BALANCING ORGANISATIONAL AND PROFESSIONAL OBLIGATIONS IN MANAGEMENT ACCOUNTING
If doctors had the Hippocratic Oath and lawyers pledged to uphold the law, what are Management Accountants guided by?

Ethics form the foundation of professional conduct for each individual and organisation but for many accountants, organisational- and even personal- values blur the boundaries of ethical and unethical conduct. Personal, business or professional, ethical principles (or lack thereof) play an important role in any organisation’s decision making process as they impact the organisation, their employees, business partners, the community and the overall environment.

Research conducted by Dr Dale Tweedie from Macquarie University, Australia and Associate Professor Maria Cadiz Dyball from the University of Sydney entitled “Balancing organisational and professional obligations in management accounting”, examined the pressures Management Accountants face in upholding professional ethical standards at the workplace and responding to ethical issues. The researchers conducted in-depth, semi-structured interviews with 13 accountants, as well as 3 management accounting academics and 2 representatives from professional associations.

Management accountants have a difficult job. Not only must they make strategic decisions that support the long-term sustainability of the organisation, they also have a professional obligation to act ethically. The research found that each individual accountant has a different approach to acting ethically.

The research identified four different types or personalities amongst Management Accountants, namely the Team Player, Lone Ranger, Technical Accountant and the Accountant’s Accountant.

Table 1: Four types of Management Accountants
For original report, please click here

<table>
<thead>
<tr>
<th>TYPE OF ACCOUNTANT</th>
<th>IDENTIFIES WITH</th>
<th>SOURCE OF ETHICS</th>
<th>KEY CHARACTERISTICS</th>
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</thead>
<tbody>
<tr>
<td>Team Player</td>
<td>Management</td>
<td>Group</td>
<td>• Usually feels part of the management team</td>
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<td></td>
<td></td>
<td></td>
<td>• Often refers to corporate ethics principles or codes.</td>
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<tr>
<td>Lone Ranger</td>
<td>Individual Ethics</td>
<td></td>
<td>• Feels either part of the management team or an adviser to management</td>
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<td></td>
<td></td>
<td></td>
<td>• Views ethics as largely personal judgements</td>
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<td></td>
<td></td>
<td></td>
<td>• Ethics are often based on upbringing or life experience</td>
</tr>
<tr>
<td>Technical Accountant</td>
<td>Accounting Profession</td>
<td>Accounting Profession</td>
<td>• Identifies strongly as an independent professional</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Ethics mainly based on personal experience</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Refers to more technically-focused ethical principles (e.g. ‘objectivity’)</td>
</tr>
<tr>
<td>Accountant’s Accountant</td>
<td></td>
<td>Group</td>
<td>• Identifies strongly as an independent professional</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Refers frequently to ethics codes, although these may be either professional or corporate ethics codes</td>
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Management accountant type affected how they challenged unethical decisions.

According to the research, these types had either “professional” or “organisational” identities. Accountants with professional identities saw their training as management accountants, and their membership in professional associations, as integral to their self-identity. Accountants with organisational identities saw themselves as part of the management team. Accountants with "group" identities used ethical codes to make decisions, while accountants with individual identities often used their own experience.

For instance, while both the Accountant’s Accountant and Technical Accountant identified strongly with the profession, the Technical Accountant usually took strong ethical stands that were not based on any professional or ethical codes. Instead, the Accountant’s Accountant were more receptive to discussions on the broader social role of the profession.

Team Players were most likely to discuss or verbally challenge unethical conduct while Lone Rangers usually took on stronger stances, including leaving the organisation or even resort to whistle-blowing. There some accountants took action aimed at preventing unethical conduct even before it occurred.

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<tr>
<th>STRATEGY</th>
<th>DESCRIPTION</th>
<th>ACCOUNTANTS WHO EXERCISED STRATEGY</th>
</tr>
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</table>
| Transparency | Making the assumptions of an unethical decision clear, and leaving others to decide how to manage. | • Team player  
• Technical accountant |
| Explanation | Discuss the issue; typically, attempting to change unethical conduct by articulating potential consequences. | • Team player  
• Accountant’s Accountant  
• Lone Ranger |
| Challenging /refusal | Opposing unethical conduct (weaker) or refusing to act unethically (stronger). | • Team player  
• Lone Ranger  
• Technical Accountant |
| Exit | Leaving an unethical organisation. | • Lone Ranger  
• Technical accountant |
| Whistle-blowing | Reporting unethical conduct to an external body. | • Accountant’s Accountant  
• Lone Ranger |

Recognising that each individual was different, it is therefore important for Management Accountants to not lose sight of doing the right thing, given their different views and principles. Though many may feel pressured into changing information, altering decisions or even, feel obligated to fulfill management needs, every accountant needs to be responsible for the decisions they make. To help Management Accountants balance organisational, professional and even individual values in day-to-day decision making and activities, the study recommended that ethics resources, training and strategies be tailored to meet the needs of, and support, these different types and orientation and even when it came to respond to ethical issues.

To help Management Accountants identify the primary source of ethics, the study also recommended that professional training could further improve their ethical awareness by engaging different ethical orientations, in order to uphold professional ethical standards. In addition, given that the usual tailored education may not be suit certain types, there should also be professional forums that discuss ethics from different perspectives, such as debates on contemporary ethical issues with speakers from different backgrounds, alongside events that explore personal (character-based) reasons for acting ethically.
In any organisation, a credible value system, such as in a code of ethics, forms a key foundation of ethical conduct. Failure to establish a clear ethical value system could result in an ‘everyone does it, so can I’ culture. This could lead into a culture where rules or policies are left open for interpretation or used to the advantage of each individual within the organisation.

The research emphasised the important influence of culture on ethical decisions. For team players, organisational ethical standards - especially short statements of ethical principle - positively influenced their ethical behaviour. Several other participants encountered unethical cultures that impeded them from acting ethically. These companies had in place their formal code of ethics, procedures and training but since ethics was not taken seriously, it was not practised.

It can be challenging to act ethically in any business environment, from realising profits to loyalty to the individuals within the organisation. CIMA has stated that management accountants need to position themselves as their “organisation’s conscience”. Additional resources and training materials should be developed to support an ethical culture within organisations, whereby ethical principles are integrated into business decision-making and also address specific Management Accountant types.

For example, training and ethics guides for Team Players could emphasise links between ethics and effective management practice, while resources for the Accountant’s Accountant could focus more on the professional’s role in establishing an ethical organisational culture. Once these integrated principles are in place, they can be practiced by everyone across the organisation, rather than codes that are framed on the wall and forgotten.

CIMA’S PRINCIPLES FOR ETHICAL CONDUCT

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BE THE ORGANISATION’S MORAL COMPASS

For Management Accountants, serving the public interest is a primary goal of the professional code. Serving the public interest is a primary goal of CIMA’s ethical code, and also key to building goodwill and trust in management accountants in the community. CIMA believes that the public want management accountants to demonstrate the values in this code, including demonstrating accountability and practicing transparency.

However, while all participants challenged unethical conduct, no one actually volunteered to serve public interest as an ethical obligation. In such cases, though these Management Accountants identified themselves as professionals, they did not explicitly identify with one key professional ethics principle. Hence, the goal of serving public interest should be further embedded into Management Accounting education and professional development. Here, while it may not strongly resonate with all accountant types, it is critical that all Management Accountants be made aware of the public professional principles.

ALWAYS DO THE RIGHT THING

CIMA’s ethics code emphasises that management accountants should never lose sight of their mission and values. The research also suggests that ethical principles, such as ethical codes, should not be seen as a short-term fix, but embedded in organisations’ values and culture. Education providers, professional bodies, academia and even employers must work together in driving this ethical agenda forward to ensure that proper education and support is made available to assist Management Accountants to meet the shared professional standards.

It takes courage to be ethical, and an organisation with a culture of integrity can benefit accountants and organisation alike. The industry needs Management Accountants who have strong ethical practices in order to address the challenges of today and in the future. Each professional has a role to play – acting with diligence, integrity and honesty – not only for the organisation, but also for the profession and society at large.
IN TAKING THE FINDINGS FORWARD FOR OTHERS TO USE:

Useful for all organisations that wish to encourage ethical conduct so potentially a very wide audience. Recognising that people may derive ethics from different sources and tailoring training for them will likely improve ethical compliance.

Timothy Woods
ACMA, CGMA

ON THE IMPROVEMENTS THAT CAN BE MADE TO THIS RESEARCH:

The submission assumes that public interest ideal is core to the ethical framework of Management Accountants and expresses surprise that none of the Management Accountants interviewed articulated this. I recommend further review of this assumption. In my opinion, Management Accountants have a primary responsibility towards the organisation that has hired/contracted them and they will primarily seek to protect and advance their interest. They do not have any direct obligation to promote the interest of all the other stakeholders, who deal with the organisation that has hired them, including the public. Their responsibility to the public is limited to compliance with the law and general duty of care. The public does not expect that the Management Accountant will look after their interest over that of the organisation that has hired it. Under the topic on strategies Management Accountants use to address ethical issues, there seems to be a potential to expand on the type of ethical issues that Management Accountants face. It could be useful to the profession to have an indicative catalogue of ethical issues that are faced by the Management Accountants. This would bring the paper to life, with regard to the balancing of professional, organisational and personal values that are required to be made by an Accountant in meeting their ethical obligations.

Peter Franklin
ACMA, CGMA

HERE’S WHAT SOME CIMA MEMBERS HAD TO SAY ABOUT THE OVERALL RESEARCH

I think CIMA should take stock of the use of its ethics material and consider the findings of this research. This research suggests that better support be provided by CIMA to members and I wholeheartedly agree.

Peter Franklin
ACMA, CGMA

ON THE IMPACT ON THE INDUSTRY:

I think that the research could form the basis of consultation between CIMA and its membership to ensure that maintaining familiarity with ethics is seen as a key component of voluntary CPD activity.

Peter Franklin
ACMA, CGMA

Mohd Khalid
ACMA, CGMA