The Irish Accounting Review (2000), Vol. 7, No. 2, 39-59

ETHICAL ISSUES IN ACCOUNTING: AN EMPIRICAL STUDY OF IRISH CHARTERED ACCOUNTANTS

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ABSTRACT

The objective of this research is to provide an insight into how Irish chartered accountants resolve ethical issues in accounting. This is achieved by examining relevant characteristics of their work environments. Empirical data are collected using a combination of a postal survey and interviews. The work environments of participants were viewed by them as being generally conducive to making ethical decisions, although this view was weaker for accountants operating in small firms and those in industry than for those employed in other work environments.

BACKGROUND

> In recent times professions have been plagued by scandals involving the use of position for private gain, ... resulting in a drop in society's confidence in professionals. (Velayutham and Perera, 1993, p. 288).

Lately, the accountancy profession in Ireland has been similarly criticised due to a perceived failure by members to carry out their duties as professionals. These criticisms have arisen from several scandals, which have allegedly involved accountants. Most recently, a 'payments to politicians' scandal prompted the Irish government to set up a tribunal (McCracken Tribunal) to investigate the circumstances surrounding payments made by a businessman to public representatives. The conduct of a number of accountants was questioned in the McCracken Report (1997) and this resulted in an inquiry by the Institute of Chartered Accountants in Ireland (ICAI) into possible wrongdoing by its members (The Blayney Inquiry), which has yet to report its findings. The conduct of the members concerned is being investigated to establish whether they acted in breach of the Institute's ethical guidelines, auditing standards or professional independence requirements. Furthermore, following the recommendations of another inquiry (DIRT Inquiry), which examined the non payment of DIRT (Deposit Interest Retention Tax) on bogus non-resident bank accounts, a Review Group on Auditing has been established by the Irish Government to examine a number of issues concerning the auditing profession. In addition, this review will also consider the issue of self-regulation in the auditing profession in Ireland and whether any new or revised structures or arrangements are necessary to improve public confidence.

Walters (1986, p. 72) remarks, 'our profession's image is largely the sum of our individual attitudes and actions. Each failure tarnishes the image of the profession'. To assist in ensuring that the image of the profession is not damaged by the behaviour of its members, professional bodies have rules governing the more likely problem situations that may arise for their members. However, rules cannot legislate for every possible circumstance and therefore commitment to high standards begins with the individual accountant. To ensure the integrity of the accountancy profession is upheld, each member must have a sound moral philosophy, an 'ethical compass' (Briloff, 1986) to guide behaviour. When this is lacking, members may act in a way that is detrimental to the reputation of the profession. Researchers have identified a number of other elements in the environment in which the accountant works which can have a significant effect on ethical reasoning. It is against this background that this paper addresses decision making by accountants when confronted with ethical dilemmas.

A profession usually exhibits certain characteristics that distinguish it from a mere occupation. In particular, professionals claim to uphold certain principles, and those principles which are specifically related to a particular profession are termed professional ethics. Sieber (1993, p. 14) describes ethics as follows:

> Ethics has to do with application of a system of moral principles to prevent harming or wronging others, to promote the good, to be respectful, and to be fair.

In explaining that accounting is a moral practice, Francis (1990, p. 5) states that 'it has consequences that call for moral discernment on the part of its practitioner.' Issues such as competing for clients, protecting client interests, insider-trading and whistle-blowing can pose ethical problems for the accountant (Leung and Cooper, 1995). In recent times, ethical dilemmas in accounting are perhaps more prevalent than ever because of increasing competition which 'is nothing like as dignified as it was forty years ago' (Donovan, 1995). Therefore the concept of ethics and the reasoning capability of the accountant are crucial in today's commercial environment (Gaa, 1992).

LITERATURE REVIEW

The Moral Reasoning Process

Every individual has an ability to work out what they believe to be right and wrong in the moral sense. An individual making a decision relating to moral issues is termed a moral agent. This ability to make a judgment is termed moral reasoning ability (MRA). Kohlberg (1969 and 1981), using the individual's concept of justice as the criterion for measurement, constructed a model of moral reasoning and developed a measurement scale for MRA. This scale was then distilled into three levels of Cognitive Moral Development (CMD). Each level is further categorised into two stages, giving six discrete stages in the model, as summarised in Jones and Ponemon (1993, p. 412) and depicted in **Figure 1**.

Figure 1: Kohlberg's Six Stages of Ethical Reasoning

Stage	What is Right	Reason for Doing it
Pre-conventional Level:		
Stage 1	Avoid breaking rules backed by punishment	Avoidance of punishment or harm to self
Stage 2	Follow rules if they are in own interest	To serve one's own immediate interest
Conventional Level:		
Stage 3	Living up to what is expected by others	Need to be a good person in the eyes of others
Stage 4	Fulfilling agreed-to duties and obligations	To keep the social institutions going
Post-conventional Level:		
Stage 5	Upholding non-relative obligations first	Obligation to law before social contracts
Stage 6	Follow self-chosen ethical principles	Belief in ideal as a rational person

Developing Cognitive Moral Development

The six stages of CMD are sequential. In other words, an individual cannot reach a later stage until the previous stage has been reached (Kohlberg, 1969). It is not possible to regress in the model. Once a stage is reached, an individual will remain at that stage until his or her MRA increases through life experiences and social interaction and he or she moves up another stage.

Rest (1979) developed a method of measuring MRA, called the defining issues test (DIT). This technique involves the use of hypothetical dilemmas, presented in a self-administered questionnaire with a list of considerations (defining issues). Subjects are asked to rank the considerations in order of importance in the resolution of the hypothetical dilemma. The priority given to stage five and stage six issues is then calculated and a principled score (DIT P-score) is computed. Rest (1986, p. 5) describes this score as 'the relative importance a subject gives to principled considerations in making a decision about ethical dilemmas'. The higher the P-score, the higher the MRA of the individual in question (Clarke, Hill and Stevens, 1996).

In the US, several studies have shown that the DIT P-scores of accountants are lower than the scores of other professional groups (Lampe and Finn, 1992; Armstrong, 1987). **Figure 2** lists DIT P-score examples for various occupations identified in the Lampe and Finn (1992) study, as reported in Gaa (1992, p. 61).

Figure 2: DIT P-Scores of Selected Groups

Professional		Non-Professional
Moral Philosophy and Political Science Doctoral Students	65.2	
Advanced Law Students	52.2	
Medical Students	50.2	
Staff Nurses	46.8	
	44.9	→College Graduates
Business School Graduates	42.8	
	42.3	→College Students
Accounting Students (Other studies)	41.8	
	40	→Adults
Accounting Students (Lampe and Finn)	34.5	
	31.8	→High School Students

Armstrong (1987) discovered that accounting students in the US had lower levels of moral maturation than other American college students and tended towards the level reached by adults in general. These studies prompted researchers to investigate factors affecting the MRA of accountants in particular. A number of factors such as rule orientation (Lampe and Finn, 1992), position level (Ponemon, 1990 and 1992), gender (Etherington and Schulting, 1995), culture (Cohen, Pant and

Sharp, 1995) and education (Ponemon and Glazer, 1990) have been found to be relevant.

Ponemon and Gabhart (1993) found that there was a difference between the MRA of accountants in Canada and those in the US, with Canadian accountants having the greater MRA. In a survey of Irish Chartered accountants (CAs), Clarke et al. (1996) discovered that the DIT P-score for Irish CAs was slightly lower than the scores of US accountants and other professionals of the same age and equivalent education in the US. Based on a comparison with the findings of Ponemon and Gabhart, they concluded that the average P-score for Irish CAs was significantly lower than that of Canadian 'big-six' practitioners. Clarke et al. suggested two possible reasons for the relatively low ethical reasoning abilities of Irish CAs. Firstly, the technically based accounting curriculum in Ireland may result in the ethical aspects of issues being ignored or not recognised by accountants. Secondly, the 'serving the client' mentality of accountants in Ireland may result in a failure to consider the wider issues involved in decision making.

Clarke et al. (1996) also reported that small firm practitioners had a lower MRA than those in 'big-six' firms and accountants in industry, although this was not statistically significant. A further conclusion was that in small firms, as the frequency of dealing with ethical dilemmas increased so too did the capacity for ethical reasoning.

Moral Atmosphere

Moral reasoning, the first step in the decision-making process, judges what action is morally right. The final action taken, while often in accordance with the moral judgment reached, will sometimes diverge from it (Blasi, 1980). This occurs because certain factors (termed moral atmosphere) influence the moral agent in the 'move from moral reasoning to moral behaviour' (Lovell, 1997, p. 150). Factors such as organisation culture and norms are elements of moral atmosphere. It should be noted that these factors are also elements of life experiences which affect the development of MRA. They have been incorporated into models of the decision-making process in ethical dilemmas.

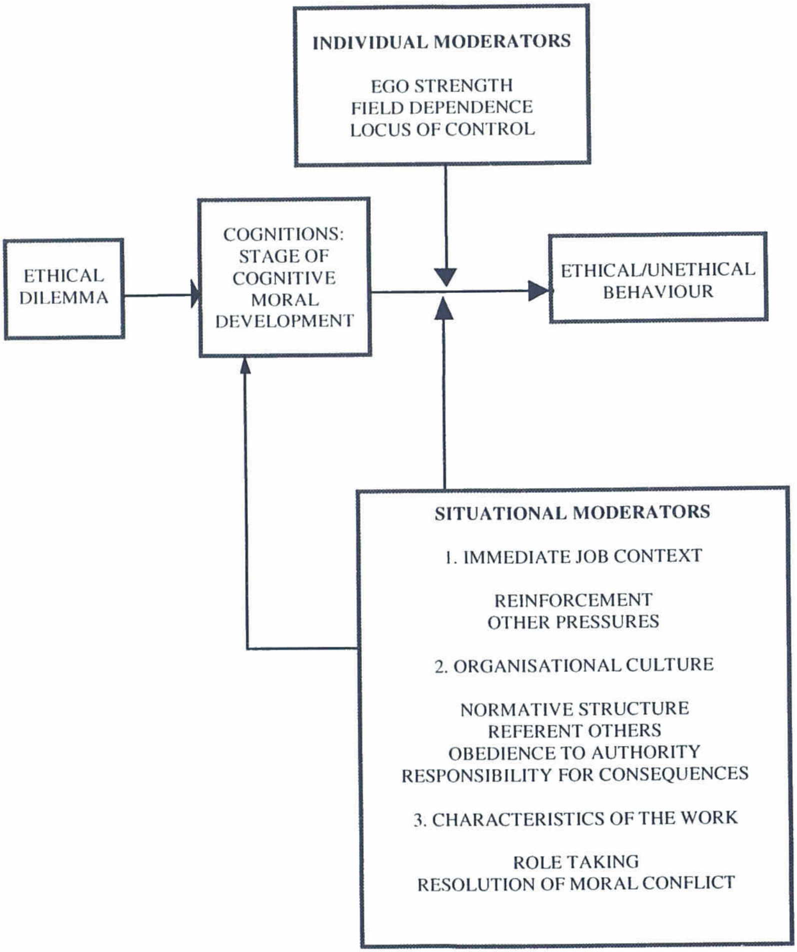
A Model of Ethical Decision Making

In the endeavour to explain the decision-making process of an individual confronted with an ethical dilemma, several models which try to capture the main factors influencing the decision maker have been developed (Rest, 1986; Hunt and Vitell, 1986). Trevino (1986, p. 603) proposes an interactionist model of ethical decision making (see **Figure 3**). This interactionist model combines personal characteristics with situational factors to explain the decision-making process of an individual confronted with an ethical dilemma in an organisation (p. 601). The model suggests that elements of the work environment (situational moderators) impact on the cognitive moral development and behaviour of the individual. This provides a useful framework for study of the work environment. According to the model, an individual working in an organisation will be subject to many influences. Trevino identifies three factors in the organisation which can contribute to both the reasoning process and the process of moving from judgement to behaviour. These situational moderators are: immediate job context (e.g. time pressure, financial pressure); the culture of the organisation (e.g. effect of colleagues' attitudes); and, characteristics of the work (e.g. frequency of dealing with conflict).

In a previous study of Irish managers' attitudes in business, Alderson and Kakabadse (1994) examined manager perceptions of the influence of peer behaviour on ethical and unethical behaviour. The most highly-rated influence was top management's impact on the culture of the organisation and the ethical example they show in their behaviour. The behaviour of peers was also rated highly. A further conclusion of the study was that while the managers exhibited a high awareness of ethical issues in their work, they identified shareholders' interests as being of prime importance. Therefore ethical intentions may be overridden by stockholder requirements, encouraging a culture in the organisation that (p. 439) 'is built around the principle of satisfying stockholder interests at any cost'. They concluded that (p. 439) 'such cultures are inevitable breeding grounds of potentially unethical behaviour'.

In addition to the organisation factors, individual personality characteristics impact on the decision-making process. Trevino (1986) specified ego strength, field dependence and locus of control as individual variables that may affect the decision-making process (see **Figure 3**). Bommer, Gratto, Gravender and Tuttle (1987) identified personal goals, motivation mechanism, position, life experiences and demographics as other individual attributes which may be inputs into the model of ethical decision making.

Figure 3: Interactionist Model of Ethical Decision Making in Organisations



OBJECTIVE AND RESEARCH METHOD

This research involved an investigation into the specific variables within the work environments of Irish chartered accountants that may influence their decision making when confronted by ethical dilemmas. A cross-sectional survey was designed and two methods were used in the data collection process (a mail questionnaire and semi-structured interviews). The population chosen was members of the Institute of Chartered Accountants in Ireland (ICAI) registered in Dublin who qualified in the periods 1994-97 and 1984-87. Thus, members working in both industry and practice were surveyed. Participants were selected randomly from the ICAI Members' Handbook. Respondents were not required to identify themselves on the questionnaire as it was felt that anonymity was important given the sensitive nature of the research topic. Using a total sample size of 120, the survey was conducted in June 1998.

One of the main objectives of the questionnaire was to assess perceptions of the work environments of a broad range of accountants. Employing relevant elements of Trevino's model (**Figure 3**), respondents were asked about their work environments and the situational moderators impacting on their decision making. To measure the participants' perceptions of specific variables in their work environments, a five-point Likert scale was employed. Participants were requested to indicate the extent of their agreement with statements regarding relevant work environment variables, ranging from strongly agree to strongly disagree.

A small number of semi-structured interviews were carried out in order to explore further issues raised in the questionnaire. A request was made in the covering letter to the questionnaire for a short meeting of 20 to 30 minutes to discuss relevant issues. From those respondents who indicated their willingness to participate, six were selected for interview. These consisted of three partners (one from a 'big-five' firm, one from a medium-sized firm and one from a small firm), two accountants working in stockbroking firms, and one audit manager from a small firm. All three partners were over 35 years old, although one had qualified in 1994, and the remaining three participants were in the 25-

30 age group. The interviews were recorded and transcripts prepared to facilitate data analysis. Given the small number of interviews, the views expressed could not be described as necessarily representative of chartered accountants in Ireland. The views of other accountants occupying different positions in various organisations would enhance any future research in the area.

FINDINGS

Demographics of Respondents

Table 1 illustrates the composition of the two participating groups in terms of gender and employer's organisation size. The overall response rate was 68 per cent. The first group (1994-97) accounted for 54 per cent of respondents, and the second group (1984-87) 46 per cent. As **Table 1** shows, the majority of the respondents were male (71 per cent). Small firms (less than 50 employees) represented 41 per cent of respondents, while 34 per cent came from large organisations (greater than 250 employees).

Table 1: Demographics of Respondents

Qualifying Year	1994-97		1984-87		Total	
	No.	%	No.	%	No.	%
Gender						
Male	27	32.93%	31	37.8%	58	70.73%
Female	17	20.73%	7	8.54%	24	29.27%
Total	44	53.66%	38	46.34%	82	100.00%
Org'n Size (Employee No.)						
<50	16	19.51%	18	21.95%	34	41.46%
<250	13	15.85%	7	8.54%	20	24.39%
250+	15	18.29%	13	15.85%	28	34.15%
	44	53.66%	38	46.34%	82	100.00%

As **Table 2** illustrates, 43 per cent of the survey respondents worked in accountancy practice, with 57 per cent working in industry.

Table 2: Position of Respondents

Position	**1994-97**		**1984-87**		**Total**	
	No.	**%**	**No.**	**%**	**No.**	**%**
Audit Manager	6	13.64%	4	10.53%	10	12.20%
Tax Manager	4	9.09%	0	0.00%	4	4.88%
Partner	3	6.82%	10	26.32%	13	15.85%
Sole Practitioner	2	4.55%	1	2.63%	3	3.66%
Other in Practice	3	6.82%	2	5.26%	5	6.10%
Total in Practice	18	40.91%	17	44.74%	35	42.68%
Financial Controller	7	15.91%	5	13.16%	12	14.63%
Project Accountant	1	2.27%	3	7.89%	4	4.88%
Financial Account-ant	7	15.91%	4	10.53%	11	13.41%
Finance Director	1	2.27%	3	7.89%	4	4.88%
Other in Industry	10	22.73%	6	15.79%	16	19.51%
Total in Industry	26	59.09%	21	55.26%	47	57.32%
Grand Total	44	100.00%	38	100.00%	82	100.00%

Work Environment

Table 3 presents the statements/questions used in the questionnaire to ascertain perceptions of the CAs of their work environment. These were based on Trevino's (1986) model (**Figure 3**). It also presents a percentage breakdown of the responses received which will be referred to throughout the following discussion. These results are presented under four headings:

organisation culture, characteristics of the work, immediate job context and other situational variables. Relevant issues from the interview process are integrated into these findings and results of statistical analysis of the survey data are also presented where appropriate[1].

Table 3: Survey Results

Statement/Question	**Freq**	**Occas**	**Never**		
1. My job requires taking account of the attitudes of others before making a decision	64%	34%	2%		
2. I am responsible for resolving conflict in work	34%	56%	10%		
	SA	**A**	**D**	**SD**	**CD**
3. My organisation has a culture which espouses clear values about what is appropriate behaviour	40%	38%	11%	0%	11%
4. At work I am encouraged to take responsibility for my decisions	58%	40%	1%	0%	1%
5. At work I am encouraged to be aware of the consequences of my decisions	51%	44%	1%	1%	3%
6. I depend on those around me in my organisation to guide me in my decision making	10%	55%	25%	5%	5%
7. At work I am encouraged to resolve conflict	13%	72%	9%	2%	4%
8. Does your organisation have specific punishments for unethical behaviour?		*Yes* 43%		*No* 57%	

Key:
Freq: Frequently; Occas: Occasionally; SA: Strongly Agree; A: Agree; D: Disagree; SD: Strongly disagree; CD: Can't Decide

Organisation Culture

Responses to statement 3 were used to ascertain whether the respondents' organisations had normative cultures, as outlined by Trevino (1986). Overall, the results suggest that the work environments of the respondents do have normative structures (78 per cent agreeing or strongly agreeing). The strongest agreement came from medium-sized firm employees (85 per cent) while the largest disagreement came from the small firm group where 18 per cent disagreed or strongly disagreed. When asked about culture during the interviews, small audit firm participants mentioned that the increasingly competitive nature of the accountancy profession has resulted in a move from a professional to a commercial culture with a focus on profits and liability. There was also a difference in perception of organisation culture between accountants in industry and practice, with those in accounting practice being more positive about the culture of their organisation. This difference was found to be significant using the Mann-Whitney u test ($p <.01$). This may reflect the high proportion of this group that are partners (59 per cent) and who are commenting on their own firm. Those in industry agreed less strongly, with 14 per cent disagreeing or strongly disagreeing and 24 per cent unable to decide.

Taking Responsibility for Decisions and their Consequences

Respondents felt strongly that they were encouraged to take responsibility for decisions (statement 4) and to be aware of their consequences (statement 5), suggesting a culture which encourages ethical behaviour. Accounting firm employees reported significantly higher levels of agreement with both statements than accountants in industry ($p < .05$).

Influence of Peers and Superiors

Peers were perceived to have less influence on individual decision making than the other factors in the work environment (statement 6), with less support for this statement than any other. This result was slightly more evident in industry and in medium-sized firms, where there was even less agreement that peers were depended upon for guidance. Obedience to authority, included in Trevino's (1986) model (see **Figure 3**) was investigated through the interviews. All of the participants agreed that the orders of a superior should generally be obeyed.

When asked about a situation in which a superior required them to act in a way they did not think was appropriate, most participants felt they would put their view to the superior and seek to achieve a consensus. Participants did not agree that it would be easier to carry out such an action even if the superior would take ultimate responsibility for it. However, several participants indicated that they would carry out such an action if required. One of the stockbrokers admitted that he would acquiesce to the view of the superior even though he commented in a response to a different question that he would not trust a superior to give correct advice. These findings suggest that superiors rather than colleagues have considerable influence over the decision making of accountants, particularly in industry.

Characteristics of Work

According to Trevino (1986), the more often the perspective of others is taken into account in a decision, and the more often conflict is resolved, the higher the level of MRA. Eighty-five per cent of respondents agreed that they are encouraged to resolve conflict at work (statement 7). When asked how often their job requires them to take account of the attitudes of others (statement 1), 64 per cent of respondents said they were frequently required to do so. When analysed according to firm size, it emerged that small firm employees felt that they were required to take account of the attitudes of others less often than respondents from larger firms. Small firm employees maintained they were more frequently involved in resolving conflict (statement 2) than did medium and large firm employees (41 per cent, compared to 25 per cent and 32 per cent respectively). When asked about this conflict during the interviews, small accounting firm employees referred to client issues most frequently. Therefore, while their job may not require them to take account of the attitudes of others, the reality of the small accounting business means that they are dealing with clients and their demands every day, resulting in their being required to resolve conflict more frequently than respondents from larger firms.

Immediate Job Context

Respondents were asked (question 8) whether their organisation had specific punishments for unethical behaviour. Trevino (1986) had found that punishment acted as a reinforcement mechanism impacting on ethical conduct. A statistically significant lower percentage of small firm respondents reported the existence of specific punishments (27 per cent) with medium and large firms being broadly similar with 55 per cent and 54 per cent respectively ($p < .10$). In industry, organisations were less likely to have specific punishments than in accounting firms ($p < .05$).

Other Situational Variables

Participants during the interview process, in response to an open-ended question, mentioned other variables impacting on ethical decision making. One such factor impacting on the view of whether an act was right or wrong was if the client had created the situation himself or herself. For example, the situation where a client is in trouble as a result of dubious transactions is viewed differently from a situation where a client, through no fault of his own, gets into difficulty. In the latter case, according to one interviewee, if unethical behaviour were required of the accountant to remedy the situation "it probably would be acceptable".

The "magnitude of the consequences" was mentioned by several interviewees as a variable impacting on their ethical decision making. This has previously been identified by Jones (1991), who argued that factors such as the magnitude of consequences relevant to each specific dilemma must be incorporated into any decision-making model. Respondents felt that when the magnitude of the consequences is small, there is no point in worrying about the ethical content. For example, printing a private document in work was viewed as a trivial matter. When the magnitude of the consequences is very large, the evaluation of the decision will be affected. This was mentioned in the context of a dilemma put to the interviewees. The dilemma involved a family member who would lose a substantial amount of money invested when a bank collapsed. As the bank's auditor, the interviewee knew of the situation. The dilemma was whether to break client confidentiality rules to inform the family member. In this instance, the amount of money involved was believed by interviewees to be a significant variable in deciding whether breaking the rule was justified.

This dilemma also illustrates the effect that closeness of the relationship had on the moral agent. Most interviewees felt that it would be wrong to tell the family member, yet indicated that they would do so without hesitation if they were in a similar situation. Therefore, even though following the rules is viewed as the more ethical choice, the impact of the decision on a family member is a variable which overrides moral judgement. Jones (1991) also identifies this variable, using the term 'proximity variable', where an action is more likely to be to the benefit of those close to the moral agent.

DISCUSSION

This study aimed to explore decision making of two groups of Irish chartered accountants when faced with ethical dilemmas. It examined aspects of their work environments relevant to decision making on ethical issues based on Trevino's (1986) model. The findings should be interpreted in the light of the study's limitations. In particular, the population used in the primary research is not representative of all chartered accountants in Ireland. Therefore, the findings of the research are not strictly generalisable to the entire population of chartered accountants in Ireland. However, it is anticipated that the findings have relevance to most chartered accountants in Ireland and will increase the understanding of their decision-making processes. A second limitation is that respondents were required to assess themselves. Clarke et al. (1996) term this 'self-reported assessment'. This is a problem because respondents may have an incorrect perception of a situation and consequently give an inaccurate response. A third and related limitation of the questionnaire is that it required a good deal of thought by the respondent before a valid answer could be given. Whether all respondents did this obviously cannot be known. However, it was a voluntary survey, with a high proportion of respondents requesting the results. As was suggested in the Clarke et al. (1996) study, it is quite probable that persons with an interest in the subject matter are likely to complete it honestly and accurately.

Further, research in the area of ethics involves a particular difficulty regarding the accuracy and spontaneity of respondents' answers. Schlachter (1990) argues that indicating to participants that a particular issue has an ethical content results in an immediate reference to ethical guidelines, and thus the response is biased. A more valid approach would be to indirectly study ethical intentions by framing a question in terms of career considerations, for example, and observing whether ethical issues are considered. For this reason, the layout of the questionnaire avoided the use of the word 'ethics' until the latter part, where a specific section was devoted to ethical issues. However, there was still a risk that the answers given to questions were affected by the fact that the participants knew the research related to ethics in accounting.

Notwithstanding these limitations, a number of conclusions can be drawn. The overall perception of the respondents was encouraging. The CAs reported that their work environments generally encourage conflict resolution, emphasise taking responsibility for decisions and also tend to have cultures which espouse clear values about appropriate behaviour. These are all factors that Trevino (1986) believed are likely to promote ethical actions.

An important issue emanating from the results, which may be of particular concern, relates to the work environment of accountants working in small firms and also those in industry. Furthermore, there was evidence of differences in responses with respect to the work environments of accountants in different sized organisations. While medium-sized firm employees expressed the most satisfaction with their organisation culture, they were less likely to depend on their organisation for guidance. These results indicate that those in medium-sized firms are more autonomous and independent of their organisation when making decisions and suggests that their actions will be more in line with their judgements (Trevino, 1986). A similar, but slightly weaker effect was found for large firms. Small-firm employees, however, were less emphatic that their organisation had a normative culture but were more likely to depend on their organisation for guidance. Further, employees of small firms indicated that they face ethical conflicts more often. The small-firm audit manager who was interviewed referred to ethical conflicts, such as trying to ensure that audit clients are compliant taxpayers. This problem may be exacerbated by the 'serving the client mentality' of Irish accountants suggested by this and other studies. Smaller firms to inform the family member. In this instance, the amount of money involved was believed by interviewees to be a significant variable in deciding whether breaking the rule was justified.

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Further, the results concerning work environments illustrate that there are differences in perceptions of work environments between respondents in industry and those in accountancy firms. In industry, the accountants surveyed felt less strongly that their organisation had a normative culture. They are also less likely to depend on their organisation for guidance. With respect to accountants in industry, it was perceived that their organisations do not encourage them to take responsibility for decisions and be aware of the consequences of their actions to the same extent as accountancy firms. Industrial organisations tend not to have the reinforcement mechanisms for ethical behaviour in terms of specific punishments that are present in accountancy firms. Professional guidelines were viewed as irrelevant to the work situations of accountants in industry, with one of the stockbrokers interviewed admitting that he was unfamiliar with them. Overall it seems that the work environments of employees in industry may be less conducive to encouraging ethical decisions than the environment of larger professional accountancy firms.

CONCLUSION

The main objective of this study was to explore the decision-making process of Irish chartered accountants when faced with an ethical dilemma, and specifically to examine relevant characteristics of the environments in which those decisions are made. The overall findings indicate that characteristics of work, context in which the work is performed and other organisational factors impact in a positive way on ethical decision making. However, the evidence also shows that small firm and industry-based accountants perceive a lower level of explicit support from their organisations and may face more difficulty in making ethical choices.

Given the importance of ethics for the accountancy profession, there is clearly a need to continue this line of research. Findings from the current study provide a useful basis for future research by highlighting specific areas in need of further investigation. There is a need to examine whether the characteristics of the working environment in small firms and industry, which have been identified in this study, actually give rise to unethical decision making in practice and, if so, what action if any might be appropriate. Given the increasing complexity of business dealings and transactions, there is a need to examine in greater depth the decision-making process of accountants in situations not catered for by specific guidelines. A wider set of active environmental influences needs to be constructed and, using a contingency framework, an understanding developed of the circumstances under which these are likely to influence the actions of individual accountants.

ACKNOWLEDGEMENT

The helpful comments of participants at the IAFA Annual Conference (University College Cork, May 1999) and the two anonymous referees are acknowledged.

NOTES

[1]Previous studies identified differences in the responses of various subgroups to ethical issues, and a further statistical analysis of the results of the current research was completed to establish whether any differences were present. However, no significant differences were identified in the following areas: male v female; younger group v older group; and, position level.

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