

Ethics And The Accountants' Code Of Conduct

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Abstract

Although the AICPA has established the Professional Code of Conduct to deal with the behavior of CPAs, research has also shown that an individual's behavior is affected by his or her personal values. While there has been considerable research of the ethical behavior of business professionals and business students, there has been limited research of the personal values of public accountants. This study was designed to examine the values and value types underlie the ethics of Big Six public accountants.

A survey instrument, consisting of 56 values, developed and validated by Schwartz was administered to audit and tax professionals at each of the Big Six public accounting firms in Milwaukee, Wisconsin. Value types were derived from the 56 values. The results of the study show there are differences in values and value types by gender, area of practice (audit, tax) professional level (staff, senior, manager, partner) and firm. Although the rankings of the values and value types differed within each category (i.e., gender, area of practice), there was considerable uniformity in the rankings of the most important and least important values, and value types. The most important values are Family Security, Healthy, Self-respect, Honest and True Friendship, while the least important values are Accept My Portion in Life, Daring, Unit With Nature, Detachment and Social Power. Benevolence and Achievement are the most important value types, while Tradition and Power are the least important.

Introduction

The public accounting profession has long demonstrated the importance of ethical behavior through the use of the AICPA Code of Professional Conduct. In recent years, the importance of ethical behavior has been reinforced through legislation. Some examples are the Federal Sentencing Guidelines, auditing standards (SAS No. 78 Consideration of Internal Control in a Financial Statement Audit; SAS No. 82 Fraud in a Financial Statement Au-

dit) and the results of studies such as the study by the National Commission on Fraudulent Financial Reporting.

Values have been defined as "general standards by which we formulate attitudes and beliefs according to which we behave" (Posner and Schmidt, 1987, 341). Research (Fritzsche 1995) on values supports the premise that values influence behavior.

Readers with comments or questions are encouraged to contact the authors via e-mail.

Although it has been stated that "auditors value systems and their ability to recognize ethi-

cal issues are important to the continued success of the accounting profession" (Wright et al. 1996, 1), the primary focus of the profession has been on ethical behavior rather than the values that influence such behavior. There is evidence, however, that accounting firms are recognizing the importance of values. The following are examples of basic or core values of two Big Six public accounting firms:

- Integrity and objectivity in all our relationships, and independence in all our attest engagements
- Strong personal involvement and commitment in our relationships
- Innovation and a willingness to consider change in everything but our basic values.
- Integrity: We adhere to personal and professional standards that exceed those required by legal and professional codes.
- Professional Services: We deliver services based on the same core values that reinforces the pillars of professionalism: integrity, objectivity and competence.

Research, like the profession, has primarily focused on ethical behavior. The purpose of this paper is to examine the values of Big Six public accountants. The study was conducted prior to the most recent merger that resulted in the Big Five. This study contributes to the literature in four ways. First, we use the most widely used instrument for measuring values (Eliason and Schubot, 1995). Second, whereas prior studies have examined only individual values, we examine both values and value types (systems). This is particularly important since values research (Williams 1968) shows that individuals' decisions are guided by groups of values (value systems). Third, we examine differences in values and value types on a firm-wide basis. A firm's values are important because corporate culture can impact on individuals' personal values (Chatman 1989, Sims 1992). To our knowledge no other study has examined this issue. Fourth, this study provides a more comprehensive comparison of values and value types by practice

area (audit, tax) and professional level (staff, senior, manager, partner) than prior research.

An understanding of the values and value types can be useful to public accounting in at least three ways. First, firms can use the findings to develop values or refine a set of values. Second, the information should be useful for recruiting and training purposes; particularly training that focuses on gender interaction. Third, information about professionals' values can be used for evaluation and promotion purposes.

This paper is organized in the following manner. The first section of the paper is a review of relevant research. The design and the results of the study are presented in the second and third sections, respectively. Concluding comments are provided in the final section.

Literature Review

Research about the values of accounting students, accounting educators, and specifically, professional accountants is limited. Prior studies of accountants' values have primarily used the Rokeach values survey instrument that asks respondents to rank order 18 instrumental and 18 terminal values. The following provides a brief overview of research related to each of the three groups.

Baker (1976) used the Rokeach Values Survey instrument to compare the values of accounting and nonaccounting majors at a major California university (name not provided). The accounting students' most important terminal values were Happiness, Self-respect, and a Sense of Accomplishment, while their top instrumental values were Honest, Responsible and Broadminded.

Giacomino and Akers (1997) used the Schwartz instrument to compare the values and value types of accounting and nonaccounting business majors at Marquette University. The three most important values of the accounting

students were Family Security, Honest and True Friendship; while Benevolence and Achievement were the highest ranked value types.

Ward et al. (1995) used the Rokeach instrument to examine the personal values of accounting professors and to develop separate values profiles for female and male educators. They (39) concluded "that the value systems of both groups are significantly related and that, for the most part, male and female accounting educators view the same values with corresponding degrees of importance." Both groups ranked Honest and Responsible as the most important instrumental values, while Self-respect was the highest-ranked terminal value by both. After Self-respect, female educators ranked Freedom and Inner Harmony as the most important terminal values; while male educators rated Family Security and Happiness, ranked second and third, respectively.

Swindle et al. (1987) used the instrumental values of the Rokeach instrument and surveyed a national sample of CPAs about their values. CPAs ranked Family Security, Self-respect and Happiness as the top three values.

Ward et al. (1997) also surveyed a national sample of practicing CPAs' values using the Rokeach instrument. The respondents, of whom the majority (85%) were managers and partners, ranked Honest and Responsible as the two most important instrumental values and they rated Self-respect and Family Security as the top two terminal values.

Giacomino and Akers (1997) conducted a study of the values and value types of the 100 most influential people in accounting and managing partners of the top 100 CPA firms as listed in *Accounting Today*. Their findings show that the respondents' profile is that of helpful, honest, service-oriented professionals who place low importance on power and control.

Akers and Giacomino (1999) also examined the values and value types of Certified Internal Auditors (CIAs). They found CIAs' exhibit values and value systems embodied in the Standards of Conduct for Internal Auditors.

Design

Instrument

While the Rokeach Value Survey has been the most widely used instrument for values' studies over the past thirty years, other instruments have been developed and used in values studies (Braithwaite, 1982, Kahle, 1993, Schwartz, 1992). We used the Schwartz Values Questionnaire (Schwartz 1992) was used because the instrument is now considered the most widely-used instrument for measuring personal values (Eliaison and Schubot 1995). The instrument consists of 56 values that Schwartz grouped into ten distinct value types. The value types were derived based on the reasoning that the values represent goals pertaining to three universal requirements of human existence: biological needs, requisites of coordinated social interaction, and demands of group functioning (Schwartz and Bilsky, 1987). Validation studies (Schwartz and Sagiv 1995) support the universal existence of the ten value types. Following are the ten value types and the individual values that make up each value type.

- **ACHIEVEMENT:** Personal success through demonstrating competence according to social standards. (Successful, Capable, Ambitious, Influential)
- **BENEVOLENCE:** Preservation and enhancement of the welfare of people with whom one is in frequent personal contact. (Helpful, Honest, Forgiving, Loyal, Responsible)
- **CONFORMITY:** Restraint of actions, inclinations, and impulses likely to upset or harm others and violate social expectations or norms. (Politeness, Obedient, Self-Discipline, Honoring Parents and Elders)

- HEDONISM: Pleasure and sensuous gratification for oneself. (Pleasure, Enjoying Life)
- POWER: Social status and prestige, control or dominance over people and resources. (Social Power, Authority, Wealth)
- SECURITY: Safety, harmony and stability of society, of relationships, and of self. (Family Security, National Security, Social Order, Clean, Reciprocation of Favors)
- SELF-DIRECTION: Independent thought and action-choosing, creating, exploring. (Creativity, Freedom, Independent, Curious, Choosing Own Goals)
- STIMULATION: Excitement, novelty, and challenge of life. (Daring, A Varied Life, and Exciting Life)
- TRADITION: Respect, commitment, and acceptance of the customs and ideas that traditional culture or religion impose of the self. (Humble, Accepting My Part in Life, Devout, Respect for Tradition, Moderate)
- UNIVERSAL: Understanding, appreciation, tolerance and protection for the welfare of all people and for nature. (Broadminded, Wisdom, Social Justice, Equality, A Word at Peace, A World of Beauty, Unity with Nature, Protecting the Environment)

We asked respondents to rate each value in terms of its importance as a "guiding principle in their lives", using a 9-point scale, ranging from -1 ("opposed to my values") to 7 ("of supreme importance"). The following demographic data was also requested: number of years with the firm, gender, area of practice (audit or tax) and professional level (partner, manager, senior, staff).

Sample

The partners or directors of human resources of the Big Six firms in Milwaukee, Wisconsin were contacted to solicit their participation in the study. All six firms agreed to participate. To encourage participation in the study, we drafted a cover letter that explained the pur-

pose of the study, the importance of the professionals' participation and the similarities between this study and a study of exemplary physicians' values. The partners or directors of human resources also distributed a short memo that encouraged participation. Questionnaires were distributed to all audit and tax professionals.

Results

Response rate and Demographic Data

The overall response rate for was 42% (251 out of 600). The average age of the respondents is 30.5 years and the average number of years with the firm is 6.3 years. A majority (68%) of the respondents are men and all of the partners are male. The only level where the number of females (23) exceeds the males (22) is the staff level. These findings illustrate both the problem of retaining women and that the majority of new hires in recent years have been women. According to the AICPA, 53 percent of new hire positions at public accounting firms in 1995 were women (*Accounting Today*, 1997 3).

All Respondents

The top five values (for both the mean values and percentage that rated the value as "Supreme Importance" are Family Security, Healthy, Self-respect, Honest, and True Friendship. The bottom (percentage of respondents indicating "opposed to my values") five values (52 to 56) are Accepting My Portion in Life, Daring, Unity With Nature, Detachment, and Social Power. Social Power (20%), Detachment (15%) and Accepting My Portion in Life (9%) are the three primary values cited as "opposed to my values."

Gender

The only differences between the females and males for the top and bottom five values are the rank ordering and one value (females - Moderate; males - Accept My Portion in Life) in the

bottom five. These findings suggest there are few differences between females and males regarding the most important and least important values in their lives. However, there are sixteen individual values for which females' and males' responses were significantly different. Males rate only three of these sixteen values higher: Freedom, Humble and Moderate. The other thirteen values pertain to relationships, life and social issues and these values are more important to the females. The high number of significant differences by gender was not anticipated. Although Ward et al. (1997) used a different instrument, they found significant differences for only 11% (4 of 38) of the values as compared to our results of 29% (16 of 56). It is interesting to note that both studies found significant differences for the values Independent and Equality. Ward et al. (1997) found that males considered Equality and Independent to be more important than females, while we found females ranked these values higher.

Regarding value types of females and males, the top two value types [Benevolence (1st) and Achievement (2nd)] and the bottom two values [Tradition (9th), Power (10th)] are the same for both groups. Males and females are both concerned with the preservation and enhancement of the welfare of the people with whom they deal. They also desire success through demonstrating competence. The acceptance of the customs that traditional culture imposes, social status and control over both people and resources, are of limited importance to both groups. Although there are significant differences for 16 single values, Universal is the only value type where a significant difference exists. Females rated this value type higher than males, which implies that females place more importance on understanding, appreciation, tolerance and the welfare of all people and nature.

Practice Area (Audit, Tax)

While the rank orderings of individual values are slightly different between audit and tax

professionals, the top five values (Family Security, Healthy, Self-respect, Honest, True Friendship) and bottom five values (Accept My Position in Life, Daring, Unity with Nature, Detachment, Social Power) are the same for both groups. These findings reflect the uniformity of audit and tax professionals' views of the most important and least important values.

There are five values where significant differences exist between audit and tax professionals. Tax professionals placed more importance on the values "helpful" and "social justice" while the auditors placed more importance on the other three. It is interesting to note that auditors consider an exciting life to be more important than do tax professionals.

We also examined the rank differences by practice area. There are only seven values (Successful - 6, An Exciting Life - 6, A Varied Life - 6, Curious - 6, Meaning in Life - 9, Wealth - 9 and Social Justice - 15) where the rank difference is 6 or more. This illustrates considerable uniformity in the rankings by practice area.

Rankings of the value types by the audit and tax professionals are identical for both groups. Power, which is ranked 10th by both groups, is the only value where there is a significant difference. Auditors consider social status, prestige and control over both people and resources to be more important than do their tax colleagues.

Professional Level (Partner, Manager, Senior, Staff)

Several observations can be drawn from results by professional level. Respondents at every professional level ranked Family Security as the most important value, while Detachment (55) and Social Power (56) were ranked as the least important values. Health was ranked second by partners, managers and seniors and fourth by staff. Every group ranked Self-respect in the top five. Seniors (9), which ranked Honest ninth, are the only level that did not rank this value in

the top five. Although staff is the only level to rank Ambitious in the top five, the importance of this value to the other professional levels is evidenced by their rankings (partners - 9th, managers - 8th, seniors - 7th). It is interesting to note that only seniors ranked Enjoying Life in the top five. Both seniors (3rd) and managers (5th), followed closely by the staff (6th) ranked true Friendship in the top 5. Partners placed less importance (16th) on this value.

To provide additional insights regarding the rankings by professional level, t-tests were used to evaluate the significance of the differences in the rankings of the 56 values. We examined the following ranking relationships: 1) staff and seniors; 2) seniors and managers; 3) managers and partners; 4) staff and partners.

There is one value (Pleasure) with a significant difference between staff and seniors. Seniors are more concerned with pleasure than staff. One significant difference (Reciprocation of Favors) exists between seniors and managers. Seniors place more importance on the reciprocation of favors than do managers.

It is interesting to note there are five significant differences (Social Order, True Friendship, Moderate, Humble, Accepting My Position in Life) between managers and partners. True Friendship is the only value ranked higher by managers. There are three significant differences (Reciprocation of Favors, Intelligent, and Clean) between staff and partners. The staff consider each of the three values to be more important than do partners.

The limited number of significant differences between the various professional levels is particularly interesting. Research (Chatman, 1989; Sims, 1992) has shown that corporate culture can play a significant role in determining whether personal values are expressed. Chatman (1989) also notes that in organizations where a strong corporate culture exists, individuals will either take on the values of the organization or

leave. Since the findings of this study show few differences between the various professional levels, the implication is that the firms are hiring individuals with values that mirror the firms' values. If this were not true, there should be more significant differences between staff and partners, since the amount of turnover in public accounting firms is still high.

We found that partners ranked Responsible, Freedom and Helpful higher than did any of the other levels. The lower ranking (less importance) by seniors is particularly interesting. In most cases, the promotion to senior is the first major shift in responsibility during an individual's career with a public accounting firm. The importance of Freedom by each level coincides with the additional flexibility/ autonomy of the respective position. Based on discussions with partners and managers, this finding is not surprising.

The ranking of Helpful (working for the welfare of others) by partners also makes sense. Partners sell services that will help their clients. The importance attributed to National Security (protection of my nation from enemies) by the partners is also reasonable since they are older and the perceived threat of attack from other countries (i.e., Russia) was more prevalent during the partners' youth than it is today.

Partners ranked Intelligent lower than did the other levels. This appears to be consistent with the shift in responsibilities once an individual becomes a partner. While technical abilities (intelligent) are still important, partners primarily focus on selling the services of the firm.

Obedient becomes less important as individuals are promoted to manager and partner. Since the number of superiors for an individual decrease with each promotion, this finding is not surprising. This finding is also consistent with Ward et al.'s (1997) findings.

Partners also ranked Meaning in Life and Enjoying Life lower than the other groups. Caution should be used in the interpretation of these results. It is possible that partners have determined their meaning in life and, therefore, the value is not as important to them. It is also possible that partners are satisfied with their lives and, accordingly, enjoying life is not as important as other values. Another explanation is that the pressures and demands of the position impact the importance of this value.

Regarding value types, Benevolence and Achievement are ranked first (most important) and second, respectively, by every group, while Power is ranked tenth (least important) by each group. Tradition is ranked ninth by every group except partners, who rated Stimulation ninth. The respondents have values profiles which show a strong emphasis on helping others and obtaining personal success through demonstrating competence. They place low importance on the values (Social Power, Authority, and Wealth) that comprise the Power value type. This profile is consistent with professionals who are more client-oriented than self-oriented.

Except for the rankings of Benevolence and Hedonism, the rankings by the seniors and managers are identical. The seniors ranked Hedonism first, which indicates they are more concerned with pleasure and self-gratification.

T-tests were also used to evaluate the significance of the differences in the rankings of the value types. The following four relationships were examined: 1) staff/seniors, 2) seniors/managers, 3) managers/partners, and 4) staff/partners. There are no significant differences in the value types for relationships 2, 3 and 4. For relationship 1, the only significant difference was Hedonism. Hedonism is more important for seniors than staff.

Firm

Results by firm show considerable agreement about values. Family Security is ranked first by five firms and second by the sixth firm. Healthy, which is ranked in the top five by all six firms, is ranked second by four of the firms. Honest is ranked in the top five by every firm executive. Firm three ranked Honest seventh. Self-respect, ranked first by Firm 6, is ranked in the top five by five firms and is ranked sixth by Firm 3. True Friendship is ranked in the top five by three firms and is ranked sixth by Firm 2.

There is considerable uniformity in the bottom five values. Detachment and Social Power are the two lowest ranked values by all six firms. Unity with Nature is also ranked in the bottom five by every firm. Daring and Accepting My Position in Life are ranked in the bottom five by four firms.

For value types there is also high agreement on the rankings. All six firms rank benevolence and Achievement first or second, while each firm ranks Tradition and Power ninth and tenth. These findings are consistent with the results for gender, practice area and professional level.

Conclusion

This study extends prior research by utilizing a new and widely used instrument to measure value systems of public accountants. This study also provides a more comprehensive examination of values and value types by gender, practice area, professional level and firm.

The results show there is considerable uniformity in the rankings of the most and least important value and value types. Family Security and Healthy were ranked in the top five by each group (gender, area of practice, etc.). Other

values that were consistently ranked in the top five include Self-respect, Honest and True Friendship. Detachment and Social Power were ranked in the bottom five by each group. Daring, Unity with Nature and Accept My Portion in Life were also consistently ranked in the bottom five.

Benevolence and Achievement are the most important value types, while Tradition and Power are the two least important. Public accountants attach more importance to obtaining personal success through demonstrating competence and the preservation and enhancement of the welfare of people. They attach less importance to respect, commitment and acceptance of the customs that traditional culture imposes, social status, prestige and control or dominance over people and resources.

Although there is considerable uniformity in the rankings of the most and least important values and value types, the findings show there are differences, some of which are significant, in the rankings of the other values by gender, area of practice, professional level and firm. Knowledge of the key values/value types and the differences in the rankings of the other values/value types should be useful to firms for the development or refinement of the firm's values, gender issues (i.e., training on how men and women interact), recruiting, training and promotion decisions.

The public accounting profession has recognized and continues to recognize the importance of ethical behavior. Values, which influence behavior, have not received as much attention. Ethical behavior can be enhanced through a better understanding of the key values and value systems of accounting professionals.

Suggestions for Future Research

Future research on values of accountants should examine the values of other professional accountants such as certified management ac-

countants, forensic accountants (certified fraud examiners) and governmental accountants. Results of these studies could be compared with the results of prior studies that have examined the values and value systems of accounting students (Giacomino and Akers 1998), influential accountants (Giacomino and Akers 1997) and certified internal auditors (Akers and Giacomino 1999) to determine if difference exist among various professional accountants. Such information could be useful for firms and companies in selecting new employees. □□

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