ For the purposes of this paper, the public interest encompasses all stakeholders that rely upon and are affected by information supplied by the accounting profession. A detailed discussion of the meaning of ‘public interest’ in relation to the accounting profession can be found in Sikka, Willmott and Lowe (1989) while Lee (1995) provides a detailed discussion on the professionalization of accountancy, and ‘self-interest’.

Primarily regulatory impositions have been isolated to individual geographical jurisdictions – there is no international body to implement or administer them. During the process of the globalisation of ‘a market-driven world’ and the internationalisation of accounting standards, the accounting profession may lose sight of its commitment to the ‘public interest’. The importance of the reputation of accounting as a ‘self-regulatory’ profession coupled with its associated legitimacy is not contrary to the notion of a ‘global citizen’ and the ‘borderless world’. To avoid a losing sight of the ‘public interest’ the internationalisation of consensual values should be encouraged. (Ali and Gibbs 1998). To use the concept of Durkheim (1982) - a ‘conscience collective’, through socialisation would allow the individual member to learn to be part of a community group that avoids myopic self interest, selfish goals, cut-throat competition, and dishonesty (Doost 2003).

This concept of this paper is focused on the accounting profession as a community, or ‘milieu’ (Segre 1998) which is a subset of the larger global community. The mission of this ‘milieu’ would be to provide a sense of ‘oughtness’. This study captures theoretical insights that support a moral identity to strengthen the integrity of accounting as a profession, and in so doing, reflect the attributes of honesty, trust and morality for both its individual members and the professional bodies. Eclectic points of view from a diversity of disciplines are synergised to initiate a dialogue on shared international culture based on these values to reflect the profession’s commitment to accounting as a ‘soul of justice’ (Gallhofer and Haslam 2004).

This research is primarily motivated by two studies. The first by Mitchell and Scott who found three major sets of values in business, (1) a present versus a future orientation; (2) an instrumental as opposed to a substantive focus; and (3) an emphasis on individualism contrasted with community (1990:25-26). The authors suggest that American values are instrumental and indeed individualist, and “...these values are reflected in behaviour that

maximizes personal advantage in the short run and discounts the long run costs of disregarding ethics, the underclass, and the environment”. The recommendation arising from their study is to “stress substantiveness over instrumentality, community over personal advantage, and the long-term over the short-term (Mitchell and Scott 1990:33)”.

The second study is that of Schweiker (1993) who explored, through hermeneutical reflection, the moral identity associated with the act of giving an account. His study included discussion on self-interest, and temporal aspects, within the context of corporate responsibility, and highlighted ways the moral identity of individuals and organisations can be shaped by how an account is given.

This challenge commences with discussion on the role of the accounting profession and the public trust, and then outlines professional ethics in the context of self regulation and trust. The ethics and moral perspectives are followed by discussion on community interdependence or ‘milieu’ approach as a platform to incorporate trust and honesty into both professional and individual values. Recommendations are made and the paper closes with the study’s limitations and finally, its conclusion.

THE ‘PROFESSION’ AND PUBLIC TRUST.

The role of accounting has a number of aspects. For example, accounting has been classified as an historical record, a language to communicate decision information, an economic good, and a social commodity. Puxty (1986) regarded accounting as a dynamic institution within society, which leads some members of society to acquire knowledge and legitimately convey that information to enable users to make economic decisions on the future needs. Schweiker (1993) considered the accountant as an agent of a fiduciary relation through the scope of time and community, and part of the task is to show that relationship through discourse. A temporal aspect was also adopted by Puxty

(1991:44), who stated accounting is “mutual accountability to fellow citizens”, in both the short and long term.

Lee (1995:48) defines the term ‘professional’ as “occupations organized in institutional form, whose practitioners are committed explicitly to serving the public interest, and who offer client services related directly to an intellectually based body of knowledge”. As the accounting profession “actively engages with others” (Schweiker 1993) it cannot be separated from the ‘public collective’, nor changing societal values. If, as Schweiker (1993) suggests, the accountant is the agent of a fiduciary relation through the scope of time and community, then implicitly the values of the profession will be attuned to maintain consistency with the changing values held by society (Norton 1998a). This connection with the public has an associated moral claim - a ‘mutual accountability’ which is not supported by the communication of unreliable, irrelevant financial information and dishonesty. Quoting Time (May 25 1987), Mitchell and Scott (1990:25) stated,

“a relentless procession of forlorn faces assaults the nations moral equanimity, characters linked in the public mind not by any connect between their divers dubious deeds but by the fact that each in his or her own way has somehow seemed to betray the public trust”.

Evidence on the role of self-interest vis-à-vis stakeholder claims and betrayal of public trust, has offered fundamental topics for accounting literature debate. Harris (2003), in discussing the 1997 text book *Corporate Collapse* by Clarke, Dean and Oliver, suggests that the annual statements of failed corporations completely lack reality. This reiterates an early point of view made (MacNeal 1962:66) who stated that “under modern

conditions virtually all major fraud must be predicated upon false and misleading financial statements”. This in itself implies that the profession appears to support untrustworthy practices, which would include the invention of fictitious transactions and indeed business entities: issues that were discussed in relation to Enron and WorldCom. In addition, MacNeal (1962) suggested the existence of accounting and auditing as an occupation was initiated due to a lack of trust by external stakeholders – it became necessary to certify that management and internal accountants have not misled or misrepresented financial information.

To simply provide financial information is insufficient, and accountants must remember the information they prepare needs to serve the users (public interest), not just the firm providing the fee. From an individual perspective, some members may perceive their job as helping businesses manipulate the substance of the accounting standards to distort financial outcomes to suit their own, or the needs of their client. As Gellis *et al* (2002) emphasises accountability and integrity are certainly not enhanced when accountants support their clients to behave in a ‘duplicitous manner’. In reference to WorldCom, Frohnen and Clarke (2002:2) state:

“Internal bookkeepers simply accounted for everyday spending (that should have been deducted from income) as expenditures for ‘capital assets’ – as if an appreciable number of pencils and paper clips bought today would still be in use a year from now. That simple adjustment greatly overstated income because expenditures for capital assets are spread over the life of the asset instead of being deducted 100% from income right away. Sure, future reported income would be substantially reduced in the long run, but those WorldCom Keynesians figured that,

in the long run, they would all be dead. Unfortunately for stockholders, it was their investments that died”.

The paradoxical solution

The accountant’s knowledge base of accounting standards is a critical component by which accountants facilitate the transmission of signals, and purportedly for the public to judge the ethics and moral judgments of the profession. The outcome of corporate failures has prompted the accounting profession to assure its reputation is not ‘characterized by mistrust’ and to reinforce the public perception of an ethical self-regulatory body. Alongside regulator impositions, the profession changed their body of knowledge, the associated signals communicated to the public, and the rules of conduct (Lee 1995, 1979, Seal and Vincent-Jones 1997). By instigating voluntary changes to accounting standards, the expertise consistent with the continuation of the self regulation and the professional institution of accountants is protected (Sikka *et al* 1989). Nevertheless as Alam *et al* (2003) highlight, all the rules in the world will not assist ‘public trust’ if individual accountants pursue their own self-interest.⁴

Paradoxically, changes in the quantity and contents of accounting standards issued has only served to increase the complexity of knowledge required by members, and offers opportunities for practitioners to ‘flex’ this knowledge to suit the client’s interests. It is suggested that the mounting complexity of accounting standards, the associated knowledge and signals, together with the enticement of exorbitant (or an expansion in) chargeable fees to assist clients in achieving bigger profits, has also contributed to the problem (Doost 2003, Frohnen and Clark 2002).

⁴ Sikka *et al* (1989) suggested that the profession should consider, not just itself, but the ‘wider constituency’ when determining the professional perspective of ‘public trust’.

“We are walking on a knife edge between the possibility of an ethically sustainable society and our current unethical world, where big business devours people, nature and other businesses in the name of bigger and bigger profits (Carnegie 2001:14)”.

Self Regulation and Ethics.

Solomons (1991:294) suggested a neutral approach to standard setting and financial reporting if *accounting is to retain any credibility*. However, Willmott (1986) considered that on social and political issues, the projection by accounting bodies of an image of neutrality was simply undertaken to allow the accounting profession to maintain its status of self-regulation. Puxty (1986) took the view that accounting can only be understood within the context in which it operates - the wider social system, as accounting is affected by the values of the ‘system’. In referring to social accounting, Puxty considered it can be seen as a self legitimization of the power of the forces which govern accounting. Adopting a cynical perspective, Hines (1991) viewed the motivation underpinning the profession’s conceptual framework and the context of the standard setting process as purely self-regulatory.

If the standard setting process is to be perceived by stakeholders as neutral under self regulation it requires support through the communication and acceptance of a code of ethical conduct, which transcends individual values and cultural backgrounds.

Theoretically a code of ethics embodies the values, goals, interests, motivation and mission of a profession which in turn is used to educate and train its members. Its objective is to assist in social change, and encourage members to ‘do the right thing’

albeit modestly and is anticipated to produce a behavioural norm for all members (Valentine and Fleischman, 2002).

However as Shearer (2002: 569-570) also points out,

“... economics is not an ethically neutral discipline that might be brought to moral rectitude by the simple addition of a few regulatory or prohibitive norms; rather, and more insidiously, economic theory first creates a community of sovereign and independent subjects, and then instantiates those ethical norms and moral codes appropriate to such a community. So long as the discourse that constitutes the economic subject remains unchallenged so too will the ethics that govern that subject”.

Nonetheless, the formulation and use of ethical codes, and associated ethical conduct, can establish trust, which is as important as any tangible asset (Pearce 2003). Accordingly, the accounting profession incorporates ethics into its rules and education processes, and in a widening global domain of activities the profession has also an increasing wider domain of ethics (Sylvan and Bennett 1994).

A professional code of ethics is constructed by a professional body, or in the case of a corporation-top management, on the basis of their own values, interests, goals and motivation (Schweiker 1993). Welford (1995:34) criticised ethical codes of conduct within organisations, when he discussed the sub-culture they accompanied, by querying them as a “piecemeal attempt to placate demands from pressure groups and consumers or is it a more serious attempt at ethical behaviour?” Donald and Waller (1980 cited in Welford 1995:35) used the statement of Bernard Shaw to emphasise that professions can conspire against the laity, and ethical codes can be used primarily to protect the members

of the profession rather than the public. Moreover, Helweg (2003:1) considers that “...all the codes in the world cannot produce ethical behaviour”.

Ethics: A replacement for Trust?

Ethical codes have apparently not produced ethical behaviour, as following the ‘accounting disgraces’⁵ of WorldCom and Enron, DiPiazza Jr. and Eccles (2002) are convinced that accounting practitioners and auditors have actually ‘shaken the public trust’. These authors firmly emphasize the need for greater transparency, honesty and trust in the profession.

The prolific number of regulations and legislation both in Australia and the United States of America resulting from recent corporate failures appear to support this view. These sanctions suggest society may not trust individuals, business firms, and the accounting and auditing profession to *do the right thing*, even with an established set of ethical codes.

Professional ethical codes do not exactly define honesty, professional monitoring, sanctions, and rewards (Seal and Vincent-Jones 1997), although the concept of trust and morality held within a professional body should be of a higher quality than that associated with normal business transactions (Segre 1998). On the other hand while trust and honesty are deemed a formal inclusion within ethical codes, these characteristics ultimately reside with the individual.

⁵ A term used by Alam et al (2003)

Appropriately individual members of the accounting profession undertake ethical education, which often consists of case studies, based on rules and guidelines. According to (Mitchell and Scott 1990) these do not appear to enhance individual morality. As Atkinson (2002) highlights, codes of conduct have provided little support for young professionals and managers when faced with an ethical dilemma.

A greater emphasis can be placed on the concepts of confidentiality, autonomy, trust, justice, lack of self-interest, and loyalty implicit in 'doing the right thing'. Ethics are underpinned by two sets of values: those of the individual and those espoused by the profession. The promotion of honesty and trust prompts attention to the essence of ethics and moral integrity, or 'oughtness' into the core values of professional societies.

WHAT IS MEANT BY 'ETHICAL'?

According to Roget's' Thesaurus (Kirkpatrick (ed) 1988), ethics relates to the terms 'moral, principled, honest, decent, moral judgment and value judgment, and honour'. Ethics is derived from the Greek term 'ethos' which, according to the Oxford Dictionary, is the spirit which is characteristic of a community and the normal principles by which a person is guided. Ethics also refers to appropriate or inappropriate behaviour, and includes the focus of attention (Sylvan and Bennett 1994).

Aristotle reminds us that "ethics involves practical reason which judges not what is true but what we should do" (Des Jardins 2001:270). Ideally, the moral call, when making choices between alternative courses of action, is to place the social and community consciousness before, or at least the same level as material goods and monetary rewards (Twesigye 2001). To determine *what we should or ought to do*, and indeed *why we*

should do it Helweg (2003) cites Holmes (1984) in providing taxonomy of ethical systems to assist. Take in Table 1.⁶

⁶ Economic and business disciplines have focused primarily on the area of individualism and utilitarianism. Further discussion on (a) Emotivist Ethics, and (b) Religious ethics is outside the scope of this paper. Nevertheless future research efforts may seek to explore the relationship between moral integrity and religious ethics.

TABLE 1

Ethical System	Perspective	Basis for 'oughtness'
Emotivist Ethics	Based on feelings and emotion	Moral judgements are not definable, and are not empirically verifiable
Ethical Egoism (individualism)	This is very similiar to utilitarianism	Best for 'oneself – satisfy the wants of the individual – one satisfy ones own utility
Utilitarianism	Unselfish	Best for society, the good of many. One satisfies the good of others.
Religious ethics	Christian/Muslim	Religious laws.

Adapted from Helweg (2003).

ETHICAL PERSPECTIVES

Personal Utility (Individualism) and Community Utility (Utilitarianism)?

Utilitarian tradition is found in the papers by Jeremy Bentham in *Introduction to Morals and Legislation* (1789) and his nineteenth century disciple, John Stuart Mill (1806-1873), who viewed the utilitarian perspective as what is considered 'right or good' to maximise the total utility. Kneese and Schultze (1985) described this as classical utilitarianism, and neoclassical utilitarianism as the maximisation of individual utility.

“Under the neo classical utilitarian approach individuals maximize their own selfish needs. The link between communitarian psychological theory and values becomes clear when we look at how the current 'moral crisis' is conceptualized. The most explicit critique is of the principle of individualism, whose roots go back to Enlightenment beliefs about disengaged rationality, and the struggle for individual freedom against community pressures (Taylor 1991, Bell 1993). Not only do communitarians see this as an ontologically unrealistic picture of human behaviour, as a value it is considered profoundly damaging.

Firstly, it leads to selfishness and egoism; the Enlightenment belief that one should take responsibility for oneself has degenerated into the belief that one is only responsible for oneself. Secondly, focus on the individual inevitably leads to atomism and fragmentation, a failure to see the individual as part of a whole, and the lack of subjective feeling of being part of something larger that would give the self meaning. The third issue is tied to instrumental beliefs about problem-solving; that reason, if appropriately employed, can offer solutions to virtually anything... (Haste 1998:48)”.

So ideally, instead of focusing on individual utility, business and indeed personal decisions should be based on total utility; on how they can produce good outcomes for society (VanDeVeer and Pierce 1998). However, many economists have rejected classical utilitarianism as they considered that utility was unobservable, and have preferred the neoclassical version.

“First, if interpersonal comparisons of utility are impossible, then we are no longer able to maximize the sum of utilities across people. So the neoclassical utilitarian defines a weaker kind of maximization process in which each one maximizes his own utility. The classic utilitarians moral principle, which says to maximize the sum of the utilities, is strong in the sense that it sometimes directs people to act against their own selfish interests.....Second, the rejection of observable utilities leads towards a behaviourist or black-box theory of the mind. The only evidence allowed for inferences about happiness or satisfaction is observable behaviour... (in Kneese and Schultze 1985:205)”.⁷

Accounting and Individualism.

Research efforts in accounting theory have highlighted the individualism related to ‘agency theory’ is implicit in the contracting process with individual managers maximising their personal utility (Jensen and Meckling 1976)⁸. Specifically, the conflicting interests of various contracting parties for example, a firm’s management, external stakeholders and debtholders, are underpinned by the human need to maximise personal economic utility. Using agency theory, Noreen (1988) explained the

⁷ A detailed analysis of economics and ethical systems is outside the scope of this study. A comprehensive discussion of both these and inter-generational ethics can be found in Kneese and Schultze (1985) who recognised that the concept of inter-generational equity is not a recent phenomenon and was a component of economic discussion for decades.

⁸ Booth and A.K.-D. Schultz (2004) add considerable insights into agency theory and accounting-based economic decisions.

maximization of utility through good ethics, claiming that optimal solutions can occur when members are trusted to adopt ethical codes⁹.

However, the present individualist aspect of a consumer society is arguably short term and greedy with personal satisfaction required immediately. For example, in the case of WorldCom and Enron, managers chose the accounting policies that apparently maximised their personal benefits, as it appears their performance was based on short term profit achievement. When individuals maximise their own needs, they value money, power, self-esteem and pride; the activity is valued only on its ability to satisfy these needs in the shorter term. This individualism is premised on the view of 'good' as the satisfaction of personal desires, i.e. when we have what we want (Des Jardins 2001), and may threaten our 'free' society as "hypocrisy, betrayal and greed unsettle the nation's soul (Mitchell and Scott 1990:27)". Moreover, Kneese and Schultz (1985) suggest that the moral principle underpinning neoclassical utilitarianism is weak, inasmuch as it does not require individuals to act against their own self-interest. Alternatively, classical utilitarianism is morally stronger in that the maximisation of total (community) utility may direct individuals to act against their own utilities.

When humans acknowledge only individualism, they do not have the knowledge or wisdom to add to the community value, and arguably cannot pretend to do so, as they have difficulty with the conflict of self-interest and moral values (VanDeVeer and Pierce 1998, Des Jardins 2001). Therefore in order to reduce this conflict, a more practical and preferable perspective for the accounting profession is that of Des Jardins (2001:100), whose approach was to ensure that "what you want does not conflict with my rights". If

⁹ Seal and Vincent-Jones (1997) discuss in detail the term 'trust', particularly in the context of the role of accounting in contractual relationships that support accountability, and the long-term perspectives

this perspective is reflected in business choice-making, i.e. a moral standing that does not maximize self-interest - the intrinsic value reserved for 'self' is then transferred to the community 'good'.

Nevertheless, an individual can choose a preference for (a) material goods and short term financial rewards, or (b) not to degrade the 'sanctity of the human community' (Twesigye 2001). What individuals "voluntarily choose and do with their freedom and lives has great consequences on themselves, other people and the world (Twesigye 2001:190)". A reflection on honesty, trust and 'oughtness' appears to be a path to transfer the intrinsic value of 'self' to those of the community 'good'.

MORALS: PERSONAL AND PROFESSIONAL.

Mitchell and Scott (1990) suggest moral development can transcend the problems of dishonesty and fraud associated with corporate failures.

"An ethics of virtue emphasizes moral character or virtues rather than rules or principles. Ethical systems like utilitarianism, deontology, and natural law focus on human actions and seek to define some rule or principle that we use to judge whether those actions are right or wrong. Virtue-based ethics constructs a philosophical account of the morally good person, describing and defending certain character traits of that good person... require us to make a shift in our philosophical perspective, away from concern with rules of behaviour toward a concern with moral character (Des Jardins 2001:138)".

Ethics based on Aristotelian philosophy of virtues direct attention toward moral behaviour, trust and the character traits of the individual. In relation to accounting,

Francis (1999:5) argues that accounting “has the capacity to be a virtuous practice in the Aristotelian tradition”, and that “accounting is both a moral and discursive practice”. He defines *moral* in relation to accounting practice as the involvement of human agency accounting practices, and *discursive* as to accounting discourse. Accountants are not just the preparers of reports and the communicators of facts. They create accounting reports, choose the content of discourse with others, and consequently will have a personal involvement which includes their own ‘moral agency’. According to Booth and Schultz (2004) in their study on agency theory, the personal ethical disposition of the individual can override the self-interest of managers.

The pivotal issue is to link individual (member) values, this ‘moral agency’ (‘oughtness’ and ‘doing the right thing’) with the professional activities of accounting. If we are to accomplish this and avoid individuals acting in a ‘duplicitous manner’ (as expressed previously by (Gellis *et al* 2002), it is necessary for individuals to recognise that personal decisions and activities relating to fraud, dishonesty and even manipulation may have adverse consequences for others. The consequences are not limited just to the personal risk of being caught.

If moral principles and a community spirit underpin an ethic, then what is meant by moral? (Take in Table 2).

TABLE 2

The term **moral** covers the assessment of elements of the action nexus, in the following sorts of respects (as applicable):

excellent, good indifferent, bad, evil valuable, of value, or not	axiological
Right or wrong (or alright), fair or unfair, proper or improper, obligatory, forbidden, permissible	deontic
Responsible, irresponsible.	accountability notions

“It also covers principles concerning such assessments. Plainly some of the features are not significantly applicable to all elementsResponsibility primarily applies to agents, their conduct and character. The sorts of respects cited are more general forms. May more specific evaluations are thereby encompassed, for instance, honourable, dishonourable, decent indecent.

In terms of the sorts of respects, certain important subtypes can be distinguished. The first group (given by the first two lines) covers **axiological**. The second group (given by the next two lines) covers **deontic**. The third group (not usually distinguished in the ‘the logic of ethics’) comprises **accountability** notions..... (Sylvan and Bennett 1994:12-13)”. (Emphasis added).

The two principles particularly related to this study, deontic and accountability are discussed in more detail.¹⁰

Deontic principles.

The deontological approach of human society emphasises the duty and obligation of individuals to each other, over our immediate ‘wants’. Unlike utilitarianism, Kant’s (Emmanuel Kant 1724-1804) theory of moral imperative (categorical imperative) says that one will ‘do the right thing’, out of a moral obligation and duty, and not what is most pleasurable, expedient, or indeed profitable.

Kant viewed the individual as judging values – a centre of *autonomous choice* with the *respect for persons as persons*, which, when adopted, is a moral attitude that individuals are humans and each has an intrinsic value of autonomy and well-being (Taylor 1998). This is founded on the obligation of love and principles of justice, for the individual and as a member of a group or community – a deontological ethical approach which focuses on the intentions of the decision or action, not its outcomes (Sagoff 1998, Twesigye 2001).

Kantian tradition also suggests that a moral obligation to protect human dignity will only be superior if it has a status higher than that of individual wants. It is in the interest of the individual to act in a beneficial manner to the community, and it is in this characteristic that trust and honesty can predominate. However, Weiss (1994) advocates that Kant’s moral imperative does not allow for prioritizing duties when facing a moral dilemma. In

¹⁰ The concern in this paper is directed to professional and personal nature of ‘doing the right thing’, so therefore the section in Table 2 labelled ‘axiological’ is considered to be more apathetic in relation to moral integrity, and is excluded from the following discussion.

a moral dilemma, personal vices such as greed are inconsistent with the virtues of honesty and trust. All of these can influence both personal and business decisions.

Honesty and trust and other individual values are formed at an early age, and influence personal perceptions and interpretations regarding what is right (Rokeach 1979). Individual values and beliefs are interconnected with ethical systems (Stead and Stead 1992). So these shared values of the professional body and the individual are encouraged by the communication of an established set of goals, ultimately manifested in a professional ethical code of conduct (Hofstede 1984). Based on this theoretical element, the mission and aims of an international professional community group will incorporate the core moral values of trust and responsibility, thus offering its members a direction to practice “good behaviour, honesty, faithfulness and respect (Ali and Gibbs 1998)”. It can alleviate the discomfort of a moral dilemma. Nevertheless, as Helweg (2003) highlights, there are individuals who will disregard ‘doing the right thing’ and maintain their selfishness. A professional community group that has instituted core moral values may then rely on avenues of sanctions, at both the professional and peer group level.

Unfortunately it appears that at an international level, apathy and individualism may have been a factor for some members who may have turned a ‘blind eye’ to ethical codes of conduct - their learning of accounting skills has not been integrated with the virtues of honesty and trust. As a result, opportunities exist for the profession to include moral and trustworthy obligations as part of an education process undertaken to reinforce the reputation of both the individual member and the profession *per se*, as one of an honest unified global community (Parker 1996). Although as Sampford (1996) suggests, moral principles should not be adopted simply as an “addendum to constrain amoral members”.

Accountability

Table 2 also includes a section relating to responsibility and accountability. The act of giving an account includes an enactment of the moral identity of the decision-maker and an “accountable identity is a tenuous unity through time and with others (Schweiker 1993:247)”. The discursive act of giving of an account is not only a phenomenon of the 21st Century.

“During the conversion from a post medieval world to the new age of industry, exploration, exploitation, and plunder, certain major costs were never booked - species annihilated, indigenous peoples slaughtered, the human misery of slavery. Society recorded human chattel as assets of the plantation. Accurate record keeping was an integral part of the slave trade, branding irons, ownership records, rights to title were essential. In short accounting, like any profession, is driven by prevailing social values (Rubinstein 1994:3)”.

Given Rubinstein’s statement, even in early periods of history, power, control and indeed monetary greed were at the forefront of commercial decisions. Rubinstein’s statement suggests that although accountability includes obligation, responsibility and answerability, they may not always be equitable or logical (Sylvan and Bennett 1994). Tricker (1983) argued that accountability is irrelevant unless it can be enforced. Therefore, voluntary adoption of codes and conduct (such as those adopted by the accounting profession) may be insufficient to bring about responsible practices. In this context, shareholders in failed corporations such as HIH would probably support Tricker’s statement.

Shearer (2002:570)¹¹ considers that economic theory be balanced by ethical discourse if economic agents are to be accountable for more than their individual interests and suggests “the institution of accounting practices” reflect the moral responsibility owed to other parties, not just shareholders. As mentioned in the abstract of this paper, Schweiker (1993) also suggests the accountant is the agent of a fiduciary relationship through the scope of time and community. While the implicit values of the profession will need to be flexible to maintain consistency with the changing values of society (Norton 1998a), an emphasis on integrity and trust is the dominant issue.

Currently these changing community values are placing external pressure on firms to be more transparent in their reporting so that concerned stakeholders can determine the ethics, morality and time-frame embedded in management’s decision-making and their internal processes (Adams 2002).

“In a world where communal boundaries are breaking down, we must recognize our mutual obligations to each other and take the rights, the needs, and the welfare of others into account (Sampford 1996:143)”.

COMMUNITY INTERDEPENDENCE: A PLATFORM FOR CHANGE.

Mutual obligations in the 21st Century are not constrained by geographical zones, time or indeed cultural and religious beliefs. Mutual obligations are consistent with a global community. Because of post-modern inclusiveness and pluralism, local matters and

¹¹ Shearer (2002 provides a comprehensive discussion on the economic agents, and accountability from the perspective of the discourse provided by accountants and the corporation. While Shearer’s aim was to focus was on the area of social accountability the paper offers a more detailed perspective of accountability albeit directed to economic discourse and logic.

conflicts now become affairs of a global community. Hence, personal freedom and private actions are no longer completely separable from the public collective and global community (Twesigye 2001:86-87). Each level in society - the individual, the local community, the public collective and the global community, are interdependent. Higher levels are dependent on the lower hierarchical levels, while the individual is dependent on the community and indeed the public collective for its culture, laws and values. However, modernism attempts to make the local become global, but it is at the local level is where global changes are evident (Oakley 1996). “What happens in the remote corner of the world affects us both directly and indirectly (Twesigye 2001:352)”. Furthermore, these local and global outcomes are temporal, and relate to the future as well as the present. Humanity, and its subculture the accounting profession, are not isolated from the global community or temporal consequences.

For the accounting profession the recognition of a mutual obligation and the welfare of others implicitly includes, “temporal integrity, the fragile unity of an agent or community in time, entails trust and fidelity. The unique power or giving an account, and its fundamental importance to the moral life lies in this ability to render forth, with a fiduciary relation, an unified identity amid a plurality of relations and changes (Schweiker 1993:244)”. To underpin this fiduciary relationship and ‘assist’ trust, ethical codes of conduct and standards often form part of many professional contracts and business transactions.

The moral quandary facing individual accountants who have a fiduciary obligation is to make decisions that include both the needs of the client and the common good of society. Schweiker (1993) suggests that the accountant be seen as an internal and an external critic. The internal aspect is based on the fiduciary relationship to the client and its

discourse, and the external aspect is due to the accountant's perspective reaching beyond client' intentions. Therefore, a platform for change and the associated challenge is to redirect the moral inequity of focusing only on financial criteria and personal financial rewards in the shorter term, towards community and fiduciary outcomes, in the longer term.

Conversely, many firms consider a strict adherence to moral values and ethical standards of conduct in contracts will actually impede profits (Welford 1995) while the inclusion of ethical codes does not guarantee consistent values. However, within any professional community, competition between individuals should not deter the joint pursuit of common interests and enhancement of honour and reputation: trust and co-operation are an essential prerequisite for any professional contract (Seals and Vincent-Jones 1997). In order to avoid distrust, individual accountants need encouragement and support to relieve the tensions, conflict and loyalties between their own moral character and pressure to 'flex' the rules and standards to suit particular requested outcomes.

Hence, individual accountants need to form and feel part of a sub culture, a community in which he/she works, a sense of honour, and be concerned with the outcomes of their actions - substantive, not process. Even though individual accountants operate in their own geographical locality, the information they communicate can be on a global basis.

“...the accountant's agency is also engendered in such a way that criteria, goods and membership in a moral community bear on guiding and assessing their own character and conduct (Schweiker 1993:249)”.

A COMMUNITY- 'MILIEU'

Definition

It is the 'community' that influences our sense of "what is right or wrong", and our relationships and trust with each other (Sampford 1996). "A person without a community is both socially and morally lost (Twesigye 2001:234)", while de Vaal (1998) suggests that social inclusion is important to how we behave morally. That is, we are valued and accepted by the members of the community or indeed the human community in terms of this behaviour. It has been proposed that the "definitional aspects of community" include the normative, non-contractual elements in business relationships, such as honour and trust. These norms constitute a "moral community in which trust-worthy behaviour can be expected, normative standards understood and opportunism foregone (Granovetter 1994:466-477 cited in Segre 1998:412)".

The accounting profession as 'milieu' or community?

The profession is a community, operating globally, and concerned with global issues. As a global community which also operates in local geographical arenas, it may be argued that the accounting profession can be categorised as a 'milieu'¹². Citing Weber (1973), Segre (1998:429) suggests that "...members of a business milieu form a community embedded within the larger community of all those professionally engaged in business. The trust binding the members of a business milieu is accordingly of a higher quality than the trust holding together the members of the business community at large, or of some intercorporate syndicate".

¹² Further discussion on the social discourse of moral standards, and community relations including *Gemeinschaft* and *Gesellschaft* can be found Weber, M. (1922,1924,1956,1973,1984,1988 and Segre (1998).

A 'milieu' focuses on practical, daily routines that have a high degree of familiarity, and are "not bounded by a single locality or culture (Segre 1998:412)".

"A business milieu may be viewed as circumscribed communities that are comprised within the larger business community, are not bound by local interaction contexts and are characterized by norms and corresponding practices of their own, in addition to the general norms and practices of fair business (Segre 1998:413).....stock exchange operators and, more generally, the members of the financial community constitute a business milieu...for the financial community not only is part of the business community at large but also is bound by norms and corresponding practices of its own and is not confined by local or national boundaries (Segre 1998:419-420)".

Segre (1998) also distinguishes between trust binding members of a community vis-a-vis trust binding members of a profession. A community is characterized by "the presupposition of general compliance with unwritten norms", and information controls, whereas an association is based upon rules of conduct necessary to pursue either an interest or a goal.¹³ Etzioni (1996) intimates that all communities share characteristics.

"A web of affect-laden relations among a group of individuals...a set of shared values, norms, and meanings, and a shared history and identity – in short, a shared culture... (cited in Segre (1998: 411))".

¹³ The social science literature highlights the role of *Gemeinsschaft* and *Gesellschaft* as models of society. Toennie (1982) suggests that *Gesellschaft* includes personal trust, moral obligations and common values.

As a community, the culture of the accounting profession comprises a system of core value norms, which are founded on societal values. These in turn prompt, and reinforce, the behaviour of members. Basically, an individual member needs education, caring and social communities if he/she is to remain a moral agent.

“The good citizens of the local community, the national and the Global Community must possess some learned and acquired noble moral and civic virtues. The well-educated and ideal citizen must be: humane, highly motivated, well educated, hard-working, tolerant, cooperative, teamwork oriented, law-abiding, and technologically skilled, loving and caring considerate social and healthy good citizens. Education, religion and ethics are relevant and useful only if they help to transform this human being into this kind of moral and socio-economically ideal, well-adjusted and productive happy citizen of the community and the world (Twesigye 2001:346-347)”.

RECOMMENDATIONS

As governmental regulations are not ‘international’ the accounting profession is ‘governed’ by self-regulatory bodies located in a variety of geographical locations. A professional ‘milieu’ approach can firmly underpin self-regulation, which can only be enhanced by a communal identity which supports a set of basic qualities that constitute shared values of moral integrity. These should become the cornerstone of a commitment and a set of guiding principles.

Therefore, alongside the efforts to introduce international accounting standards for external reporting in Australia and Europe, is a unique opportunity for the profession to ‘step back’ and formalize a consensus of common intrinsic values of ‘doing the right thing’ - a moral philosophy to secure integrity and reinforce self regulation.

From the perspective of the profession such a strategy can:

1. Determine what the profession and its individual members ‘stands for’, not what it ‘actually does’.
2. Integrate this mission with ‘a community’ set of core values.
3. The establishment of mutual trust and honesty, (a) between members, and (b) between the member its clients.
4. A ‘rethink’ of the morality underpinning the current conceptual framework.

The point of commencement can determine what the profession ‘stands for’ and its associated core values. Drawing on aspects of discussion in previous sections of this paper, an example of moral standards albeit at the individual level is listed below. These were highlighted by C. S. Lewis in the *Abolition of Man* and have been cited and adapted herein to include:

“Honesty, Justice and Good Faith

- ‘What good man regards any misfortune as no concern of his?’ (Roman. *Juvenal xv.140*).
- ‘The foundation of justice is good faith’ (Roman. Cicero, *De Off.* 1.vii)
- ‘To wrong, to rob, to cause to be robbed’ (Babylonian, List of sins. *ERE v.446*)

- 'I have not stolen' (Ancient Egyptian, Confession of righteous Soul *ERE*. 478)
- 'Choose loss rather than shameful gains' (Greek, Chilon Fr. 10. diels.)
- 'Never do to others what you would not like them to do to you' (Ancient Chinese. *Analects of Confucius*, tras. A. Waley, xv. 23; cf xii.2.) (Christian, Matt. Vii.12)
- 'If the native made a 'find' of any kind (e.g. a honey tree) and marked it, it was thereafter safe for him, as far as his own tribesmen were concerned, no matter how long he left it' (Australian Aborigines, *ERE* v. 441)
- Care and honour your parents (Greek. List of duties in Epictetus, III vii) (Ancient Jewish. Exodus xx.12)
- 'Respect the young', (Ancient Chinese, *Analects*, ix.22)
- 'Love your wife and family' (Greek, Homer, *Iliad*, ix.340)
- Be honest. 'With his mouth he was full of *Yea*, in his heart full of *Nay*?' (Babylonian. *ERE*. V. 336)) (Lewis 1967:59-63)".

The culture, personal values and issues associated with such values can be reflected throughout goals of the professional body, and in the type of control system implemented within the profession and translated to individual sections and members (Niermark and Tinker 1986, Weaver *et al* 1999, Ekanayake 2002, Booth and Schultz 2004). To stimulate a moral culture, the integration of a trustworthy identity into (a) longer term values, mission; (b) short term tactical; (c) operational decisions; and (d) short-term performance measures and reward systems, is important.

Consequently professional bodies and individual members face the problem of adeptly balancing a variety of moral values, and objectives (including quality of life), with economic objectives as they can no longer be divorced from honesty and trustworthiness and ‘doing the right thing’. For the individual member, the outcomes in terms of behaviour can include what Baxter and Rarick (1989:405) term “Kierkegaard’s ‘Knight’s of Faith’. These ‘free moral agents’ should be able to

- “identify their own values;
- assess their values in relation to other people and to important decisions;
- know and appreciate the role of moral behaviour in decision making;
- analyse a problem that prevents the use of or growth toward an ideal and especially, one that would provide for a more ethically-imbued culture;
- assess a course of action in terms of its long-range effects on the general human welfare instead of simply a short-range ‘fix’;
- make choices that will maximize both the individual and collective ‘good’ by speaking to a universal jury; and
- Take action(s) on the basis of their mediation”.

Along these lines, accountants are in a unique position to demonstrate that your wants “does not conflict with my rights (Des Jardins 2001)” in their decisions and business activities.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This paper contains a number of assertions, based on both a variety of academic and professional literature from a diversity of disciplines. Many of the topics included are only addressed briefly. Further in-depth analysis and academic discussion of these, and

the role of community values in business and professional activities, may offer further insights into the area of moral integrity.

CONCLUSION

The discussion in this paper has highlighted the major sets of values identified by Mitchell and Scott (1990) and provided issues for future discourse and debate on the need to stress community over personal advantage, and substantiveness over instrumentality.

As a communal or milieu activity, the accounting profession can challenge the domination of increasing profits and individualism as a conventional approach to business decision-making and reporting, by making significant inroads into inequalities and inequity surrounding the information reported.

“One of the other voices will be that of professional people themselves, and this is as it should be. One aspect of ethics is its emergence from the concrete realities of practices. Communal activities are structured around shared goals, and embody norms and ideals related to those goals and informed by tradition and the connection of the practices and norms (Coady 1996:135-136)”.

As individual members of the accounting profession we can ensure that we do not adopt a disengaged moral stance, either at a professional or personal level, by taking a substantive step to assure the perception and reputation of the profession does not slip into disrespect and “untrustworthiness”.

“As author C. S. Lewis observed ‘Moral collapse follows upon spiritual collapse’. Our refusal to teach our children – and our professionals – that they are answerable to their societyfor their behaviour have cost us our collective moral bearings. We have lost our ability as a society to pass moral judgment on individual behaviour. Indeed, we condemn ethical judgments as just that – ‘judgmental’ (Frohnen and Clarke 2002:2)”.

Importantly, “...ethics must address not only those values that determine what we want, but also those values that determine what we are (Sagoff 1988 cited in Des Jardins 2001:138)”. Moral integrity issues can only enhance the credibility of the profession.

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