

Accounting firm leaders and professional staff may view ethical environment differently

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If an accounting firm wants to maintain a strong ethical environment from top to bottom, a new study by a Kansas State University accounting professor and her colleagues finds it's important that the firm's environment is viewed the same from bottom to top.

Further, the study also finds that even those in leadership positions may benefit from mentoring.

"The Influence of Roles and Organizational Fit on Accounting Professionals' Perceptions of Their Firms' Ethical Environment" will be published in the *Journal of Business Ethics'* special issue on accounting ethics and tone at the top. It is co-authored by Kansas State University's Amy Hageman, assistant professor of accounting; Donna Bobek, University of Central Florida; and Robin Radtke, Clemson University.

Their paper is one of the first research studies to empirically test potential reasons why firm leaders and non-leaders—or professional staff—can have contrasting perspectives of the firm's ethical environment. They tested their research using a questionnaire that was completed by 139 accounting professionals employed at certified public accounting firms.

In previous studies, Hageman and her fellow researchers demonstrated that leaders and non-leaders at public accounting firms have different

perceptions of their firms. They found that while most accounting professionals perceive the ethical environment of their firm as quite strong, the firms' leaders—partners, principals and directors—perceive the ethical environment as even stronger than the other staffers.

The major finding in their most recent study was why this difference arises, Hageman said.

"We found that when non-leader accounting professionals believe they participate in shaping and maintaining the ethical environment and/or have a strong organizational fit with the accounting firm, they are more likely to view the ethical environment as strong and to view it similarly to firm leaders," she said.

Because non-leader accounting professionals would include recent college graduates, Hageman said the research shows the importance of students taking business ethics courses, which Kansas State University's College of Business Administration offers.

"If ethics education were absent from the college curriculum, it could severely impact the ability of these non-leaders to be aware of the importance of ethics in accounting and business," Hageman said. "We believe that it is critical for soon-to-be-graduates who are weighing various job options to carefully consider firm leadership and their perceptions of the overall ethical environment and culture of the firm, as 'tone at the top' has been shown to be a critical factor in firms' ethical attitudes."

Hageman said other studies by the research team have found that a firm's ethical environment has an important influence on ethical decision-making. Thus, the same person placed in a different environment may make a very different decision based on his or her perceptions of what constitutes ethical behavior within the organization.

"It is very important for anyone thinking of joining an organization to make sure that it has strong ethical values and the leadership within the firm acts ethically and supports organization efforts to encourage ethical behavior," she said.

The study also produced a surprising result: it's important for firm leaders to receiving mentoring.

While firm leaders were much less likely to have received formal or informal mentoring in the previous year, Hageman said having received such mentoring was related to how leaders perceived their firms' ethical environment.

"On the other hand, non-leaders were more likely to have received mentoring, but it was not related to their perceptions of the firm's ethical environment," she said. "This emphasizes the importance of firm leaders continuing to receive mentoring throughout their career. We may not think of someone who is a leader in an organization as needing a mentor, but our results showed that leaders who continued to receive such support had a more positive view of the firm's ethical environment."

The study is part of a stream of research that Hageman, Bobek and Radtke are undertaking on ethical decision-making of accounting professionals and the importance of the firm's ethical environment. They are currently investigating the link between job attitudes and a firm's ethical environment; the difference in ethical environment perceptions of auditors/tax professionals and accountants who work in industry versus in public accounting firms; and how professional role, decision context and gender can influence the ethical decision making of public accounting professionals.

More information: "The Influence of Roles and Organizational Fit on Accounting Professionals' Perceptions of Their Firms' Ethical

Environment" *Journal of Business Ethics*. December 2013. [DOI: 10.1007/s10551-013-1996-4](https://doi.org/10.1007/s10551-013-1996-4)

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