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Moral reasoning and moral atmosphere in the domain of accounting

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Introduction

Much criticism has been levelled at the accountancy profession, ranging from the failure of accounting documents to reveal a more accurate reflection of the financial wellbeing/ill health of organizations and the collusion of accountants in the preparation and validation of those documents, to the failure of the accountancy profession satisfactorily to take account of the public interest in the determination of the future of accounting and auditing practice[1]. At the heart of these issues is the moral base of the profession and accounting practice, a base which displays contradictory values at a normative level, while at an empirical level the available evidence gives cause for concern. The contention of this article is that accounting practice cannot be isolated from broader social practices; rather it is shaped by, but also helps sustain, wider social, economic and political developments.

Human behaviour is a function of many influences, and the transition from moral reasoning to moral behaviour is both tenuous and troublesome. The framework which has been employed most consistently in contemporary assessments of moral reasoning is that of Lawrence Kohlberg, and this framework is employed in this article as the basis for locating the assumptions of human behaviour which are either explicit or implicit within a number of significant accounting theories of organizational practice. The influences which mark the territory through which moral reasoning must pass before it manifests itself in actual behaviour can be referred to as the "moral atmosphere" (Kutnick, 1984), and assumptions on which accounting theories are based form part of the socialization processes of prospective accountants and the subsequent moral atmosphere in which they practise. The ethical codes of conduct which are produced by all the professional accountancy bodies for their members to respect can also be positioned within Kohlberg's framework, and, given the socially relevant nature of accounting practice, a broader political science orientation has been introduced into the analysis to reflect accountancy's broader social context.

The article begins with a consideration of Kohlberg's framework of moral reasoning, but then develops the analysis by linking it to the additional dimension of individualism. This provides a structure within which the

assumptions about human behaviour contained within accounting theories and practice can be located, as can the assumed reasoning of accountants reflected within accounting's various decision and control techniques. The education and socialization processes through which accountants move act as part of their moral atmosphere – the bridge between moral reasoning and moral behaviour – and the significant elements of the accountant's moral atmosphere are considered, including the professional bodies' codes of conduct.

The article concludes that, while accounting reflects the prevailing values and beliefs of modernity, it is inadequate to excuse its moral base on this ground. In a resource-constrained environment, some notion of accounting will be required for both control and decision making purposes, but if any developments are to be made towards a less atomized and isolated notion of individualism, the theories and practice of accountancy will need to reflect those developments.

A Kohlbergian framework

Traditionally, Kohlberg's framework is presented as possessing three levels, each with two subdivisions, making six stages in all – although as early as 1971 Kohlberg was hypothesizing about a possible seventh stage (Kohlberg, 1971). A more detailed explanation of the various stages and levels is given in Appendix 1, but a brief overview is provided here. The first level, which embraces stages one and two, reflects a level of moral reasoning which is exclusively self-centred, where the only (stage one) or predominant (stage two) driving force behind personal decisions is the maximization of personal gain, or the minimization (elimination) of personal loss/pain. The distinguishing feature of stage two over stage one is the very minor recognition of a reference group in addition to the self, exemplified by a "you scratch my back, I'll scratch yours" reasoning. These stages are regarded as "pre-conventional", because they are judged to resolve moral dilemmas less satisfactorily than higher levels of moral reasoning and thus precede the "conventional" level of moral development (stages three and four). At the conventional level, the notion of living within a community assumes increasing significance, although at the stage three level the relationship is very much one of merely acting to please one's peers and superiors, while stage four reflects a strict adherence to codes and laws imposed external to the individual. The third level (the principled level) reflects a growing moral autonomy as defined by self-determined (but not selfish) moral reasoning. While stage five reasoning goes beyond codes and legally defined laws to embrace notions of a social contract, stage six represents a universalistic, principled notion of reasoning in which an individual would even be prepared to challenge "bad" laws which frustrate natural justice. It is clearly important to identify the criteria used to define levels of moral reasoning, and the morality of laws. Ultimately there is one underlying criterion (or "good" as Kohlberg describes it) which raises one stage of moral reasoning above another, and that criterion is justice. Higher levels of moral reasoning are seen to offer more equitable solutions to dilemmas:

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Logic or normative ethical analysis can ... point out that a certain type of moral philosophy e.g. stage 4, does not handle or resolve certain problems that it acknowledges to be problems that it ought to handle, whereas another type of morality (e.g. stage 5) can do so (Kohlberg, 1981, p. 178).

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Despite its considerable application, Kohlberg's work has attracted a number of criticisms, one of which is that of Gilligan (1982), who challenged Kohlberg's underpinning theory of justice as a male-orientated basis for conflict resolution. From a feminine perspective Gilligan argues that the voice of "care" and the desire to maintain relationships are far more powerful explanations of behaviour than an attachment to justice. Gilligan does not argue that care has a higher moral status than justice, but rather the social conditioning experienced by young girls and women tends to predetermine their later attachment to attributes of care over notions of justice. Thus, the moral reasoning of women is not judged to be lower or higher, but different. However, the notion of autonomy, reflected in Kohlberg's post-conventional stage, is seen by Maclagan (1993) as a possible unifying point between Kohlberg and Gilligan. The increasing ability on the part of the individual to display personal autonomy, whether it be in an orientation towards justice or care, might appear to overcome the disagreement between Kohlberg and Gilligan.

In addition to Gilligan, Kohlberg has also been criticized for articulating the moral values of the middle classes and in particular "Western values", but Kohlberg has responded to these challenges by testing his ideas in non-Western settings and with non-middle-class groups. Ultimately, Kohlberg has concluded a series of lessons and beliefs. He argues that the world cannot be divided into honest and dishonest people:

Almost everyone cheats some of the time. Cheating is distributed in a bell curve fashion around a level of moderate cheating. There is also very little correlation between situational cheating tests. It is not a character trait of dishonesty that makes a child cheat in a given situation. If it were, prediction from one situation to another would be facilitated (Kohlberg, 1981, p. 183).

Petrovich (1984) has also taken issue with Kohlberg's use of the term autonomy (although, as Petrovich acknowledges, this criticism is levelled at psychologists in general rather than merely Kohlberg's application). Within the province of psychology autonomy tends to be treated as an unproblematic term, whereas in philosophy at least three sublevels of analysis can be argued, and Petrovich regards the use of the concept of autonomy within psychology as containing undue "stretchiness and flexibility". However notwithstanding this criticism Petrovich is still of the opinion that Kohlberg's model "should be of substantial value in generating future research based on some ideas genuinely novel in the field" (p. 86).

One of the principal elements of Kohlberg's work has been a longitudinal study of 75 males, ranging from primary school age through to mid-to-late 20s, and this has been complemented by his cross-cultural studies, including Turkish, Taiwanese and Malaysian children, but also male focused. Notwithstanding these caveats, Kohlberg asserts that:

There is a universal set of moral principles held by people in various cultures ... these principles ... could logically and consistently be held by all people in all societies; they would in fact be universal to all humankind if the conclusions for sociomoral development were optimal for all individuals in all cultures (Kohlberg, 1981).

Kohlberg develops his argument by observing, "at lower levels than stages 5 and 6, morality is not held in a fully principled form. Accordingly it is more subject to specific content influence by group definition of the situation than is principled morality" (Kohlberg, 1981, pp. 127-8).

Figure 1 reflects a Kohlbergian view of moral reasoning, but for the purposes of this article it is linked with the additional dimension of "notions of individualism". Figure 1 suggests that the lower stages of moral reasoning, reflecting egocentricity and selfishness, are found and cultivated in the domain of the atomized individual. It is not a notion of the self, reflecting a fulfilled individual whose individualism stems from an understanding of and an identity with the notions of community and obligation. Rather, the individual is one who experiences anomy and is isolated in the name of freedom, but a very particular and limited notion of freedom.

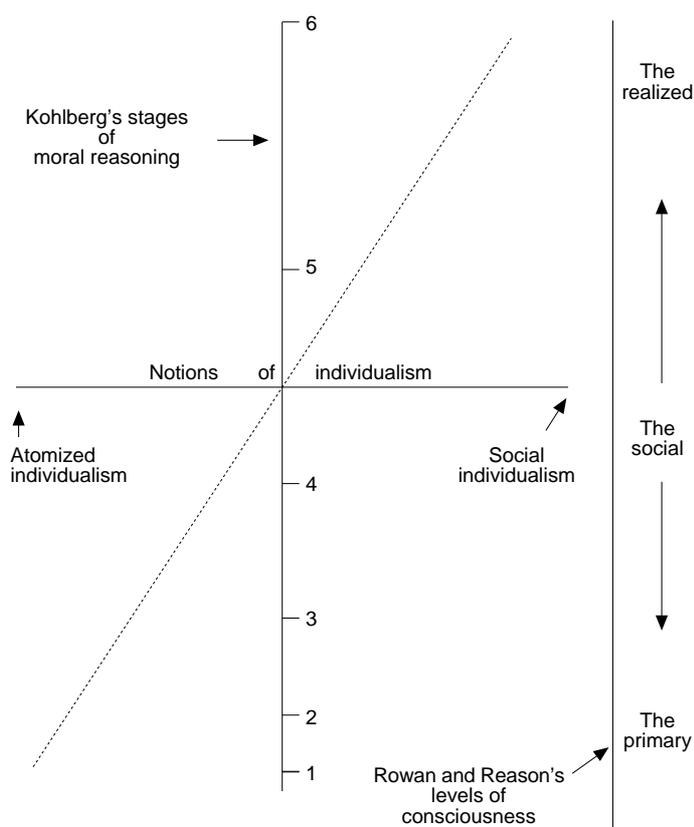


Figure 1.
Notions of
individualism, moral
reasoning and moral
development

The stages of moral reasoning are reflected on the central, vertical axis of Figure 1, although Kohlberg has not indicated what the intervals are likely to be between the stages. It is intuitively appealing to view the scale as geometric or logarithmic rather than linear, with attainment of higher levels of moral reasoning requiring greater movements between the stages and thus also along the individualism axis towards “social individualism”. The term social individualism is used here to describe that conception of individualism which marks the growth of the individual to a level of perceptiveness which at one and the same time exalts the primacy of the individual, but recognizes the interdependent nature of society. Indeed the diagram suggests that the progression from stage four to five (the initial move into the principled level of moral reasoning), and particularly the progression from stage five (the liberal social contract) to stage six (where moral principles guide individual behaviour and override “bad” laws), represent significant developments in the cognitive emancipation of the individual.

Kohlberg argues that the post-conventional level of moral reasoning is likely to require a high degree of maturation on the part of the individual, and expectations of such levels of moral reasoning should not be anticipated until people are into their late 20s, 30s and possibly beyond (assuming that the post-conventional stages are ever attained). Stage six and the hypothesized stage seven level of reasoning are suggestive of perspectives few are likely to achieve, requiring a level of humility and wisdom which a society or discipline which emphasizes material wellbeing and an exclusive focus on the self is unlikely to foster. The movement from the first level of moral reasoning (encompassing stages one and two) to the conventional level (stages three and four) reflects a growing awareness of the self in relation to others, although not with a sense of personal judgement, but rather a reflection of general social mores and behaviour which have yet to be critically evaluated by the individual. This form of development has parallels with Rowan and Reason’s three levels of individual consciousness (Rowan and Reason, 1981, p. 115). Using a Hegelian analysis, the authors identify “the primary”, “the social” and “the realized” as the three levels, although with no guarantee that the third level (as with Kohlberg’s principled level of moral reasoning) will be attained by many people. The higher stages of reasoning or consciousness are reflective of intellectual and cognitive emancipation and independence. However, whereas Kohlberg prescribes the type of reasoning which is reflective of the higher stages of moral reasoning, Rowan and Reason’s analysis is less precise. The primary is described as the very personal and subjective level. This is argued to be what we are “really” like, but we invariably suppress these inner feelings and desires and allow external influences and forces to shape our public behaviour and attitudes. Rationality at the primary level (i.e. untainted by external influences) is very much that of the personal perspective. However, social influences and pressures (including educational) quickly impact on the individual, making the transfer to the social an early transition.

The social is a very large stage with many sublevels at which people reside with varying degrees of moral and intellectual autonomy. At the social stage, the “objective” individual is interested in: facts (although very often socially constructed “facts”); distinguishing between what is true and what is false; what is real and what is illusion; what can be proved and what can be disproved with rationalist analysis. It is at this level that externally determined and prescribed codes of ethical conduct not only exist, but are deemed appropriate for defining and shaping social behaviour. The social normally dominates the primary, because the social reflects all the demands experienced by the social actor. Rationality at this level is a scientific and technical rationality, with moral reasoning operating at either the pre-conventional or conventional levels of Kohlberg’s analysis.

To move to the realized level of consciousness requires the individual to go back into primary, subjective experiences:

At this level (*the Realised*) we refuse to go on suppressing our primary subjective experience and we find ways of going down into it and rescuing material from it, which is then raised to conscious awareness. Because this material is brought up through the “Social” level it is better informed and educated, much stronger and less vulnerable. In the process it changes (Rowan and Reason, 1981, p. 116).

This form of cognitive emancipation has echoes of Kohlberg’s higher stages of moral reasoning, which are characterized by the development of personal judgement. Just as Kohlberg sees the various stages of moral reasoning, as stages of progression, rather than each individual having a priori constraints on their possible level of attainment, so Rowan and Reason’s realized level of consciousness is a socially filtered level of consciousness. However, the axis depicting levels of consciousness is slightly detached in Figure 1 from the individualism axis because Rowan and Reason’s analysis has a much stronger identification with behaviour rather than just reasoning, and the detachment is intended to reflect this difference. The bringing together of these distinctive concepts into one diagram is intended to emphasize both the relationships and the differences between the concepts.

If progression is to be made towards the higher stages of moral reasoning, or the realized level of consciousness, an enhanced notion of autonomy (in the psychological sense) needs to be cultivated. In this sense autonomy is seen as “the ethics of mutual respect ... and equivalent to the rule of justice since the notion of justice emerges gradually through social relationships” (Piaget, 1965, quoted in Petrovich, 1984, p. 87). Lower levels of moral reasoning do not attract Kohlberg’s recognition as reflective of full autonomy. While stage five, and particularly stage six, are assigned the classification of full autonomy, the terms heteronomous and semi-autonomous are applied to stages one to two and three to four, respectively.

Moral dimensions to accounting theory and practice

The framework presented in Figure 1 is instructive in locating the orientation of the dominant normative theories of accounting and the mechanisms by which

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this orientation is intended to be achieved. The taken-for-granted assumption of organizational practice embedded within the techniques and practices of accounting is the exclusive wellbeing of the shareholder, but because of the problems associated with converting this perspective into practice, a set of assumptions are created concerning human behaviour. These assumptions manifest themselves in a variety of accounting theories, most notably agency theory, which is employed to explain the trade-offs necessary to maximize shareholder wealth.

Conventional accounting notions of control reflect negative assumptions about human behaviour and are employed to highlight and root out "unacceptable" performance. However, control systems are expensive and consideration has to be given to which control systems will most cost-effectively hold behaviour within the required parameters. Formal accounting controls (surveillance systems as described by Knights and Collinson, 1986) will be employed if they are believed to be more cost-effective than other forms of control (e.g. performance-related payment schemes), although in practice a combination of approaches is often found.

Accounting practice can be viewed as having at least two dimensions. The first is set within organizations, facilitating the notion of managerial control, while the second concerns the transmission of accounting information to external publics and raises the issue of the role of information in democratic states. Agency theory has application within both of these dimensions. It assumes a very limited range of human behaviour and the factors which motivate individual action. Without the inducement of a financial reward, individuals are assumed to be reluctant to work. Instrumentalism and selfishness are the all-pervading assumptions of human behaviour and, to support the financial inducement, frequent and detailed monitoring of performance is required to ensure that the desired human effort is achieved. Accounting information becomes the transducer of individual and organizational performance, subject to manipulation by all involved in its development, production and interpretation. In its assumptions about the role of individuals within organizations, accounting takes its lead from economics, within which, O'Boyle (1986) argues, the atomizing and dehumanizing of the social is ubiquitous and the approach is taken to the point of abstraction, whereby resources are classified as either persons or nature, but this blending "does not elevate nature, it reduces persons" (p. 39). This has echoes of Seedhouse's (1988) reference to dwarfing. The term was used to describe what health care was not about, but it can be argued that a likely outcome of accounting controls is a degree of dwarfing of the individual, and in this context the individual can be both the controller and controlled.

Agency theory level reasoning assumes the moral behaviour of those individuals being assessed by accounting information systems is at the pre-conventional level. Behaviour is judged to be the result of (perceived) effective accounting controls which will reveal inefficient or ineffective performance if this obtains (implying a stage one punishment/obedience

orientation). Such “hierarchical forms of accountability, in which accounting plays a central role, serve to produce and reproduce an individualised sense of self as essentially solitary and singular, nervously preoccupied with how one is seen” (Roberts, 1991, p. 355). This is suggestive of a person operating in the lower reaches of Kohlberg’s stage classification, although, as recognized earlier, certain contaminating factors (within the moral atmosphere) may be frustrating the conversion of a higher level of moral reasoning into equivalent behaviour, and accounting controls may be one of the (significant) contaminating factors.

The financial inducement/performance-related-pay approach to control (the side-payments of agency theory) reflects the assumptions of the instrumental/relativistic orientation of stage two. However, the level of moral reasoning of those *operating* the accounting control systems can be argued to be at either the preconventional or conventional level of moral reasoning, but unlikely to be at either of the “principled” levels. A view of “others” operating at the stage one level would assume they are lazy and indolent, but susceptible to the exercise of power. Thus, the application of tight budget controls is assumed to engender the requisite response from those being monitored, but any relaxation of the tight controls is assumed to result in a slackening of effort. Such a set of assumptions, if held by the accountant, might reveal a personal level of reasoning ranging from: stage one (fear of reprisals if he or she is seen as anything other than searching for continuous examples of inefficiency and ineffectiveness); stage two (at which stage the accountant sees the revelation of others’ (perceived) inefficiencies and ineffectiveness as the way to personal advancement); stage three (conforming to the stereotypical image of the accountant as the “rooter out” of inefficiencies and economies); to stage four, where the explanation is “that is the way things are, we must follow the logic and rules of accounting and economic theories of the firm because to do otherwise will jeopardise the ability of the organisation to trade effectively in its various markets”.

To move beyond this limiting and inhibiting version of organizational life, and accounting information’s role within that existence, requires a leap of perspective which may not be available within many organizations. For example, empowerment, a topical term and the espoused approach in many organizational texts, is in its fully developed form an end in itself, a way of living, allowing individuals, within socially and economically determined parameters, to develop through increased involvement, responsibility and authority. However, where empowerment is a means to an end, where the only parameter is the economic imperative, empowerment is likely to exist for as long as it delivers enhanced economic goods and, assuming deteriorating organizational performance can be associated with empowering developments, ultimately dropped. However, the ability of accounting information systems to facilitate the identification and allocation of responsibility for inferior performance is itself a problematic issue. Thus, within the complexities of organizational life, where performance assessment may be more difficult to

attribute to individuals than theory would suggest, examples of empowering developments may still be evident, in even the most “economically”-driven organizations. Between the two empowerment positions (an “end in itself” and a “means to an end”), there are a range of combinations which make the notion of individual fulfilment through empowerment a more or less realistic outcome, but the moral bases of the two poles are quite different. Even then it is necessary to distinguish between those situations in which a genuine attempt is made to achieve *some* notion of empowerment as distinct from the use of an empowerment vocabulary which is mere rhetoric. However, actual behaviour within organizations will be a function of many factors and, as mentioned earlier, these factors can be grouped under the heading of moral atmosphere – the social, political and economic contexts through which the moral agent has moved, and in which he or she currently operates. It is to a consideration of moral atmosphere to which we now turn.

Elements of moral atmosphere

There are many elements to the moral atmosphere through which individuals move, and continue to move, which help to explain individual behaviour, and only some of these elements can be considered in this article. Those which will be considered are: aspects of the socialization processes of accountants; the signals transmitted by the professional accountancy bodies by way of their codes of ethics and their responses to those of their members who suffer as a result of defending those very same codes; and elements of the broader social, economic and political contexts in which the moral values of individuals in Western, liberal, democratic states are cultivated.

While all accountants are assumed to understand the ethical behaviour expected of them during their practising careers, very little if any attempt is made to examine the nature of ethics and moral behaviour during accountancy studies. Yet implicit within the accounting curriculum are assumptions about human behaviour, assumptions which portray a negative, pessimistic view of the moral agent, and a limiting, contractual, “dwarfing” understanding of social relationships.

External to the organization, the principle-agent relationship of shareholder to manager embraces the issues relating to agency theory, including the susceptibility of accounting information to the influence of privileged individuals. However, an interesting situation arises, involving both external and internal organizational perspectives, when employee accountants resist pressures to comply with organizational malpractices and seek guidance from their professional association. These are situations which concern both moral reasoning and moral behaviour. While a dispute may be argued to be a local one between employer and employee, the issues involved are likely to transcend the internal boundaries in some way, thus raising the contested notion of the accountant’s external publics and the role of information in liberal democratic states. How the professional associations respond to the dilemmas and challenges faced by their members, and *the challenges to the profession’s own*

codes of ethics, is instructive in understanding some of the key elements within the moral atmosphere in which accountants operate.

In a society characterized by the division of labour, particularly in the areas of expert knowledge, access to information becomes crucial to the quality of democracy. Accounting information becomes one, potentially important, element in the information jigsaw of the modern liberal democratic state, and accountants one of the important information gatekeepers. For Durkheim “the anomic condition of the division of labour is directly connected with the mode in which the expansion of occupational differentiation destroys the integrity of the local community” (Giddens, 1979, p. 10). The democratic society is reflected “not primarily by the balancing of powers which is provided for by the juxtaposition of the state and occupational associations in the modern order, but the channels of communication which this organisation opens up between its various component parts” (Giddens, 1979, p. 19). The occupational associations are central (in the view of Durkheim) to facilitating communication between the State and those it represents. Within this scenario, the occupational associations are ensnared in a potentially contentious position. Given the sensitive and central role of information and communication in a democratic society, those in positions of controlling, influencing and presenting important information have broad, “civic” responsibilities to ponder. Information gatekeepers become a potentially important element within democratic aspirations, but it requires a perspective – a personal and collective value system – an individual and corporate will – which may represent unrealistic expectations in the present day.

The professional accountancy bodies in the UK operate some of the most (if not the most) structured advisory services for members experiencing ethical dilemmas of all the UK professions. The systems are based around the Industrial Members Advisory Committee on Ethics (IMACE) scheme of the Institute of Chartered Accountants of England and Wales (ICAEW) (as explained in Appendix 2), but these systems can be argued to serve a dual purpose. The advisory systems provide members experiencing ethical dilemmas with an opportunity to talk to a fellow member about their problems. Such an airing of the problem may itself reveal a possible *rapprochement* between the troubled accountant and the employing organization, and a resolution to the problem – but maybe not. Advice tends to be limited to emphasizing the issues of property rights and the confidentiality of information, with the troubled member left in no doubt at the end of the process that the dilemma is a personal one between the individual accountant and the employing organization. At no time is there any suggestion that in any case, no matter how wrong the malpractice or wronged the accountant, would the professional body associate itself with the ethical stand being taken by its member. This behaviour towards a member, who could be defending the ethical code on which the professional association has established its ethical base, reflects a particular notion of individualism – liberal individualism linked to contractualism – a concept of individualism which portrays the individual as

an isolated ego, obligated to other individuals solely through legally defined contracts. Beyond contractual relationships, the idea of obligation loses meaning and the level of reasoning over moral issues does not move beyond the conventional level (the stage four “law and order” orientation), although this may be a considerable overstatement of the level of moral behaviour, if not moral reasoning expected of members. The professional accountancy bodies require behaviour of their members which reflects “high moral standards”, but at the same time resist the opportunities to operate at the principled level of moral behaviour and support their members who defend those ethical codes, *and with no fear that such behaviour (the professional bodies’) will be considered inadequate*. An explanation for such apparent indifference on the part of the polis towards such behaviour is argued to be rooted in notions of anomy, the causes of which lie in the atomized individualism of modernity, and residing on the left-hand side of the individualism axis of Figure 1.

The essential aspect of this debate is that the nature of human behaviour, reflected both explicitly and implicitly in accounting theory and practice, is a negative one. Trust is disallowed and dwarfing is a real possibility/probability. To alleviate some of this pessimism requires mechanisms of transition. For Habermas that mechanism is language, although there is a degree of circularity to this argument. For Habermas, once consciousness and thought are seen to be structured by language, and hence essentially social accomplishments, the deliberating subject must be relocated in the social space of communication where meanings – and hence individual identity which is structured by social meanings – are matters for communal determination through public processes of interpretation. Such processes have a strong sense of Rowan and Reason’s “socially” filtered realized level of consciousness and for that reason absolute rules of moral behaviour cannot be predetermined, but are subject to social discourse unfettered by power imbalances. As a consequence of this neutral environment, “truth and rightness are ‘essentially’ discursive matters” (Habermas, 1993, p. xv). The determination of universally acceptable behaviour becomes a product of public debate and interpretation, with “U” (the procedural principle of universalization) requiring that valid moral norms must satisfy the condition that everyone affected by a decision or action can accept the consequences. This requires full debate concerning principles of social behaviour (i.e. a negotiated process requiring the removal of power imbalances), although the impracticality of predicting all possible outcomes, either now or in the future, ensures that the principles are themselves subject to modification. While Habermas recognizes the limitations of Kantian ethics, he views the dynamic of the dialectic as holding true to the categorical imperative, while not succumbing to its rigidity:

In doing so, it preserves the central role of autonomy by rejecting sources of moral authority external to the wills of rational agents, though autonomy is now construed in “intersubjective” terms as each participant’s impartial concern with ends that can be willed in “common” (Habermas, 1993, p. xvii).

Habermas has been criticized for being evasive on what he considers to be “the human good” (Poole, 1991, p. 86), but because “U” is intended as a procedural principle of practical argumentation, the outcome of “real” discourse concerning proposed principles of justice among those potentially affected by their observance cannot be anticipated:

Participants alone are ultimately competent to adjudicate claims concerning their needs and interests and only a consensus achieved in argumentation that sufficiently approximates to the conditions of the ideal speech situation can legitimately claim to be based on rational considerations and hence to be valid. Thus the discourse theory of ethics demands that we go beyond theoretical speculation concerning justice and enter into real processes of argumentation under sufficiently propitious conditions (Habermas, 1993, p. xviii).

Thus, while morality becomes a negotiated outcome, it is one which (in theory) embraces the interests of all.

With the contaminating influence of power removed from the negotiating process Habermas’s notion of communicative competence might become a realistic aspiration, but power and ideology are two of the significant elements which comprise the contemporary moral atmosphere, so while “U” might be an essential characteristic of a moral atmosphere conducive to cognitive emancipation, it says little about the processes which might lead to such an environment.

Professional associations and their ethical codes

Within the professionalization process the determination of an ethical code is a *sine qua non* for any aspiring qualifying association. While ethical codes are part of the moral atmosphere, in many respects they are a defensive strategy, necessary to assuage public fears that a State-granted trade monopoly and self-governance will not be abused in favour of a profession’s members. The processes employed to imbue accountants with an ethical perspective are reasonably opaque, but “though it does not produce the next generation biologically, it does so socially, through its control over the selection of professional trainees, and through its training processes it sends these recruits through an adult socialisation process” (Goode, 1957, p. 194). Yet “the sharp focus on money is part and parcel of the lack of intrinsic meaning that work has come to have” (Wright-Mills, 1956, p. 230). With the vast majority of accountants employed outside of practising accountancy firms, Sarfatti-Larson argues that professionals frequently display managerial or technobureaucratic career aspirations, and that history reveals strong relationships between the core units of monopoly capital and professionals: “In a bureaucratized world, professions can no longer be interpreted as inherently antibureaucratic. Both professions and bureaucracy belong to the same historical matrix” (Sarfatti-Larson, 1977, p. 199).

Thus, for some, ethical codes are at best an anachronism, while at worst they are a shield behind which various forms of behaviour can be “tolerated”. However, behaviour on the part of a “professional” which is merely reflective of allegiance to and compliance with an ethical code does not bring the individual

within the principled stage of Kohlberg's classification. Reasoning which is solely reflective of compliance with an ethical code is at best indicative of stage four moral reasoning, a level below principled reasoning, below the status of full autonomy and below a realized level of consciousness.

Kohlberg (1981) has argued that the general attitude to rules, laws, etc. can be heteronomous, semi-autonomous or autonomous, according to the manner in which an individual relates to moral standards. Piaget holds that heteronomy means obedience to the adult, while semi-autonomy is an advance to the rule itself, albeit incomplete since the rule is still seen by the individual as imposed from outside rather than as the "necessary product of the mind itself". "True" autonomy appears when the individual discovers that truthfulness is necessary to the relations of sympathy and mutual respect.

For Seedhouse (1988), whichever "rule" is invented in moral philosophy, sooner or later a situation will occur in which it will be better to break the rule in order to create a better human potential. Because of this it is better – far more moral – to enhance human judgement in the uncertain field of human action and interaction, rather than to instil imperfect sets of rules in people as if these rules are inviolable commandments. "Rules and principles are useful to the deliberation process, but subjective judgement in context is ultimate" (Seedhouse, 1988, p. 26). This raises important questions about the general values and shared understandings held within a community and the preparedness of individuals to think about the consequences of their actions on other people. If part of the moral atmosphere encouraged by the assumptions of the individual's professional base is to assume that all others are dilatory, lacking in trust, exploitable, means-to-ends, related in only legally contractual terms, the prospects for principled reasoning and ultimately principled behaviour are impaired.

One of the few redeeming features of a code of conduct (whether it be that of a professional association or an employing organization) is if that code is the product of a negotiated, participative process. While the final code may still contain many of the limitations of all codes, which suffer either because of their undue generality or, conversely, because of their specificity and taken-for-granted assumptions, the process of developing a set of shared values could be a very positive outcome of such a process. But it would be the shared values arising from the process which would be the principal outcome rather than the code itself (Warren, 1993). Clearly, there are echoes of a Habermasian approach to establishing rules of moral behaviour inherent within such an approach, but evidence of such participative processes is extremely rare.

Intriguingly, ethical codes are a double-edged sword in that the behaviour of a professional body towards its beleaguered members facing ethical dilemmas, and the reasoning which explains that behaviour, provides an interesting perspective on the nature of moral reasoning and the principles and values which explain that reasoning. The way an organization "handles" dissent by its employees can be an excellent litmus paper to test the integrity of its commitment to being a "learning organization" or an "empowering organization".

Perversely the “deviant” for the professional accountancy bodies is that member who neither “turns a blind eye” to a financial malpractice, nor “keeps her [sic] head below the parapet”, but rather resists such pressure and, as a consequence, possibly incurs the wrath of the employing organization in so doing. While liberal individualism, allied to contractualism, offers a convenient explanation of why the individual member’s problem is deemed to be his or hers alone by his or her professional accountancy body, it masks the professional accountancy bodies’ reluctance to involve themselves in actions which might bring them into direct opposition with their paymasters (business organizations), and the State which grants it its self-regulating status. The legal protection available to wronged employees (including those dismissed for acting morally) is such that reasoning morally, let alone acting morally, is heavily discouraged. Employment protection legislation in the UK acts as an inhibitor to moral action, and no attempts have been made by the professional accountancy bodies (whose members are particularly vulnerable in this context) to improve the legal protection available.

Even the notion of a “profession” is highly contentious. As Dahrendorf (1969) observes, any suggestion of a collegiate perspective is negated because “they all stand in a relation of individual competition with every other one” (p. 148). The impotence and vulnerability of individual accountants raises the spectre that accountants, like other employee-professionals, are no different to other “workers”, and, in Benyon’s (1973) words, “workers are paid to obey”. The ascription “professional” may carry with it notions of freedom and independence, but in a Rousseauian sense maybe it is merely a different set of chains. An ethical code of conduct becomes merely a drawbridge which can be pulled up to isolate a member whenever he or she behaves in a way which embarrasses the profession, whether that behaviour can be described as of a low or high moral status.

Conclusion

The location of the individual within the context of liberal individualism is towards the left-hand end of the horizontal axis of Figure 1. The underlying assumptions of accountancy emphasize the notion of the isolated, exploitative, materialistic, untrustworthy individual, requiring control and constant monitoring. Even if the idea of dual personal standards of moral behaviour are employed to cope with the differing conditions existing in the work and non-work spheres of personal existence (see Elm and Nichols, 1993), the assumptions of accountancy provide a very particular socialization process for the accountant to absorb.

Jos (1988) suggests that “modern organisations require workers to do things they might not otherwise do”. But further than that, business organizations:

undermine the capacity of workers to make their own judgement about what they should do. By uncritically deferring to others, workers may become party to immoral or illegal activities and policies. In short, it is the worker’s *autonomy*, his status as a chooser, that is at stake (p. 323).

It is these situational pressures (acknowledged by Kohlberg) which can act as inhibitors to moral development, and not just for individuals. The systems operated by the professional accountancy bodies towards their beleaguered members, which effectively disown the members, leaving them to resolve ethical dilemmas as private issues, can themselves be interpreted as a stage one level of moral reasoning and behaviour, i.e. a behaviour borne out of fear of antagonizing its (the profession's) two masters – the State, which grants its royal charters, and the business community, which payrolls its own and its members' activities. This point is given further weight by Denhardt (1981) when he contends:

We originally sought to construct social institutions that would reflect our beliefs and our values; now there is a danger that our values reflect our institutions, that is organisations structure our lives to the point that we become locked in their grasp. We wind up doing certain things not because we choose to do them, but because that's how things are done in the world of organisations (p. 322).

The argument of this article is that the practice of accountancy must be seen within a broader social context. The longevity of accountancy spans millennia, but its apogee has come with modernity – in some respects it is a technique of modernity. In its simplest theoretical form it reflects many of the assumptions and values of liberal individualism and contractualism. Yet these issues are rarely addressed formally within accounting texts, rather they are taken-for-granted assumptions reflective of an “end-of-history” approach to social relations. While accountants are exalted to behave morally by their professional bodies, the theoretical underpinning of their discipline portrays a very particular notion of social relations and social behaviour. Yet:

Liberalism has given up trying to discover what constitutes the good life: it leaves it in the domain of individual choice. It has limited itself to providing a theory of justice. This self-abnegation has left it without anything worthwhile to say on the vast range of moral issues ... The arbitrariness which liberalism concedes to the good cannot but return to infect the domain of justice ... the failure of liberalism to deliver a theory of justice shows the need for “some” limits to the pluralism it espouses (Poole, 1991, pp. 85-6).

If man is more vulnerable, less ready, for example, to support those who undertake supererogatory acts, there are those who offer an explanation which relates to the spiritual underpinning of modern societies. Sarason (1986) offers a view of the world which is in the form of a triad, comprising the individual, the collectivity and the ultimate purpose and meaning of human existence. Each part is discrete but dependent on the other two. One of the elements should not be defined in isolation. This is compatible with the notion of a community which cannot exist without its constituents being free-thinking individuals, nor they existing outside of a community spirit. It is this to which Kohlberg seems to be alluding when he hypothesizes a seventh stage to moral reasoning, which also embraces the empathetic notion of Gilligan's voice of “care”. James captures the relationship between the individual and the community: “The community stagnates without the impulse of the individual, the impulse dies

away without the sympathy of the community” (James, quoted in Habermas, 1993, p. 113).

Sarason argues that the increasing secularization of Western society has removed the force which held the triad together. This has reduced the triad to a dyad, comprising the individual and the collectivity. The preference now to see the public interest as a self-determined phenomenon removes the collectivity from view, and the individual is left to make sense of the world from a very particular and isolated position. Sarason (1986) laments a society in which not just the wider community, but even the individuals affected by social dilemmas, perceive the dilemmas as their, *and only their*, responsibility. Using ethical dilemmas as the focus and paraphrasing Sarason:

If *your* ethical dilemma is *your* responsibility according to *my* morality, this is quite consistent with the increasingly dominant ideology of individual rights, responsibility, choice and freedom. If I experience the issue as *yours*, it is because there is nothing in my existence to make it *ours*. And by ours I mean a social-cultural network and traditions which engender in members an obligation to be part of the problem and possible solution.

And so leaders of professional associations (including accountancy); individual members of those same professional associations; and members of the wider community, can look on the ethical dilemmas of principled dissenters and feel that they are not a part of the problem, *or the possible solutions*.

The acceptance that atomized society requires man to think, if not exclusively about the self then in terms of an extremely limited radius around the self, is seen as a further manifestation of man’s growing emotional isolation and, ironically, ability to be controlled:

The political *enslavement* of man requires the *emancipation* of man from all the authorities and memberships ... that serve, one degree or another, to insulate the individual from the external political power ... totalitarian domination of the individual will is not a mysterious process, not a form of sorcery based upon some vast and unknowable irrationalism. It arises and proceeds rationally and relentlessly through the creation of new functions, statuses and allegiances which, by conferring community, makes the manipulation of the human will scarcely more than an exercise in scientific, social psychology ... there maybe left the appearance of individual freedom, provided it is only individual freedom. All of this is unimportant, always subject to guidance and control, if the primary social contexts of belief and opinion are properly organised and managed. What is central is the creation of a network of functions and loyalties reaching down into the most intimate recesses of human life where ideas and beliefs will germinate and develop (Nisbet, 1953, pp. 202, 208).

Nisbet’s observation could relate to any form of central State control over the demos, although he was speaking directly about the demise of the individual in Western culture. With organizational life so important within social existence Nisbet’s “network of functions” becomes an important dimension of everyday life, and accounting is the most significant formal networking mechanism within most organizations.

While the concentration of liberalism on individual freedoms appears to be an emancipating force, it serves, paradoxically, to intensify the processes that lead straight to increased governmental control. That control can be exerted via direct government bodies, but, much more likely in a liberal-democratic society,

through “independent” bodies and organizations which owe much of their social status (particularly in the form of self-regulation) to government. The professions are a good example of such bodies, but the potential Durkheim envisaged for the professions may now seem misplaced.

Yet the concept of community is itself problematic in a modern context:

The problem with the notion of community is not its obscurity, but its unavailability. The dominant forms of modern public life – the market, the capitalist organisation of production, the bureaucracy – are incompatible with community in this sense. Those who have invoked the concept against liberalism have simply evaded the central problem which liberalism is attempting to confront: the place of values in a value-free world (Poole, 1991, p. 88).

The alternating visions of rampant individualism or suffocating collectivism are both unacceptable, but the choice is not between the two. They are not the only options on offer, and attempts to suggest that they are may mask ulterior motives.

For Dewey the only true moral end is individual personal growth, and morality is to be found in and through education. It has been argued above that accountancy treats people as means, as is appropriate within a capitalist framework, as well as engendering a sense of dwarfing on both controller and controlled. This runs counter to Dewey’s belief that “a society is moral according to the extent to which it allows each individual member to flourish” (Seedhouse, 1988, p. 87). Seedhouse continues that:

To treat a person “as an end” is to recognise that the person has his own purposes, just as you have yours. The secret is to imagine your own death. Imagine how much will be lost when you die – a lifetime of hopes, fears, achievements and failures will disappear. A complete world will expire. Think of other people in those terms and you will understand what is meant by the advice to treat other people as “ends”, as other worlds (Seedhouse, 1988, pp. 87, 98).

A deconstructionist view of ethics withdraws the illusion of ethics as providing a safety-net of good practice in resolving hard cases of conflicting loyalties:

A deconstructive analysis shows that the net is already torn, is “always already” split, all along and from the start ... however, deconstruction offers no excuse not to act. Deconstruction does not put up a stop sign that brings action to a halt, to the full stop of indecision; rather it installs a flashing yellow sign, warning drivers who must in any case get where they are going to proceed with caution, for the way is not safe (Caputo, 1993, p. 4).

The way forward is unclear, with no certainties. If progress is to be made along the individualism axis of Figure 1 towards a more socially defined notion of individualism, without suffocating the important legacy of liberalism, that is the vitality and integrity of the individual, the process will be an extended one involving a discourse of all others. Where accountancy fits within such a scenario is unclear, although the accounting for resources will undoubtedly feature as an important element within the business of future communities.

It is inadequate to excuse accountancy as merely reflecting the values and beliefs of particular generations, for it also provides an important socializing experience for some of the more important information gatekeepers of modern societies. Its value stance is not neutral and neither can it be. Before any

movement can be made towards higher levels of moral reasoning, providing a more conducive moral atmosphere in which accountants and others can transfer higher levels of moral reasoning into higher levels of moral behaviour, an acceptance has to be achieved of the solipsism existing within many areas of modernity, a solipsism which is sustained by the practice and theories of accountancy. Yet even such arguments suggest a rationalist way forward, a view not universally shared. "Where Habermas seeks the basis of society in rationality, I argue that the fundamental basis of society is nonrational... the alternative to rationality that I offer is compassion" (Mestrovic, 1993, p. xv).

However, Mestrovic rejects those notions of compassion associated with "pity, charity, socialism, nor any vulgar imitation of the ability of humans to identify with the suffering of others – literally to co-suffer". Mestrovic is concerned with compassion in terms of empathy, "love" and their derivatives. These are emotions much closer to Gilligan's basis of moral reasoning, which would suggest a future for accounting which is less prominent than the discipline currently enjoys. However, to forecast the demise of accounting is misplaced, because in resource-constrained environments there will always be a need for accounting, not merely in terms of record-keeping but also in terms of decision making. The challenge to accounting, its practitioners and educators is the type of accounting which might develop if accounting theory and practice are to move from the lower reaches of a Kohlbergian framework towards a more principled level of activity.

Note

1. Examples of the former are the corporate collapses of organizations such as Maxwell Communications, Polly Peck, Bank of Credit and Commerce International, while the latter is exemplified by the submission of over 30 UK academics to the Auditing Practices Board's recent publication, *Public Consultation on APB Future Work Programme*.

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Appendix 1: Kohlberg's stages of moral development

Level one: the pre-conventional level

The individual is responsive to cultural rules and labels (e.g. good, bad, right, wrong), but interprets the labels in terms of either physical or hedonistic consequences (i.e. the decision criteria are the avoidance of pain or personal gain). As with the other levels the pre-conventional level is subdivided into two stages:

- *Stage one – the punishment and obedience orientation.* The physical consequences of action determine its goodness or badness, irrespective of the consequences of the actions. There is an unquestioning deference to power and reference to any underlying moral order is absent.

- *Stage two – the instrumental relativist orientation.* The “right” action is that which satisfies one’s own needs. Human relations are viewed as those of the marketplace. Elements of fairness, reciprocity and equal sharing are present, but they are (always) interpreted in a physical or pragmatic way. Reciprocity is “you scratch my back, I’ll scratch yours”. Reciprocity does not emanate out of feelings of loyalty, gratitude or (most importantly) justice.

Level two – the conventional level

At this level the maintenance of the expectations of family group or nation is judged as valuable in its own right, regardless of immediate and obvious consequences. This level is associated with conforming to social order and as a consequence maintaining that order, and contains the following stages:

- *Stage three – the interpersonal concordance of good boy/nice girl orientation.* Behaviour is directed at pleasing or helping others and is approved of by them. It is the desire to please others, rather than the actual help provided which marks out moral reasoning as stage three. There is a conformity to stereotypical images of “natural” behaviour. Approval is achieved by being “nice”.
- *Stage four – the law and order orientation.* The orientation at this stage is towards authority, in an unquestioning way. The maintenance of rules and social order assume importance over other considerations. “Right” behaviour consists of “doing one’s duty”. The “King and Country” argument would operate at this level.

Kohlberg identifies a stage between stages four and five which is postconventional, but not yet principled. It is a stage at which the individual picks and chooses between obligations, where some notion of a broader social perspective is evident, but not in a coherent, consistent and principled way. There appear to be elements of both stage two and stage four reasoning evident at this level, but Kohlberg ultimately interpreted this behaviour as indicative of a transitory stage between stages four and five (Kohlberg, 1973, p. 191).

Level three – the post-conventional and principled level

At this level there is a clear effort to define moral values and principles of behaviour which recognize and respect the sovereignty of other individuals. This recognition moves from a contractual notion of social relationships to a more elevated, spiritual awareness of social independence and interdependence and involves:

- *Stage five – the social contract, legalistic orientation.* This stage of moral reasoning tends to display utilitarian overtones. There is a compliance with standards which have been societally determined, although not necessarily enshrined in statute. There is an awareness of relativism and personal values which have a status distinct from what is democratically determined. The emphasis is on legally defined behaviour, but with the possibility of trying to change “unjust” laws (but staying within existing laws in the process).
- *Stage six – the universal ethical principles orientation.* This stage assumes guidance by universal ethical principles which all humanity should follow. Usually this means keeping within existing laws because these will have been socially determined and presumably just. However, where inequities exist, where justice has been violated, then laws can be broken. Justice is regarded as having a higher status than unjust laws. “The perspective is that of any rational individual recognising the nature or the basic moral premise of respect for other persons as end, not means” (Kohlberg, 1981, p. 412).
- *Stage seven – the postconventional, or principled, level of moral development takes the debate increasingly towards the philosophical (without losing sight of the psychological) dimensions. Stage seven embraces more forcibly than stage six the spiritual (and possibly*

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religious) spheres of human existence. Its source is despair, born from a recognition of our individual insignificance within a cosmic perspective. From this despair comes humility and a "worldliness" (or probably more appropriately a "universalness") which allows the individual to understand fully the interdependence of individuals and the interrelatedness of human activity.

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Appendix 2: the support systems provided by the UK professional accountancy bodies to members experiencing ethical dilemmas at work

The most sophisticated system in the UK is that operated by the ICAEW. The scheme is known as IMACE and has been in operation since 1979. The other professional accountancy bodies have tended to model their own schemes on IMACE, although they will not necessarily offer all levels of the service. The IMACE scheme works as follows.

A troubled member will contact the directorate of IMACE and explain the nature of the problem. The opportunity to discuss the issue with an "outsider" may be sufficient for the troubled member to identify a way of handling the situation. Advice will normally revolve around ways of possibly resolving the problem from within the organization. Advice will also be provided on property rights (the organization's ownership of all paperwork) and the confidentiality issues surrounding organizational information.

If the troubled member still feels the need for further advice a fellow member of the ICAEW who lives in the same region as the troubled member will make contact and arrange a meeting, normally within 48 hours of the initial telephone call. At the first meeting the "adviser" will normally listen to the problem as described by the troubled member and make notes. A copy of the notes is sent to the troubled member and the director of IMACE. The additional opportunity to discuss the problem may be sufficient for the troubled member to see a way of resolving the problem, but this may not be so, and a second meeting with the adviser may be arranged. At this meeting the adviser is likely to underscore the issue of property rights and confidentiality, but leave the member with no illusions that if the beleaguered member wishes to take the matter further, he or she will be on his or her own. It is a private matter between the accountant and the employing organization.

If the troubled accountant requests further assistance, the IMACE directorate will meet to discuss the case and may approve the funding of a meeting between the troubled accountant and a lawyer who specializes in employment law. A private consultation lasting up to two-and-a-half hours between the lawyer and the troubled member may be financed by the ICAEW under the IMACE scheme. In 1992 the ICAEW introduced a similar scheme to IMACE for its members in private practice. At the time of writing, none of the other UK professional accountancy bodies offers the possibility of a consultation with an employment law specialist. Instead, advice from the professional body's own legal department will normally be provided.

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