

**Factors influencing unethical behaviour by professional  
accountants: a structured literature review**

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## **Abstract**

**Orientation:** In the recent past, corporate accounting scandals have led to the collapse of several giant corporates. This has negatively impacted the economies and ordinary people of the countries in which these firms operate and the global economy at large.

**Research purpose:** This study critically examines research done in the accounting field to uncover the determinants of unethical conduct by professional accountants. It seeks to determine the current state of knowledge of the factors driving the unethical decision-making process of professional accountants. Also, the study aims to obtain an understanding of the decision-making process engaged in prior to the commission of unethical conduct.

**Motivation for the study:** Despite increased monitoring by the accounting profession through new and improved codes of conduct, increased emphasis on ethics, continued professional development requirements, and increased government regulation through legislative and policy development, unethical behaviour by accounting professionals continues to rise. Thus, there is a need for a study to explore the determinants of unethical behaviour in the accounting field.

**Research design and method:** This study adopted a qualitative narrative approach. The study employed non-probability sampling in the form of non-purposive sampling to select the relevant articles to use. These articles were analysed using a thematic approach, wherein articles dealing with the same theme were grouped together to determine what conclusions could be arrived at.

**Study contribution:** This study contributes a more precise understanding of the determinants of unethical behaviour by professional accountants. The study also identifies potential areas for future research and policy development.

**Main findings:** Many studies have examined factors that influence unethical behaviour, including individual factors such as gender, age, and personal values. Other factors, such as organisational, societal, legislative, and political factors, have also been studied. However, many studies do not employ a holistic approach in analysing the relative influence of each of the factors, and hence there are conflicting conclusions. Within the African context, political, social, and legislative factors that appear to have a significant influence have not been thoroughly explored. There is, therefore, significant potential for future research in this field.

## **Keywords**

Accounting ethics; ethical behaviour; ethical decision-making; ethics education; unethical behaviour

## **Declaration**

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy in Evidence-Based Management at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Signature

5 December 2022

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## **Chapter 1: Introduction**

### **1.1 Introduction to the research problem**

A literature review demonstrates a writer's understanding of the phenomena, concepts, jargon, and key assumptions of their particular field of research (Randolph, 2009; Fisch & Block, 2018). An excellent literature review provides the grounding for knowledge enrichment and enables theory development in the field (Snyder, 2019). At the core of a high-value literature review are thoroughness, replicability, and profundity with regard to the need or justification for the review, problem statement and study design, and data collection, appraisal, analysis and interpretation. This aids in ensuring that the review is not merely a narration of prior research but an exercise that ultimately adds value to the existing body of knowledge (Denyer & Transfield, 2009; Randolph, 2009; Snyder, 2019). Should the literature review be done following this guidance, this will ensure that quality enforcing measures are in place. Therefore, this current literature review was conducted in compliance with these guidelines.

### **1.2 The construct under review**

The focal point of this review will be ethics from the perspective of professional accountants in light of the prevalence of unethical conduct in the profession. Before 1980, there was not a lot of research interest in ethics within the accounting field. However, the significant increase in corporate scandals post-1980 has driven a sustained academic interest in ethics in the accounting profession (Randall & Gibson, 1990). Thus, several studies have looked at general ethical conduct and professional accountants over the last two to three decades (Mubako et al., 2021). Several rationalist and non-rationalist ethical decision-making models have been devised to better understand ethics and unethical behaviour (Schwartz, 2016). As a result, a vast array of literature on the ethical/unethical construct is readily available. Therefore, this study endeavours to provide a clearer understanding of the current discourse within the literature about unethical conduct within the accounting profession.

### **1.3 The need for the literature review**

The accounting profession and professional accountants are a vital part of the efficient and effective functioning of an economy as they provide a stamp of authority on the correctness and accuracy of financial information that keeps the markets going (Kiradoo, 2020; Smith & Sheridan, 2006). To perform this function well and ensure continued civic trust, the accounting profession's ethical conduct becomes paramount (Endenich & Trapp, 2020; Lopez & Perry, 2018; Mubako et al., 2021). In other words, because of the pivotal and central role the

accounting profession plays in a country's economic activity, unethical conduct should never find a place within the profession or the profession's individual members (Endenich & Trapp, 2020; Lopez & Perry, 2018; Mubako et al., 2021). The accounting profession occupies a critical and unique space in a country's economy; therefore, every step and action taken by a professional accountant will be thoroughly scrutinised.

As alluded to above, the accounting profession derives its importance, in part, from its uniqueness. It is a unique and critical profession in that it provides its members with employment opportunities in senior critical decision-making positions in many companies and organisations (Smith & Sheridan, 2006). The accounting profession provides numerous job routes to its members, such as senior jobs in accounting firms, senior jobs in private business, the government, and higher and tertiary education (Smith & Sheridan, 2006). Members of the profession have a pathway to excellent, highly-ranked employment positions of trust and critical decision-making. Therefore, because ethical conduct is essential to any organisation, a profession that provides its members access to the top decision-making positions must prioritise ethical conduct. Professional accountants, in their various capacities as managers, auditors, tax practitioners, consultants, chief financial officers, chief executive officers, chief operations officers, financial directors, consultants and many more, keep the economic wheels of their entities and organisations turning and, in so doing impact both the national economies and the global economy at large. It is, therefore, apparent that the accounting profession cannot afford and should never be allowed to falter at any point in time, given its significance to the continued existence and efficient functioning of the global economy.

However, a recent spate of high-profile corporate failures around the world, including companies such as Enron, Parmalat, WorldCom, HealthSouth and Tyco International, resulted mainly from unethical conduct by professional accountants and large accounting firms (Endenich & Trapp, 2020; Kiradoo, 2020; Poje & Groff, 2022; Robinson et al., 2020; Welsh et al., 2015; Rees et al., 2019). South Africa has also experienced its fair share of corporate scandals, some of which came to light during the Commission of Enquiry into State Capture (the Zondo Commission). The collapse of companies such as Steinhoff International Holdings and the VBS Mutual Bank, the Tongaat Hulett scandal, and the involvement of a 'big four' accounting firm, KPMG Inc., with dodgy Gupta family-linked entities. Other scandals include the South African Revenue Service (SARS) rogue spy unit report, the wrong unauthoritative advice to the Road Accident Fund (RAF) management by PWC Inc., another big four accounting firm, the involvement of McKinsey & Company with Trillian Capital Partners on Eskom contracts, irregular transactions which saw SAP, a German software giant fleeing Eskom and Transnet of millions of rands, alleged corruption in the construction of Medupi and

Kusile power stations, EOH Holding Limited scandal regarding the defence software deal with the Department of Defence, African Global Operations (Bosasa) scandal among others (see **Table 1** below which provides a picture of some global and local accounting failures indicating their estimated financial impact.). These scandals or corporate failures have, in some instances, been initiated or facilitated by professional accountants.

Because these corporate financial failures caused significant damage to the efficient and effective functioning of national and global financial structures (Lail et al., 2017), many governments responded with increased regulation and oversight of the profession (Arfaoui et al., 2016; Lail et al., 2017, Wests, 2018). However, this does not mean there were no regulations before these scandals. Instead, accountancy professional bodies have traditionally regulated the accounting profession through codes of ethics, professional conduct, and accounting and auditing standards, which are taught religiously to aspiring professional accountants during their university studies and professional training. Also, continued professional development (CPD) requirements ensure that employed professional accountants are continuously trained and appraised on the evolving requirements of these codes.

However, the continued rise of accounting failures despite such regulatory provisions being in place points to the fact that a rules-based system has many shortcomings. Therefore, the emphasis should be less on developing rules in the form of codes of ethics and more on developing an ethical decision understanding (Baiada-Hireche & Garmilis, 2016; Petrick & Quinn, 2002). A rules-based system creates, on the one hand, the “absence of a rule problem”, which relates to a situation where a professional is left to wonder, “where does it say I cannot do this or that?”. On the other hand, it also creates the “presence of a rule problem”, which often results in the religious following of rules to the letter while ignoring and sometimes even violating the “spirit of the rule” (Baiada-Hireche & Garmilis 2016; Baud et al., 2021; Mele et al., 2017). With the same understanding, in their study, Lail et al. (2017) pointed out that professional accountants are well aware and fully conversant with the legislative requirements of their profession. However, with corporate financial failures, many regulatory changes that have taken place have fallen short in their endeavour to promote ethical conduct in individual professional accountants (Lail et al., 2017).

**Table 1: List of some corporate scandals involving accounting professionals**

<b>Entity Name</b>	<b>Issue Description</b>	<b>Year</b>	<b>Estimated Rand Amount (000)</b>	<b>Source of Information</b>
Waste Management Inc.	Misstated earnings	1998	8,466,000	Corporate Finance Institute, (2022).
Enron Corporation	Misstated earnings	2001	569,800,000	Corporate Finance Institute, (2022).
WorldCom	Inflated company assets	2002	126,170,000	Corporate Finance Institute, (2022).
Tyco International	Misstated earnings	2002	5,735,000	Corporate Finance Institute, (2022).
HealthSouth Corporation	Misstated earnings	2003	14,238,000	Corporate Finance Institute, (2022).
The Federal Home Loan Mortgage Corporation,	Misstated earnings	2003	39,550,000	Corporate Finance Institute, (2022).
American International Group (AIG)	Misstated earnings	2005		Corporate Finance Institute, (2022).
Lehman Brothers	Misstated loans	2008	399,500,000	Corporate Finance Institute, (2022).
Bernard L. Madoff Investment Securities LLC.	Tricked investors	2008	517,752,000	Corporate Finance Institute, (2022).
Satyam Computer Services	Misstated earnings	2009	15,480,000	Corporate Finance Institute, (2022).
Oakbay Resources and Energy Limited (ORE)	Share price fixed	2014	500,000	Business Insider South Africa, (2020).
Optimum Coal Mine (OCM)	Incorrect company valuation	2014	3,400,000	Business Insider South Africa, (2020).
SARS Rogue Unit report by KPMG Inc.	The report was factually incorrect	2015	23,000	Business Insider South Africa, (2020).
Linkway Trading Pty Ltd	Tax evasion	2016	30,000	Business Insider South Africa, (2020).
Ministry of Water and Sanitation	SAP contracts corruptly awarded	2016	413,000	Business Insider South Africa, (2020).
Steinhoff	Overstated profits	2017	7,400,000	Business Insider South Africa, (2020).
VBS Mutual Bank	Looting, fraud and corruption	2018	2,000,000	Business Insider South Africa, (2020).
Eskom and Transnet SAP Germany Software giant	Corruption in awarding the contract	2018	162,000	Business Insider South Africa, (2020).
Tongaat Hulett	Profits misstated.	2018	3,500,000	Business Insider South Africa, (2020).
EOH Holdings	Overcharged for services	2020	1,200,000	Business Insider South Africa, (2020).
Road Accident Fund (RAF). PWC Inc advice	Incorrect accounting treatment reducing RAF liability.	2021	300,000,000	Moneyweb, (2021).

The continued and increased involvement of professional accountants in unethical conduct resulting in corporate collapse is a worrying trend, given the centrality of the accounting profession to the economy (Baiada-Hireche & Garmilis, 2016; Duff, 2016). The corporate failures highlighted above have inevitably revived the debate on the role of ethics within the accountancy profession (Endenich & Trapp, 2020; Kiradoo, 2020; Poje & Groff, 2022; Rees et al., 2019; Robinson et al., 2015; Rees et al., 2019). A key question is whether there has been a change or a shift in one way or another that has caused professional accountants to engage in unethical conduct. Thus, more attention is being given to the need for continued research on the determinants of unethical behaviour by professional accountants. Overarching this endeavour is the understanding that there is an overwhelming need for ethical conduct within the accounting profession, evidenced by ethical decision-making and fewer corporate scandals.

The accounting profession is instrumental in upholding civic trust, ethics, and integrity in national and global economies (Schnebel & Bienert, 2004; Shawver & Miller, 2017). Chartered accountants, registered auditors, and professional bodies such as the South African Institute of Chartered Accountants (SAICA) and the Independent Regulatory Board for Auditors (IRBA) play critical oversight and watchdog roles to ensure that professional accountants maintain professional and ethical standards. Therefore, accountants must be highly ethical and of good moral standing (Shawver & Miller, 2017). One of the core foundations of the accounting profession is to satisfy the responsibility to serve the civic interest. Accordingly, an inclination to serve the interests of the community becomes a distinguishing characteristic of the accounting profession (Duff, 2016). To that end, Kiradoo (2020) articulates the value of ethical conduct and fidelity within the accounting profession by elucidating that they are inversely correlated to the prevalence of corporate scandals.

These developments necessitate research into the factors driving this increase in unethical behaviour by professional accountants. Therefore, there is a need to establish the current state of knowledge in this field, hence the need for the present detailed literature review. A comprehensive literature review will serve to provide a basis upon which further research in this field can be conducted. It will establish from published research what the concrete and tested facts are and dispel any baseless opinions and misconceptions. Secondly, the literature review will assist in obtaining a detailed understanding of the research area and the construct of ethical and unethical behaviour in the accounting profession. Finally, based on the information from the literature review and the understanding obtained from the exercise, a refined area of focus will be determined and recommended for future research.

## **1.4 Ethics and unethical conduct defined**

As alluded to in the previous sections, one of the core tasks of the accounting profession is to fulfil a social obligation to serve the public interest. Consequently, an orientation to serve the needs of the public becomes a defining feature of the accounting profession (Duff, 2016). Thus, consistent ethical practices that foster public trust are required of professional accountants to ensure the continued relevance of the accounting profession that is held in high regard (Lopez & Perry, 2018). Therefore, ethical behaviour and ethics education have become of paramount importance and play a crucial role in enhancing the confidence and credibility of the accounting profession (Arfaoui et al., 2016). It is, therefore, crucial to ask what ethics is and what constitutes ethical/unethical behaviour for professional accountants.

Ethics can generally be defined as a set of moral rules and norms that influence individuals and organisations, thereby determining how individuals and organisations operate (Todorović, 2018). In the context of the accounting profession, ethics could be understood as moral values and standards that guide professional accountants to ensure the quality of accounting and financial reporting (Man & Ciurea, 2016). Shawver and Miller (2017) concur with Man & Ciurea and define ethics as a set of guidelines established based on shared norms indicating the general collective view of a particular act as acceptable. However, Mladenovic et al. (2019) contend that there is a wide range of what can be considered ethical or unethical depending on different individual viewpoints. What is regarded as ethical from one perspective might be unethical from a different perspective. Hence there are grey areas in what can be viewed as ethical or unethical.

Mele et al. (2017) postulate that ethics involves action, impending consequences, and people, with their qualities, involved in any human activities. In comparison, West (2017) describes ethics as a collective sense of right and wrong of a group of people that speaks to the group's moral dimension. In this context, West (2017) claims that the focus should not be on compliance with professional accountants' rules and codes of ethics but on how well the function at hand has been performed. This implies that the concept of ethics is not determinable in absolute terms but is somewhat relative to the context and environment (West, 2017). West (2018) further claims that integrity is the core of ethics for professional accountants and describes integrity as exhibiting the same moral character in different social contexts, thus being straightforward, honest, fair, and truthful in all professional and business dealings.

Bebeau et al. (1999) define ethics as upright standing with a good moral character that gives rise to good citizenship. Bebeau et al. further developed a four-stage model, namely, “moral sensitivity/awareness, moral judgment, moral intent, and moral behaviour” of the ethical decision-making process known as the ‘Rest model of moral reasoning’ (Bebeau et al., 1999). The Rest model proposes that, for a person to act ethically, they must first have the aptitude to identify that an issue is morally challenging. This is then followed by a critical assessment of the issue and framing of an intention to act ethically, with ethical sensitivity being the ability of an individual to identify the salient ethical aspects of a situation (Bebeau et al., 1999). Brinkmann (2002) defines ethics as “a domain of enquiry, a discipline in which matters of right or wrong, good or evil, virtue or vice are systematically examined, in which case morality is most often used to refer not to a discipline but to patterns of thought and action that are operative in everyday life”. Therefore, according to Brinkmann, the discipline of ethics is about integrity or morality. Kiradoo (2020) alludes to the fact that ethics in the accounting profession rests on the pillars of integrity, objectivity, confidentiality, professional competence, and due care. Mladenovic et al. (2019) also point out that ethics, as a set of moral values, is acquired through life experiences in the education system or the practical professional environment.

Moral lapses in ethical decision-making come at a high cost to all spheres of the economy. Those most affected are the ordinary citizens of the local and global economies. Within this study, ethics is considered to be about the moral values of what is right or wrong or what is good or bad. In the accounting profession, these moral values are anchored by integrity, objectivity, confidentiality, professional competence, and due care. The absence of these core principles would inevitably lead to unethical conduct. Therefore, if the accounting profession is to harness the full benefits of these core principles of ethics fully, they must be married to Rest’s four-stage model discussed above. Thus, ethics and ethical behaviour are not a luxury for professional accountants but a must-have and a requirement for all members of the accounting profession. In this instance and this study, unethical behaviour by professional accountants would be any conduct contrary to what has been defined as ethical behaviour.

The concept of ethics is not new, as evidenced by many definitions from different authors, as discussed above. Many rules and regulations have been put in place by governments and professional accounting bodies to stress the importance of ethical behaviour in the accounting profession. However, evidence shows that financial scandals have not been eliminated or reduced but continue to rise. This state of affairs raises several important questions. Are the rules and regulations on ethics insufficient? Or is the level and standard of ethics education at both the academic and professional levels insufficient? Is there a gap between what professional accountants understand as their primary duty when entering the profession and

what the core duty of the profession actually is? Lastly, what is the real cause of unethical conduct, and how can it be addressed?

### **1.5 Theoretical contribution**

The primary purpose of this literature review is to provide a detailed and thorough synopsis of the existing research in the field of ethics, with a specific focus on the determinates or factors influencing unethical conduct by professional accountants. Such an endeavour will provide an improved understanding of the field. It will include a comprehensive historical analysis and mapping of the developments and academic debates in the research area. It will also provide recommendations for future research on factors influencing unethical behaviour among professional accountants. Thus, this study will assist/contribute to the body of knowledge by revealing gaps in current literature and identifying areas of prior research within the field, thereby ensuring that duplication of effort is eliminated while pointing at relevant areas for potential future research.

### **1.6 Review objective and review question**

The primary objective of this study is to provide a detailed and thorough outline of the existing research in the field of ethics with a specific focus on the determinates or factors influencing unethical conduct by professional accountants. The review seeks to establish a comprehensive understanding of the current work and discourse on the factors influencing unethical behaviour by professional accountants and lay the ground for determining areas for future research.

As alluded to in the earlier sections, unethical conduct by professional accountants has been on the rise, as evidenced by the increase in accounting scandals. A vast array of research has been conducted on factors influencing this unethical conduct. However a well-structured specific, clearly developed and be clearly documented review question needs to be addressed, to guide the literature review (Randolph, 2009; Snyder, 2019; Transfield et al., 2003). In this literature review, the primary research question to be attended to is, “what are the known factors influencing professional accountants to act unethically in the execution of their function?” In unpacking this research question, an investigation into the research designs and theoretical models used in researching ethics and unethical behaviour influencing factors will be undertaken.



## **Chapter 2. Methods and analysis**

### **2.1 Research methodology**

The construct under study, ethics and unethical behaviour, has seen significant research done in the recent past by different authors in different disciplines. It is, therefore, virtually impossible to review every single article on the subject. Therefore, this structured literature review followed a narrative review approach (Snyder, 2019). A narrative literature review allows for flexibility with regard to the questions being addressed, as it can accommodate a literature review that responds to more than a single narrowly defined research question (Ferrari, 2015; Snyder, 2019). Ferrari (2015) also alludes that a narrative literature review does not have strictly defined, standardised article inclusion and exclusion criteria. This allows the author to present a flexible but transparent article inclusion and exclusion criteria (Snyder, 2019). Thus, a narrative literature review allows for the use of a wide variety of data sources, providing a detailed and richer understanding of the phenomenon under study (Onwuegbuzie et al., 2012). A narrative literature review is often used when qualitative research is done. The primary objective is to comprehend the state of knowledge, identify themes, and map a plan for potential future studies within a specific field (Ferrari, 2015; Snyder, 2019).

In this study, some tailoring of the inclusion and exclusion criteria was done. The objective of the study was to obtain a thorough understanding of the current debate on factors influencing unethical behaviour among professional accountants and to have a deeper comprehension of the potential direction future studies should take. The projected outcome is to identify the themes and categories of the known drivers of unethical conduct through thematic analyses. This works well with a narrative literature review (Ferrari, 2015; Snyder, 2019).

### **2.2 Search strategy, process quality**

This literature review is based on an assessment of articles published on the construct of interest, ethics and unethical behaviour by professional accountants. Therefore, it is imperative to develop article inclusion and exclusion criteria that are comprehensive, precise, explicit, and provide enough detail to ensure replicability (Denyer & Transfield, 2009; Randolph, 2009; Snyder, 2019). Thus, in the sample selection process, the credibility of the sample of articles selected in relation to the construct and in reference to the source of those articles in the sample must be made clear to make it possible for others to replicate the process.

Initially, relevant articles were identified for inclusion in the review using a concept-centric approach (Fisch & Block, 2018) employing keywords and descriptors (Randall & Gibson, 1990). Keywords and descriptors such as ethics, ethics in accounting, ethical decision-making, unethical decision-making, ethics training in accounting, corporate accounting scandals, ethical conflict, and ethical judgement were searched on Google Scholar to identify articles for inclusion. Also, the bibliography of these selected articles from Google Scholar was scanned using the process mentioned above for further relevant article identification based on the article title (Randall & Gibson, 1990).

The initial article search phase that was done to understand the construct yielded a good number of articles. Twenty articles from this initial phase were identified as the most relevant and usable for the construct determination and defining stage (Table 2). These twenty articles were from 8 (eight) different journals. Seven (7) articles were from seven (7) different separate journals, and thirteen (13) were from the same journal, the Journal of Business Ethics. Thus, 65% of the articles identified in the initial phase through Google Scholar were from the Journal of Business Ethics. A decision was taken to do an article search specifically within the Journal of Business Ethics as the primary source of articles for the review. These statistics that drove the decision taken are presented in the table below:

**Table 2: Journal articles obtained from the initial article search on Google Scholar**

	<b>Author</b>	<b>Year</b>	<b>Article title</b>	<b>Journal of publication</b>
1	West, A.	2017	The ethics of professional accountants: an Aristotelian perspective	Accounting, Auditing and Accountability Journal
2	Duff, A.	2016	Corporate social responsibility reporting in professional accounting firms	British Accounting Review
3	Bebeau, M. J., Rest, J. R., & Narvaez, D.	1999	Beyond the promise: a perspective on research in moral education	Educational Researcher
4	Kiradoo, G.	2020	Ethics in accounting: analysis of current financial failures and role of accountants	International Journal of Management
5	West, A.	2018	After virtue and accounting ethics	Journal of Business Ethics
6	Arfaoui, F., Damak-Ayadi, S., Ghram, R., & Boucekoua, A.	2016	Ethics education and accounting students' level of moral development: experimental design in a Tunisian audit context	Journal of Business Ethics
7	Baiada-Hireche, L., Garmilis, G.	2016	Accounting professionals' ethical judgment and the institutional disciplinary context: a French-US comparison	Journal of Business Ethics

	<b>Author</b>	<b>Year</b>	<b>Article title</b>	<b>Journal of publication</b>
8	Baud, C., Brivot, M., Himick, D.	2021	Accounting ethics and the fragmentation of value	Journal of Business Ethics
9	Brinkmann, J.	2002	Business and marketing ethics as professional ethics: Concepts, approaches, and typologies	Journal of Business Ethics
10	Christensen, A., Cote, J., Latham, C. K.	2018	Developing ethical confidence: The impact of action-oriented ethics instruction in an accounting curriculum.	Journal of Business Ethics
11	Massey, D. W.	2017	Discussion of "recognising ethical issues; an examination of practising industry accountants and accounting students"	Journal of Business Ethics
12	Melé, D., Rosanas, J. M., & Fontrodona, J.	2017	Ethics in finance and accounting: editorial introduction	Journal of Business Ethics
13	Mladenovic, R., Martinov-Bennie, N., & Bell, A	2019	Business students' insights into their development of ethical decision-making	Journal of Business Ethics
14	Mubako, G., Bagchi, K., Udo, G., Marinovic, M.	2021	Personal values and ethical behaviour in accounting students	Journal of Business Ethics
15	Poje, T., & Groff, M.Z.	2021	Mapping ethics education in accounting research: a bibliometric analysis	Journal of Business Ethics
16	Schuebel, E., & Bienert, M.A.	2004	Implementing ethics in business organisations	Journal of Business Ethics
17	Shawver, T. J., & Miller, W. F.	2017	Moral intensity revisited: measuring the benefit of accounting ethics interventions	Journal of Business Ethics
18	Todorović, Z.	2018	Application of ethics in the accounting profession with an overview of the banking sector	Journal of Central Banking Theory and Practice
19	Man, M., & Ciurea, M.	2016	Transparency of accounting information in achieving good corporate governance: True view and fair value	Social Sciences and Education Research Review
20	Lopez, K. J., & Perry, S. M.	2018	The importance of virtue ethics and the role of salience in the accounting profession	Southern Journal of Business & Ethics

A Google Scholar search was conducted for the keywords 'unethical conduct', 'professional accountants', and 'ethics in accounting' on Harzing's Publish or Perish (Windows GUI edition version 7.33.3388.7819). The publication was set to the Journal of Business Ethics, the period was limited to the years between 2015 and 2022, and the search was limited to English-language articles only. The search yielded a total of 947 articles from the database from which the information which included the authors, year of publication, number of citations of the article, article title, publishing house of the article, a portion of the article abstract as well as the full-text uniform resource locator (URL) was obtained.

Through article topic reading and abstract extract reading per the detail extraction report provided by the software, Harzing's Publish or Perish was done. Out of the total extracted 947 articles, 49 were identified as relevant to the focus area of this study. These 49 articles did include the initial 13 articles presented in table 2 above from Google Scholar from the Journal of Business Ethics. Thus effectively 36 new more articles were available for further scrutiny. Upon further reading the full abstract and the conclusion section of the remaining 36 articles, only 16 would eventually be used in this literature review, having been identified from this described process. Using these articles 16 plus the 20 articles from the initial search resulted in 36 construct related articles. Using these 36 articles' list of references, by reading the reference title, references cited at least three times and not already part of the 36 articles, another 37 articles were identified and were included in the set of articles used. Thus, this process of using reference lists yielded a further 37 construct relevant and usable articles. These 37 articles were from different academic journals, articles from years not confined to the period 2015 to 2022 and articles that are not only rated at level three and above on the Academic Journal Ranking Guide of 2021. Therefore, a total of 73 construct relevant articles used in this literature review to review the construct. These 73 construct relevant articles were considered an appropriate number or sample for this review.

To ensure transparency and research quality, articles from journals rated three, four and four-star published within the last eight years were selected as the driving articles for the review. The eight-year period from 2015 to 2022 was used as it was considered recent and current enough to evaluate the discourse around unethical behaviour by professional accountants. Some seminal articles that fell outside the eight-year period and highly cited articles dating beyond this same eight-year period were also included in this review. This was done to ensure that the literature review did not exclude other important and relevant studies merely because they fell outside the eight-year period. Of the 73 construct relevant articles for the literature review 53 (73%) were from the selected period.

From the 73 construct related articles used in this literature review 52 articles are from a journal ranked 3 and above from the Academic Journal Guide ranking list of 2021. Thus, 71% of the selected articles were from a journal ranked level three (3) on the Academic Journal Guide (AJG) 2021 listing. Journals rated level three, and above are considered to be of very high quality, given the rigour to which the articles published in these journals are subjected. Therefore, the Journal of Business Ethics is one of those highly ranked journals with regard to quality and this was used as the leading journal for article search. The Journal of Business Ethics is also the most prominent journal that deals with peer-reviewed articles on ethics within

the field of business management. The construct under study squarely falls within this category covered by this journal. Also, the Journal of Business Ethics being ranked at level three means it publishes peer-reviewed articles, meaning that these articles are of high academic quality, as they would have gone through a rigorous review exercise (Poje & Groff, 2021).

However, some articles published in journals falling below the academic journal guide ranking level three rating were also included in the review. Thus, 21 (29%) articles in total that were considered relevant to the construct unethical behaviour and ethics were from academic journals ranked below level three on the academic journal guide ranking. This was done to ensure that the literature review did not exclude other important and relevant studies merely because they were published in journals ranked below level three on the academic journal guide. These studies were considered paramount to the current discourse that is taking place in highly-ranked journals; hence their inclusion was warranted.

### **2.3 Data Abstraction**

Given the qualitative nature of the ethics field area, the data extracted from the literature is primarily descriptive information (Snyder, 2019). Data abstraction and analysis refers to the process of systematically and methodically dismantling the chosen articles into smaller component sections to identify the key arguments and methodological conventions. The process also assists in finding convergence/links/connections on the dismantled parts and arranging them in a new way not previously done (Trasfield & Denyer, 2003). To dismantle and rearrange in a new different, and meaningful way, the following information was abstracted qualitatively and inductively;

- i. citation information such as title, journal of publication, author, and date of publication,
- ii. detailed descriptive information such as country of research, context, population characteristic and the purpose of the article,
- iii. methodological information such as sample and sample size, research design, and data analysis method/tools used,
- iv. article contribution in responding to the review question and the potential identified research area within the field of ethics and unethical behaviour for professional accountants, and;
- v. theoretical foundations of the article,
- vi. the key findings of each article, theories, perspectives, and concepts.

## **2.4 Data Analysis**

The data collected from the articles described above were analysed manually in Microsoft Excel. This data, as per the information abstracted as indicated above, in the literature review section, the paragraphs used represent the manner in which the information has been categorised and grouped, such as personal factors and organisational factors.

## **2.5 Limitations**

Even though using a narrative literature review allows for flexibility in defining the inclusion and exclusion criteria due to non-standardised guidelines, this has its own downside. This lack of standardised guidelines creates room for subjectivity which, in turn, may give rise to potential bias. Thus, the researcher's subjective bias might have influenced the articles included in this review (Ferrari, 2015; Snyder, 2019). Therefore, the processes followed in data gathering and analysing should be clear, understandable and transparent and provide sufficient detail to ensure replicability (Ferrari, 2015; Snyder, 2019).

A narrative review does not use the entire data set available; therefore, not all articles that could have been used in this instance have been used. Hence, the conclusions arrived at using the data collected per the inclusion and exclusion criteria as detailed above would not represent the landscape of unethical behaviour in the accounting profession. The heavy reliance on a single journal publication on a topic that transcends disciplines might be considered a limitation by others, pointing to the fact that the scope of this review could have been broadened by the same search having been applied to other publishing journals. However, this is not a limitation in this review as it was a decision taken, and this has been taken care of in that the articles from the reference list of the selected articles from the Journal of Business Ethics have not been limited to those published in the Journal of Business Ethics.

Also, the criteria to include only articles from a specific period means there is a possibility of other very important papers published outside of this period that were excluded. However, this limitation was mitigated by including seminal papers that fell outside the period. These seminal papers were selected based on their being highly cited during the period in question. This review used articles written in the English language only, thereby putting a language limitation on articles included for evaluation and analysis. Also, the keywords used could not accommodate all keywords and word combinations relevant to the construct under review. Thus, there is a possibility that, had other keyword combinations been used, additional relevant articles might have been identified and included in this review.

## **Chapter 3 Literature review**

### **3.1 Introduction**

A literature review is considered a guide which examines prior literature to identify what is known in the field, thereby obtaining a detailed understanding of the construct being studied (Fisch & Block, 2018; Transfield et al., 2003). Before 1980, research interest in ethics was not much, but there was a significant academic interest post-1980, driven by a significant increase in corporate scandals (Randall & Gibson, 1990). General ethical conduct, specifically that of professional accountants, has been significantly researched within the last two to three decades (Mubako et al., 2021). Several rationalist and non-rationalist ethical decision-making models have been developed to understand better this complex construct of ethical conduct for professional accountants. However, this field remains under-explored (Lehnert et al., 2015; Schwartz, 2016; Zeni et al., 2016). Even though a vast array of literature on the ethical/unethical construct is readily available, a consensus has not been reached on some issues. Thus, this section of the study endeavours to provide an understanding of the current discourse within the literature about unethical conduct within the accounting profession.

### **3.2 Unethical conduct in the accounting profession**

Unethical conduct refers to one acting in a manner contrary to what is considered ethical. In the accounting profession, ethics relates to moral ideals and principles that guide accountants to ensure the excellence of accounting, reporting and financial management (Man & Ciurea, 2016). Kiradoo (2020), Schnebel and Bienert (2004) and Shower and Miller (2017) define ethics as a set of rules recognized based on shared customs in the accounting profession; From a different perspective, West (2018) claims that integrity is at the core of ethics for professional accountants. Integrity is seen as displaying the same ethical charisma in different social settings giving rise to good citizenship (Bebeau et al., 1999). The other fundamental principles of ethical conduct in the accounting profession are objectivity, confidentiality, professional behaviour, professional competence, and due care (SAICA, 2020). Therefore, unethical conduct by professional accountants is considered to be any action that violates the moral values, standards, customs, rules, and ethical charisma demanded by their profession. Ethical conduct is anchored on integrity, objectivity, confidentiality, professional behaviour, competence, and due care.

### **3.3 The importance of professional ethics in accounting**

The accounting profession, through its members, is regarded as the custodian and guardian of public and civic trust. As a result, the highest level of moral character is required from the individual professional accountants and the profession as a whole (Robinson et al., 2020; Shawver & Miller, 2017; West & Buckby, 2020). One of the core tasks of the accounting profession is to fulfil a civic duty to serve the civic interest. Therefore, the emphasis on satisfying society's demands is the accounting profession's distinguishing characteristic (Duff, 2016; Lopez & Perry, 2018). Massey (2017) highlights that commercialization of the accounting profession through the applied reward system has a direct impact on the ethical sensitivity of the professional accountants in the execution of their duties. Thus, professional accountants must maintain this civic trust by ensuring that the accounting profession is held in high regard.

Some authors have suggested that, when executing their functions, professional accountants cannot avoid transactions or decisions that contain ethical issues (De Graaf et al., 2019). In other words, ethical dilemmas will inevitably arise in the accounting field. Therefore, ethical conduct is of paramount importance within the accounting profession because, without ethics, there will be no value (Robinson et al., 2020; Schnebel & Bienert, 2004; West & Buckby, 2020). Poje and Groff (2022) indicated that research on the determinants of ethical conduct in the accounting profession has significantly increased in the past two decades due to increased unethical conduct attributable to professional accountants (West, 2018). This increase in research on unethical conduct in the accounting profession has been necessitated by the emergence of corporate accounting scandals and the continued increase of corporate failure attributed to accounting issues in the last two decades.

The role played by professional accountants and professional accounting bodies as the generators of accounting information in the form of financial statements or as the arbitrators of such financial information in their capacity as auditors is very important. This financial information generated and arbitrated by professional accountants plays a major role in economic development, with any accounting failure proving to be very costly to individual players in the economy and the economy at large (Seifert et al., 2022; Sorensen et al., 2017; Verhoef & Samkin, 2017). Ethical conduct is demanded from professional accountants as they are perceived to act in the citizenry's interest by ensuring the integrity of the information they provide (Caglio & Cameran, 2017). However, the recurring unethical conduct in the profession, as evidenced by an increase and re-occurrence of corporate scandals, points to a serious ethical problem facing the accountancy profession (Endenich & Trapp, 2020; Lopez &



Perry, 2018; Mubako et al., 2021; Poje & Groff, 2022; Seifert et al., 2022; West & Buckby, 2020).

Without ethical conduct, the continued existence of the accounting profession is significantly threatened, with the value on which it prides itself heavily eroded (Shawver & Miller, 2017). Thus, ethical behaviour is the core fabric that binds and keeps the accounting profession's integrity, value, and attractiveness. The recent corporate scandals involving members of the accountancy profession do not put the profession in good standing and are contrary to what defines the profession.

### **3.4 Factors influencing ethical/unethical conduct by professional accountants**

There has been extensive research on ethical conduct internationally and within the accounting profession. Thus, this study area has a lot of academic literature that has examined the factors affecting the ethical conduct of accounting professionals.

#### ***3.4.1 Organisational culture/ working environment/ climate***

Past research has identified several factors that influence the unethical conduct of professional accountants. Studies conducted in the USA by Seifert et al. (2022) and Andiola et al. (2020) focused on how the organisations' ethical infrastructure impacts ethical behaviour in a professional accounting environment. These studies revealed that there is a common understanding that organisational climate or culture refers to the firm's policies, practices, processes, procedures, values, beliefs, assumptions, tone and the expected employee behaviour as well as the firm's reward system (Alberti et al., 2022; Andiola et al., 2020).

Seifert et al. (2022) and Andiola et al. (2020) also elucidated that if an employee perceives the organisational ethics to be unethical or not to be seen to promote ethical conduct, the employee will find it easy to engage in unethical conduct. The authors confined the organisation's ethical infrastructure to five (5) elements. Firstly, the existence of an organisation's ethics code, secondly the provision of ethics training, thirdly the appropriate ethics-based punishment and incentives, fourthly the existence of an ethics reporting system and finally the existence of an effective ethics review system (Seifert et al., 2022). These authors concluded that an organisation's ethical infrastructure impacts professional accountants' ethical conduct. This conclusion is consistent with that of Andiola et al. (2020), who concluded that an organisation's guidelines, traditions, and processes contributed

significantly to the ethical environment within the organisation and ultimately influenced employee ethical conduct.

Seifert et al. (2022) also concluded that organisational moral structure mechanisms such as moral codes, guidance, reprimand and motivations, and moral reporting and evaluation schemes influenced professional accountants' moral ethos and judgement. This was attributed to employee moral behaviour being a product of personal and firm factors. Thus, an organisation's ethical system and how employees perceive it significantly influences how employees will conduct themselves in the execution of their functions. An ethical system perceived not to be ethical encourages employees to engage in unethical conduct. These authors also emphasise the need for studies to investigate how firms use ethical structures to reduce unethical conduct and how employees perceive the ethical culture in the firm.

### **3.4.2 Personal Values**

Personal values are the beliefs embedded in a person, which are intangible and unseen. However, they are strong internal drivers of an individual's decision-making process, either to act ethically or unethically (Sheehan & Schmidt, 2015). Mubako et al. (2021) explored the influence of personal values, specifically self-enrichment, openness to change, self-preservation, and self-transcendence, on unethical conduct by professional accountants. They found that the personal values of self-transcendence and self-preservation, which are associated with self-restraint, compassion, and equality, did not promote unethical behaviour in accounting students (Mubako et al., 2021). On the other hand, the authors discovered a positive relationship between unethical behaviour and the personal value of self-enhancement. This positive relationship was attributable to self-enhancement characteristics such as control domination and the quest for one's own benefit (Mubako et al., 2021).

Under these personal values in their study, Mubako et al. (2021) further looked into the influence that gender and religiosity have on one's ethical conduct. They concluded that gender significantly influenced ethical conduct, with females exhibiting better ethical judgement. Thus, females were judged to be more ethical than males (Baiada-Hireche & Garmilis, 2016; Bampton & Cowton, 2013). Similarly, Nathan (2015), in a study done in South Africa, concluded that females' conduct was more ethically consistent than that of males. These findings by Bampton and Cowton (2013), Mubako et al. (2021) and Nathan et al. (2015) regarding gender influence are in contrast to the findings of Christensen et al. (2018), Dellaportas (2006) and Musbah et al. (2016). In their study, Musbah et al. (2016) concluded that male professional accountants in Libya exhibited more ethical characteristics than their female colleagues, while Christensen et al. (2018) concluded that gender did not affect moral

reasoning. The later study was consistent with Christensen et al.'s study in 2016, which employed meta-analysis to compare moral reasoning in males and females and could not find a statistical difference between the two genders.

Mubako et al. (2021) also concluded that the personal values of self-transcendence and self-preservation were negatively related to unethical behaviour in religious individuals compared to non-religious individuals. Thus, the authors discovered that an individual's religious alignment did not directly influence the person's ethical conduct (Mubako et al., 2021). Therefore, the personal values of self-preservation and self-transcendence do not promote unethical conduct. These personal values are further enhanced by religiosity in promoting ethical conduct in those religious individuals. The authors, however, cautioned that religiosity's influence on these personal values of self-transcendence would vary based on issues encountered or dilemmas encountered and, therefore, could not be generalised to all instances (Mubako et al., 2021). This caution by the authors was justified by the fact that other studies have found conflicting results regarding the role of religion. For example, a study conducted in Japan by Rawwas et al. (2006) on a topic entitled "Does religion matter?" found that religion was not a significant influencer of an individual's ethical conduct.

Still, on personal values, Musbah et al. (2016) and Nathan (2015) found that age significantly influenced an individual's ethical conduct. This age factor had been alluded to by the studies done by Kohlberg in 1973 and 1984 and Rest in 1986, which also concluded that with age, the moral reasoning of an individual becomes better. However, the findings in the study by Christensen et al. (2018) suggest that age does not influence an individual's moral reasoning capacity and hence does not affect accountants' ethical or unethical conduct.

All these studies discussed above were quantitative, and the results were quantitatively proven using statistical means. However, the study population or samples tend to place a limitation on the results. This is because some of the studies used students who are potential but not yet actual professional accountants. The authors also point to that weakness because students would not have yet been socialised into the practical accounting environment. Therefore, the findings cannot be generalised to the whole profession. Also, another weakness of the studies is that they evaluated the opinions and responses of the participants rather than actual observation of their behaviour and conduct, which may have yielded different results.

It is also arguable that religiosity, gender, self-transcendence, and self-preservation, as personal values may depend heavily on the community culture and the individual's upbringing. This is in line with the argument Oboh (2019) put forward that upbringing and home training

play crucial roles in the ultimate personal values and ethical conduct. Thus, kids are described as empty tabs that require ethical engraving, in which both the community and the education system play a crucial role in engraving the right moral values (Adekoya et al., 2020; Oboh, 2019). Therefore, because the studies mentioned above were conducted in different countries with different socio-economic contexts, it is plausible that the different results obtained were due to these differences. Thus, the failure of each study to consider the different geographical and cultural settings limits each study as it limits the ability of a study's results to be generalised. Therefore, this points to the need for further research around these personal values using models that are more robust and inclusive of the different geographical and cultural settings or otherwise consider doing separate investigations in different geographical and cultural settings. However, the global economy makes studies incorporating geographical and cultural differences, as proposed in this study, difficult, if not impossible, to conduct.

### **3.4.3 Punishment**

Punishment has been used for many years and continues to be used to deter unethical behaviour. Baiada-Hireche and Garmilis (2016) investigated how institutional disciplinary structure affected the ethical judgement of professional accountants. They compared the American accounting institutional disciplinary system to the French system and concluded that a punitive institutional disciplinary system had an influence on the ethical judgement of professional accountants (Baiada-Hireche & Garmilis, 2016). The authors also found the American institutional system to be very punitive, and as such, the professional accountants in the American environment would, for fear of punishment, act more ethically. On the other hand, their French counterparts who operated in a more relaxed disciplinary and less punitive environment were less concerned with ethical breaches. This then points to the need for other accounting institutions in different countries to try and ensure that the implementation of punitive disciplinary systems is put in place to deter unethical conduct by professional accountants. This would be consistent with the Bible that says in Proverbs 13 verse 24, "Whoever spares the rod hates their children, but the one who loves their children is careful to discipline them."

### **3.4.4 Ethics training and education**

Personal values, gender, age, upbringing, religion, fear of punishment, and sanctions imposed have all been studied to determine how they influence unethical conduct. These studies have yielded conflicting and mixed results (discussed above). In addition to these studies, some researchers, such as (Christensen et al., 2018), have attempted to determine the effects of ethics training and education on unethical conduct by professional accountants. There seems

to be a common consensus in the literature that ethics training and education enhance moral reasoning (Christensen et al., 2016; Mubako et al., 2021; Shawver, 2009). However, other schools of thought argue that ethics education at an advanced educational level does little to change ethics as they are considered culture-dependent and are imprinted at a younger age (Oboh, 2019).

Ethics education and ethical training are currently topical in the literature, given that the continued unethical conduct in the accounting profession has been attributed to the failure of the accounting education system (Miller & Shawver, 2018; Poje & Groff, 2021). Poje and Groff (2021) argue that the changes to policies, legislation, and codes of ethics in response to the numerous accounting scandals have not had the desired effect. This, they argue, is a clear indication that these changes are not sufficient on their own. Baiada-Hireche and Garmilis (2016) add that there should be less emphasis on developing rules in the form of codes of ethics, policies and legislation as a rules-based system has many shortcomings. Instead, more significant effort should be put into developing an ethical decision understanding.

In the 1980s, the increasing prevalence of ethical failure within the accounting profession prompted debates about whether ethics should be improved by being taught to professional accountants (Dellaportas, 2006). Some research was conducted to determine whether ethical behaviour could be taught and, if so, whether ethics should be taught in accounting. A consensus seemed to have been reached that ethics could be taught in accounting, and accountants should be taught ethics when looking at the studies done by authors such as Huss & Patterson in 1993 and McDonald & Donleavy in 1995. However, Arfaoui et al. (2016) surveyed the effects of moral education on accounting students' ethical decisions. Their study found that further ethics training did not improve these accounting students' moral reasoning. Hence, research has provided mixed results on the effects of ethics education in an attempt to use ethics education to improve moral reasoning (West & Buckby, 2020).

After some form of consensus was reached, the discourse progressed to how to teach ethics and what the content of an ethics course would be. Some disagreement still exists regarding how ethics must be taught, whether as a standalone course or integrated into accounting. Differences also exist on what level in the university education system ethics must be taught as well as who must teach ethics to accountants (Blanthorne et al., 2007; Poje & Groff, 2021). West and Buckby (2020) note that there is presently no apparent consent regarding the content of the accounting ethics education module/course. Some researchers support the need for a standalone ethics course, while others argue that ethics should be taught as part of ordinary accounting courses (Miller & Shawver, 2018; West & Buckby, 2020).

Dellaportas (2006) investigated whether ethics education intervention programmes and how they were implemented would improve students' moral reasoning. The authors concluded that the moral reasoning of the accounting students improved as a result of a devoted accounting ethics course, primarily delivered through case discussions (Dellaportas, 2006). A standalone ethics course benefits in terms of the authors is that it does not downplay the relevance of ethics, the ethics component would be adequately assessed as ethics would not be treated as a superficial topic in the module (Dellaportas, 2006; Fisher et al., 2007).

Blanthorne et al. (2007), in a comprehensive study done in the United States of America, concluded that the use of the case method, as alluded to by Dellaportas (2006), was more effective. However, regarding how it should be taught, with a choice between a standalone module versus an integrative approach, Blanthorne et al. (2007) arrived at a different conclusion from Dellaportas. The later study showed that an integrative approach was more effective than a standalone one. In recent studies, while examining how best to incorporate ethics in the academic curricula for accounting education, Christensen et al. (2018) concluded that an action-oriented ethics framework would be appropriate and more effective in improving moral reasoning for potential future accountants. In support of an integrative approach to teaching ethics, Mladenovic et al. (2019) concluded that integrating ethics education into first-year accounting modules yielded excellent results. Therefore, a standalone ethics course might not be necessary as students might view a standalone ethics course as an unrelated component to the accounting profession. In the integrated approach to teaching ethics, combining abstract and practical resources to teaching was considered necessary in encouraging ethical development (Mladenovic et al., 2019).

West and Buckby (2020) argue that an ethics incorporation-only methodology in accounting courses diminishes the significance of ethics. West and Buckby (2020) advocate for a sandwich approach, as coined by Armstrong in 1993, to be an efficient approach to ethics education within the accounting profession. This approach proposes the implementation of a standalone ethics module right at the beginning of the university qualification, followed by ethics being integrated into the other modules during the middle years of studying and then finally, a standalone ethics module right towards the end of the degree qualification. This sandwich approach acts as the middle point for two extremes, one advocating for a standalone, as Dellaportas (2006) postulated. On the other end, an integrative approach is seen as the most effective, as in the case of Blanthorne et al. (2007).

This sandwich approach postulates that a standalone course is necessary as it emphasises ethics more. This means that it allows a thorough examination of ethics issues while providing standardisation in delivering the content and is very cost-efficient (West & Buckby, 2020). On the other hand, the sandwich approach supports an integrative approach in that this approach makes room for a continued appreciation of how ethics matters pervade the accounting profession (West & Buckby, 2020). West and Buckby (2020) conducted a study within academic institutions in New Zealand and Australia to examine the utility of the sandwich approach. They found that the sandwich approach was used by only very few academic institutions, even though it has been argued to be a better approach. As alluded to above, significant research has already been done on the best approach. However, its implementation within institutions of higher learning is still deficient as it will change the current institutional structures, thereby disrupting the current operational status.

Change is not easy to accept, especially in the academic environment. This is evidenced by the failure of academic institutions to adopt the sandwich approach to teaching ethics. The accounting environment is not second home to me as a professional accountant, as well as being in academia, consensus on how to deliver ethics education in accounting despite the extensive research is far from being achieved. Thus, due to this lack of consensus in academia, it might be very necessary for professional accounting bodies responsible for accrediting academic courses to be prescriptive on how and what must be taught in accounting ethics education to preserve the profession's integrity and public trust.

Ethics education is important in developing an ethical decision understanding that promotes moral development. Reducing unethical behaviour is vital to moral development (Poje & Groff, 2022; West, 2018; West & Buckby, 2020). Through CA2025 within the South African context, the South African Institute of Chartered Accountants (SAICA), as the professional accounting body, has made and is making quite some changes to its educational requirements to be implemented at both the degree qualification level, professional qualification level as well as at the post qualification level.

Miller and Shawver (2018) conducted a study in the United Kingdom to examine the state of ethics in accounting education. Their study pointed to the fact that unethical conduct by professional accountants also lies on the doorstep of the accounting education system and hence the need to understand and improve how ethics are taught (Miller & Shawver, 2018; West & Buckby, 2020). Their study, Miller and Shawver (2018) conducted using a web-based survey instrument, concluded that the current ethics education has remained stagnant for the past 20 years and was not good enough to enhance moral development. The authors

concluded that the current ethics education is characterised by topics spread sketchily and disjointedly across university syllabi (Miller & Shawver 2018). The authors suggested that, although the topic of ethics is considered intricate, with no single perfect formula for teaching the topic, it might be best for it to be left to the people involved in teaching it on a daily basis to decide the best way to deliver to the learners (Miller & Shawver 2018). However, Miller and Shawver (2018) also identified that professional accounting bodies in the United Kingdom stressed the significance of ethics as evidenced by the code of ethics but did not consider ethics critical enough to be examined.

Miller and Shawver (2018) noted that the integration of ethics in accounting modules was lacking and that the time spent teaching ethics was limited. This pointed to inadequate ethics content coverage in undergraduate accounting degree courses as directed by professional bodies, with very few accounting university degree qualifications offering mandatory ethics courses (Poje & Groff, 2022; West & Buckby, 2020). Poje and Groff (2022) argued that even though technical skills are paramount in the accounting profession, soft skills such as ethics were also necessary, and codes of conduct were not adequate to activate moral conduct (Endenich & Trapp, 2020). Authors such as West and Buckby (2020) suggest that the debate on either a standalone ethics module or incorporation of ethics into other modules in a syllabus should be driven by careful consideration of ethics integration into distinct programmes as ethical issues are dealt with along a continuum in practice. Professional accounting bodies provide accreditation to the universities, assessing the rigour placed on a topic or module of importance. Therefore, the lack or adequacy of the ethics content taught might as well be adequately driven by these professional accounting bodies.

West (2017; 2018) laments the lack of philosophies or philosophical concepts to offer different viewpoints and academic aid for the profession's approach to ethics. Thus West (2017) investigated how Aristotle's ethics can be employed in the accounting profession. Furthermore, West's (2018) study examined how Alasdair MacIntyre's virtue ethics offered a philosophical application of ethics in the accounting profession. West (2017) concluded that the Aristotelian perspective offered a different theoretical standpoint to analyse practical ethical dilemmas in the accountancy profession. West (2017) emphasised the importance of lifelong professional development for professional accountants.

West and Buckby (2020) note that few mandatory ethics courses that referenced Rest's 1986 model focused on ethical sensitivity and judgement. Little attention was paid to ethical intent and behaviour; hence they proposed that the content of ethics education must ensure equal coverage of all of Rest's (1986) ethical components. West and Buckby also assessed the level



of implementation of the “sandwich approach” and its success in addressing all the components of Rest’s (1986) model. This “sandwich approach” recommends an ideal structure for including ethics education within the university degree qualification. The structure would start with a standalone ethics course at the start of the degree qualification, supported with the incorporation of ethics in the syllabus in the following years but cemented with a supplementary separate moral development ethics course towards the end of the degree qualification (West & Buckby, 2020). The authors found that, even though effective when used, there was little evidence pointing to the adoption of the “sandwich approach” in teaching ethics in the accounting profession.

West and Buckby (2020) also noted that university degrees and continuous professional development programmes have not yet addressed moral motivation and character, two of the main components of Rest’s (1986) moral model. Ethics at a firm level were more dominant than ethics at the systematic and individual levels. In their study, the authors also alluded that professional bodies provide little to no guidance on ethics content coverage within the academic environment. Hence there was no consensus on ethical content coverage among the different universities surveyed in Australia and New Zealand where the study was conducted (West & Buckby, 2020).

Miller and Shawver (2018) propose an investigation on the accounting curriculum content development, which focuses on more ethics content inclusion, the nature of the ethics content taught and researching the best ways of delivering ethics content to prospective accounting students as a potential area for future research. Mladenovic et al. (2019) suggest that future research be undertaken on the impact of the ethical development gained at university during the ethics classes in the future careers of individual students and the impact of work culture on maturing the ethical muscle developed at university. Poje and Groff (2022) suggest that further research should still be done on factors influencing moral judgment by professional accountants, the practical significance of ethics in accounting, and the manner in which ethics is taught. Further studies on issues around the impact of the university’s vision, purpose, how they affect ethics education, the integration of ethics education pre- and post-qualification, and studies evaluating the diverse ethics education methods throughout countries will be necessary (West & Buckby, 2020).

An examination of unethical conduct within accounting could reflect the presence or absence of virtues of courage, justice, and honesty (West, 2018). West (2017) calls for research that is not solely focused on ethical failures in the accounting profession but also on how the

profession can work on developing and enhancing the good ethical behaviours identified in the profession.

The emphasis placed on ethics in the codes of conduct as prescribed by professional accountancy bodies and audit watchdog bodies signifies the relevance and importance of ethical conduct by professional accountants, hence doing research within the field of ethics, unethical conduct in accounting is crucial (Mubako et al., 2021; West, 2017). Many studies have looked at the influence of personal values, such as age, gender, religion, self-preservation, self-transcendence, and self-enhancement, on ethics. Even though these studies have produced mixed results, the overwhelming outcome is that personal values do contribute significantly to moulding ethical behaviour. However, further research is still required to fully understand the factors contributing to unethical conduct by professional accountants (Mubako et al., 2021). Mubako et al. (2021), showed that personal values and ethics training significantly influenced ethical conduct.

Ethics education/training in the accounting profession, both pre-qualification and post-qualification, is seen as one of the significant factors influencing unethical conduct that requires much attention (Arfaoui et al., 2016; Robinson et al., 2020; West, 2018; West & Buckby, 2020). Thus, quite some research pointing to the fact that ethics education enhances moral reasoning has been done (Arfaoui et al., 2016; Robinson et al., 2020). Seifert et al. (2022) examined the structural mechanisms of moral codes, moral guidance, reprimand and motivation systems, the moral reporting scheme and the moral evaluation scheme in the United States of America. They concluded that these influenced professionals' moral ethos and moral judgement; therefore, studies need to comprehend and assist in reducing unethical conduct.

#### ***3.4.5 Accounting competence and incentive-based payments***

One of the interesting factors not fully explored is that accounting is a highly technical area of study, with very high competence levels required to be successful. However, this accounting high competence levels should not only be seen as a good thing (Albrecht et al., 2018). In their study, Albrecht et al. (2018) concluded that the high competence levels of professional accountants and executives should not only be seen as a risk-reducing factor but this character should be seen “as a two-edged sword”. Thus, to say the risk assessment associated with the competence of professional accountants goes in both directions. If the professional accountant is less competent, they will be deficient in internal control and unintended accounting inaccuracies, thereby increasing the risk of the presentation of financial statements that are not a true reflection of the state of affairs of an entity. Therefore, a lack of

competence points to high risk (Li et al., 2010). On the other hand, high competence was characterised by ensuring proper internal controls are put in place, and the professional accountant will be fully conversant of potential audit procedures (Lennox 2005).

However, Albrecht et al. (2018) did not contradict the findings of Li et al. (2010) but added that this conclusion by Li et al. (2010) was not the complete, true story. Lennox (2005) alluded that the high-order attributes may be used from the dark side to circumvent internal controls and audit procedures by professional accountants, thereby pointing to the downside of higher competence levels associated with the accounting profession (Albrecht et al., 2018). Albrecht et al. (2018) combined high competence levels with compensation-based motivations. They concluded that high competence levels allowed professional accountants to exploit by misstating accounting information and getting away with it (Boyle et al., 2015). Albrecht et al. (2018) concluded that compensation-based motivations combined with higher competence levels are fertile ground for aggressive financial reporting that culminates in unethical conduct by professional accountants. The accounting profession has professional competence as a primary requirement in its code, which presents this characteristic as a risk-reducing factor. However, if this characteristic is not entirely grounded in deep moral behaviour, it can easily be triggered for the worse by other factors, such as compensation-based incentives.

#### ***3.4.6 Individual's frail morality***

Morales et al. (2014), in their study on the fraud triangle, posit that the fraud triangle flags individuals as fraud perpetrators who must be intensely monitored and punished by the organisation. The authors concluded that transgressions in the accounting environment that resulted in fraud were purely due to individual moral lapses (Morales et al., 2014). The authors also noted that purely considering the fraud triangle and the results of research done thus far using the fraud triangle, the individual is regarded as the risk factor, thereby not considering the social and political factors that might be at play, causing the individual to have moral lapses. The authors, Morales et al. (2014), contend that the way to eliminate fraud, if possible or reduce fraud, was to ensure that the organisation had adequate, appropriate controls to monitor employees to deter them from acting unethically and ensure severe punishment once an unethical act has been conducted.

However, the findings of Morales et al. (2014) are contested by Suh et al. (2020) as they argue that the position taken by Morales et al. (2014) that emphasises a personal accountant's weak ethics as the reason for unethical conduct is not accurate. Suh et al. (2020) point to the fact that there are also complex social processes causing accountants' unethical conduct resulting in fraudulent financial reporting. Suh et al. (2020) argue that this narrow individualistic

perspective to reason unethical conduct has resulted in the non-advancement of a complete comprehension of unethical conduct aligned to falsified financial reporting across the social, legal, political, and economic perspectives.

In this study, Suh et al. (2020) point to the subjective interpretation of accounting rules as one of the significant reasons for unethical conduct by professional accountants resulting in falsified financial reporting. In addition, the authors found that the concept of social conformity caused accountants to act against their conscience (Suh et al., 2020). Thirdly, clan culture caused certain professional accountants to disengage from belonging to the identified group morally. On the other hand, professional accountants would be expected to consider the pros and cons of their unethical conduct to firm objectives. The fourth finding is rational choice (Suh et al., 2020). Lastly, the authors raise the possibility of what they termed “unintentional transgressions” resulting from the complexity of the matter being dealt with, which they labelled the systems in chaos. The major takeaway from this paper by Suh et al. (2020) is that their conclusions are not based on individual opinions on some hypothetical ethical issues. Still, the population used was the population of executives who had been convicted and indicted for fraudulent financial reporting.

#### ***3.4.7 State of ethical/unethical conduct in the accountancy profession***

These increases in corporate scandals in the recent past ten to twenty years have been met with augmented regulation of the profession by way of oversight by professional accounting bodies such as the South African Institute of Chartered Accountants (SAICA) within the South Africa context, the International Ethics Standards Board for Accountants (IESBA) and many other professional accounting bodies together with the audit watchdog bodies such as the South African Independent Regulatory Board for Auditors (IRBA) through the use of ethics codes, and by governments through legislation such as the Sarbanes-Oxley Act, the promulgation of the Auditing Profession Act, No. 26 of 2005 (Arfaoui et al., 2016; Poje & Groff, 2022; Seifert et al., 2022; Verhoef & Samkin, 2017; West, 2018). Despite the increased government legislation and improved codes of ethics, corporate accounting scandals remain on the increase (Kiradoo, 2020; Schwartz, 2016; West, 2018).

#### ***3.4.8 Ethical fading and the slippery slope***

As much as the field of ethics in accounting is not an under-studied field, not much has been done looking into actual unethical conduct. A few authors have investigated this field from what would be considered the ‘dark side.’ Rees et al. (2019), in their study on accidental immoral conduct, concluded that sometimes persons would act immorally without being aware, primarily due to ethical fading. Ethical fading is a reasoning procedure whereby moral

rudiments attached to a situation are annulled from an immediate individual perspective as they get camouflaged by outstanding matters pertinent to achieving desired goals (Rees et al., 2019). Therefore, diminishing chances that the moral consequences associated with the matter be reflected before arriving at a decision. This study was done on individuals involved in negotiating deals on behalf of the business, a category of individuals of which professional accountants are often a part. Does this point to the fact that with all these increased scandals in the accounting profession, ethical fading has taken centre stage?

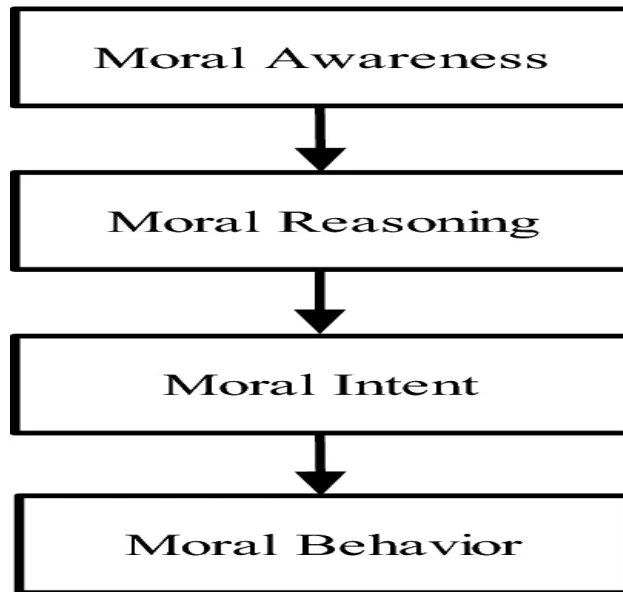
Rees et al. (2019), referenced in the prior paragraph, propose that further studies that help individual decision-makers ensure that ethical fading does not occur would also potentially assist in reducing unethical decision-making. Ethical fading that results in unethical conduct may happen over several decisions taken, thereby gradually shifting the internal moral standards of an individual decision-maker, pointing to a slippery gradient of unethical behaviour (Rees et al., 2019). This concept of the slippery slope, characterised by minor unnoticeable divergences from one's moral standards, escalating over time, as alluded to by Rees et al. (2019), agrees with the study done by (Welsh et al., 2015). Welsh et al. (2015), in a study done in America on "how small transgressions pave the way for larger future transgressions", concluded that as individual decision-makers act unethically on what is considered small unethical acts, their moral values tend to adjust as to what is acceptable even though unethical. Thus, as one makes these small acts of indiscretion, moral disengagement does take place, thereby slowly gaining speed on the slippery slope of unethical conduct, and the authors suggest that it will be of paramount importance that these minor indiscretions be identified earlier and how individual decision-makers should deal with such (Welsh et al., 2015).

As presented in the preceding two paragraphs, the slippery slope starts with small acts of indiscretion, with ethical fading also taking place over time both the slippery slope and ethical fading having one thing in common, the alteration of an individual's moral standards over time (Rees et al., 2019; Welsh et al., 2015). One of the factors attributable to the issue of ethical fading is the concept of performance incentives, as Hur and Nordgren (2016) noted in the study on paying for incentives. As individuals get drawn to focus on the primary objective of achieving the target goal to be rewarded for performance, they gradually misstep on their moral campus coordinates. They then gradually go off target in their moral standards while still achieving performance targets, and as time progresses, their ethics fade, finding themselves acting unethically (Hur & Nordgren, 2016).

### **3.4.9 Ethical decision-making models**

Within the field of ethics, a number of ethical decision-making models have been developed, and other models have been adopted. Similarly, every professional accounting body has developed its own codes of ethics to ensure that there is minimisation, if not elimination, of unethical conduct for professional accountants when faced with a dilemma. However, these models and codes have proven inadequate since the ethical decision-making models cannot capture every potential dilemma that can be faced, and the codes cannot foresee every possible ethical code breach within the profession. This line of thought is substantiated by Schwartz (2016) as the author alluded that moral predicaments are widespread notwithstanding vast ethics education, the presence of ethics codes, and legislation. This literature review section looks at some of the ethical decision-making models developed thus far.

One of the fundamental models in ethical decision-making is the Rest model, developed by James R Rest in 1986. This model is a linear evolution model made up of four stages, with stage one postulating that to act ethically, one needs to have the aptitude for identifying the moral dilemma, thus moral sensitivity or moral awareness (Anderson & Burchell, 2021; Bebeau et al., 1999; Sorensen et al., 2017). In stage two (moral judgement), an individual needs to be able to assess the moral dilemma as identified in stage one thoroughly and make a decision to take a moral action (moral intent or moral motivation) in stage three of the four-stage model (Anderson & Burchell, 2021; Bebeau et al., 1999; Sorensen et al., 2017). In stage four, moral behaviour or moral character, the model points to ethical sensitivity, moral behaviour as the ability of an individual to identify the salient ethical aspects of a situation (Anderson & Burchell, 2021; Bebeau et al., 1999; Sorensen et al., 2017). Using this model, Rest argues that an individual to act ethically must adhere to the four stages of this model successively (Anderson & Burchell, 2021; Bebeau et al., 1999; Sorensen et al., 2017). This is a basic but fundamental model with a limitation in that it does not provide factors that affect the decision taken at each stage. Thereby, the model provides a moral reasoning procedure that one has to go through.



**Figure 1: Rest's four-stage model of ethical decision-making adapted from Anderson and Burchell (2021)**

In their study, West and Buckby (2020) investigated whether all four stages of the Rest model of moral reasoning were being addressed in the provision of ethics education in the qualification of professional accounts, a study done in Australia and New Zealand. The authors concluded that most mandatory ethics modules covered stage one on moral sensitivity and stage two on moral judgement. At the same time, little to no attention was given to stages three and four, moral intent and character, respectively (West & Buckby, 2020). Hence based on their findings, the researchers proposed that amendment be made to how accounting ethics education was taught to ensure it covers all four stages of Rest's model of moral reasoning (West & Buckby, 2020). As much as there is a geographical limitation placed on their ultimate results, these studies might be pointing to the causes of the continued ethical failures within the accounting profession. This is so because, with little to no attention provided to stages three and four of the model in accounting ethics education, the potential future accountants do not always develop the intention to act morally, thereby not developing the much-needed moral character.

Another fundamental model is Kohlberg's theory of moral development (Kohlberg, 1973). In this model, Kohlberg identifies three linear progressive levels of pre-conventional, conventional, and post-conventional, with each stage further divided into two stages, ultimately the entire model is composed of six stages at which a decision can be taken (Anderson & Burchell, 2021; Kohlberg, 1973). In the first level, the pre-conventional level, this model postulates that an individual's decision-making process is primarily driven by the corporal outcomes of action as well as the elements of impartiality and mutual benefit with this

mutual benefit not driven by the concept of allegiance, appreciation, or impartiality but mutual benefit based on a give and take premise (Kohlberg, 1973). The individuals direct the second level. An individual's decision-making needs to follow and sustain personal expectations as well as the societal order. At level two, comprising stages three and four, the rules and regulations, per society and personal expectations, drive the ethical decision-making process (Anderson & Burchell, 2021; Kohlberg, 1973). Lastly, at level three, where stages five and six are housed, the individual's decision-making process is sovereign and driven by doctrines (Anderson & Burchell, 2021; Kohlberg, 1973).

Kohlberg's theory of moral reasoning is framed on the understanding or assumption that a later stage of any of the six stages is ethically improved and more satisfactory than the preceding stage, with individuals favouring the next highest stage they can achieve (Kohlberg, 1973). This model by Kohlberg (1973) and Rest's four-stage model were used by Anderson and Burchell (2021) when testing how moral intensity moderated the relationship between an individual's spirituality and ethical decision-making. Their results concluded that there was a relationship between an individual's spirituality and the individual's ethical decision-making in business whilst exhibiting no moderating relationship between moral intensity, spirituality, and ethical decision-making (Anderson & Burchell, 2021). The picture below provides a pictorial view of Kohlberg's theory of moral development.

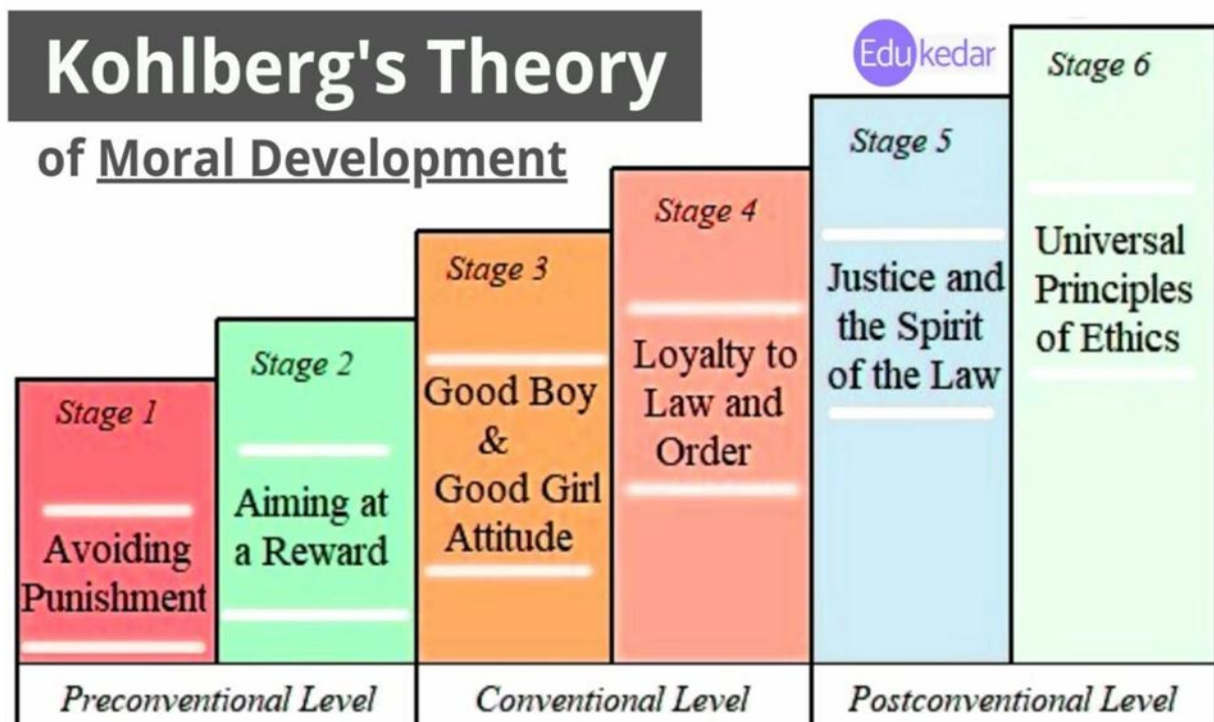


Figure 2: pictorial view of Kohlberg's theory of moral development Adopted from <https://edukedar.com/kohlberg-theory-of-moral-development>



Murphy and Gilligan (1980) criticised Kohlberg's theory of moral development's higher stages. Their main point of criticism was Kohlberg's theory of moral development's inability to distinguish between the totalitarianism of adolescent reason and mature ethical rationale. Murphy and Gilligan (1980) proposed that Kohlberg's theory of moral development at the higher stages should consider the alterations in an individual's cognitive capacity as a culmination of definite adult encounters of ethical dilemma and choice.

The last fundamental theories to be looked into in this literature review are the theory of planned behaviour developed by Ajzen (1991) and the theory of moral disengagement proposed by Bandura (1990). The theory of planned behaviour suggests that an individual's actions are driven by their behavioural intent, with the intent framed by the individual's thoughts towards the projected conduct and the perceived social expectations (Black et al., 2021). On the other hand, the theory of moral disengagement refers to a situation where one works on convincing themselves that an action is not morally inconsistent with the ethical standards, thereby minimising the unethicity of the action within their mindset (Bandura, 1990; Black et al., 2021). In their study on extending the theory of planned behaviour to include moral disengagement, Black et al. (2021) allude to the fact that there is a positive relationship between the levels of moral disengagement and unethical decision-making.

## **Chapter 4 Discussion**

### **4.1 Discussion**

The focus of this study has primarily been on understanding the field of professional accounting with regard to the factors influencing the unethical behaviour of professional accountants. Thus, this section of the document discusses the main focus areas researched to this end with regard to unethical behaviour. One may not talk about unethical behaviour without talking about ethical conduct. This is evident in the quantum of literature readily available with regard to the investigation of ethics in the field of accounting already done from an ethical perspective rather than from an unethical conduct dimension. Based on the themes identified in the literature review, here we will discuss the studies on ethics focusing on personal ethics motivating factors, organisational factors, ethics education, theories and models used in this study area, as well as the identified pitfalls of the studies already done and the potential future direction that research in this field can take.

The field of accounting has seen some significant ethics research. However, many ethics in this accounting field remain under-explored (Poje & Groff, 2022). This under-exploration of ethics in the field of accounting is evident in the divergent conclusions reached by different authors on issues such as the effects of gender (Baiada-Hireche & Garmilis, 2016; Christensen et al., 2018; Mubako et al., 2021; Musbah et al., 2016), the effects of age (Christensen et al., 2018; Musbah et al., 2016) and the effects of religiosity (Mubako et al., 2021; Rawwas et al., 2006) on the ethical conduct of professional accountants. These different conclusions point to the limitations of the research done by these different authors. This does not point to the fact that their research findings are any less critical but points to the need for more research on the effects of gender, age and religiosity while using integrated models allowing for the incorporation of more robust measuring instruments.

As alluded to in the previous paragraph, research in this field of accounting on ethics and unethical behaviour has also been country specific primarily, thereby failing to incorporate geographical differences, with these geographical differences bringing with them cultural differences that need to be taken into consideration when evaluating the effects of these personal variable affecting the ethical conduct of a professional accountant. Much of the research that has been done as per the articles identified in this structured literature review has been on students who are not yet socialised into the practical accounting environment, thereby limiting the effectiveness of the practical contributions of the majority of these studies.

Research has been done on hypothetical scenarios solicitation for research respondents' opinions giving rise to potential social desirability bias from the respondents.

Research, as evidenced by the lack of articles (or at least I did not come across such within the accounting field), has been steered primarily and mainly from an ethical perspective rather than from an unethical perspective. This has left a very crucial perspective in understanding unethical conduct by professional accountants. Bearing in mind the difficulty there is in trying to understand ethics and unethical conduct for professional accountants from an offender's perspective, it is prudent, in my view, that research in this field of ethics venture into what I would term the "dark side" to unearth what influences unethical conduct from a different dimension. Thus, research in this field should not only be confined to what contributes to or drives ethical behaviour by engaging with potential and current professional accountants who have largely stayed within the confines of their expected behaviour. Research should consider engaging the research subjects who are professional accountants who have crossed the line and ventured onto the dark side, thereby obtaining first-hand responses from an offender's perspective. After all, who is the best source to provide what motivates professional accountants to engage in unethical conduct outside those who have acted unethically (Muto & Price, 2014)?

Other factors such as fear of punishment (Baiada-Hireche and Garmilis, 2016), personal values of self-transcendence, self-enrichment, openness to change, and self-preservation (Sheehan & Schmidt, 2015; Mubako et al., 2021) affecting ethical conduct have been investigated and research results providing differing results but broadly consistent. However, what seems topical for the past two to three decades has been ethics education in accounting (Christensen et al., 2018). Various authors concur that ethics training does enhance ethical conduct (Christensen et al., 2016; Mubako et al., 2021; Miller & Shawver, 2018; Shawver, 2009), with other authors carrying different conclusions from their studies (Arfaoui et al., 2016; Oboh, 2019) contending that ethics is considered culture dependent hence making little if any changes to an individual's ethical character. Thus, to this end, ethics education in accounting research has produced varied results with regard to whether it enhances moral reasoning or not, how ethics should be taught as a standalone course or as integrated into accounting modules, at what level it should be taught as well as what content should be taught (Blanthorne et al., 2007; Mladenovic et al., 2019; Poje & Groff, 2022; West & Buckby, 2020).

Given the differences in research on ethics education in accounting, does this not actually point to a deficiency within the higher and tertiary education with regard to each institution's approach to ethics as well as the individual ethics teacher's approach to teaching ethics? How

does each institution within its unique geographical location, the institutions and the ethics teachers' perspectives on ethics and the importance of ethics education, the ethical grounding on the impact of the ethics on the actual delivery and structuring of the ethics education curriculum and ultimately the research results obtained by the different authors? Again, as reflected earlier in this section, research has been conducted on students, and those engaged in the research on ethics education in accounting have not taken the next step, which, in my view, is necessary to investigate this phenomenon from the dark side perspective. Instead of using students to assess the effectiveness of accounting ethics education, researchers should consider using those who have breached ethical demarcations. Given the impact of geographical location and culture on ethics, has there been an investigation as to the suitability of ethics teachers to teach ethics within the environment they are currently teaching in? Therefore, has there been an appropriate ethics teacher and student pairing considering their ethics culture, geographical location, and upbringing background?

Ethics education is similar to laws and regulations. A lot of attention has been paid to ethics education by professional bodies as they update and change their degree accreditation requirements for universities regarding the inclusion of an ethics component into the curriculum. The South African Institute of Chartered Accountants (SAICA), through its CA2025 programme, is trying to ensure that they develop professional accountants who are ethical and technically competent in their engagement. However, these are merely documented plans that still only exist on paper. In the literature search to get research done in South Africa on the ethics of professional accountants, it appears that these plans have not yet been implemented.

Much research on professional accountants or ethics in the accounting profession has been done outside South Africa and the African continent. Hence, many ways to try and better the ethical conduct of the local (African) professional accountant have been borrowed from outside rather than working on locally relevant ways. This is raised considering the need for professional accountants to be internationally relevant. West and Buckby (2020) point out that even though professional accounting bodies have indicated that ethics is an accreditation requirement, they have not taken the next step to match this requirement with practical implementation. West and Buckby (2020) note in the results of their investigation that professional accounting bodies have not managed to assess ethics in the accounting professional qualifying examinations to the level matching the importance of these professional and civic demands. The fact that the level of assessment on ethics by professional accounting bodies is not commensurate to the ethical demands of the profession points to a need to investigate the modus operandi and objectives of the professional bodies

to assist the professional bodies in matching the documented talk on ethics with the practical implementation.

Ethical conduct has much more to do with the individual character than what the laws and regulations provide for, as strict forced adherence to laws and regulations has its own challenges (Baiada-Hireche & Garmilis, 2016). This points to the fact that relying on laws to prevent accountants from being unethical in the execution of their functions will only work to a certain limited level. Baiada-Hireche and Garmilis (2016) noted that countries with punitive ethical breach consequences by professional accounting bodies and the legal environment managed to deter unethical conduct by professional accountants. However, how punitive is a penalty for a breach of ethics, and how do you measure it to ensure it is adequate to ensure deterrence?

Professional accountants are technically competent people with a much-detailed understanding of their trade that not many outside of the field of accounting can comprehend or barely make sense of what happens in the background to finally have the financial report (Albrecht et al., 2018). It is, therefore, possible that before committing unethical conduct costly to society, a professional accountant would have already made the permutations regarding the potential personal costs associated with the breach. So how punitive is a penalty imposed to ensure future deterrence of unethical conduct by these professional and technically competent individuals, as one might have benefited more from the unethical act than the penalty received or receivable?

The codes of ethics for professional accountants and the design of the accounting curriculum in universities point to more rigour being placed on subject technical competence than ethics. This is also evident in that the professional accounting bodies are very prescriptive on the technical content to be covered by the accredited academic programme, the violation of which the accreditation will be withdrawn. This observation is primarily with reference to the South African Institute of Chartered Accountants (SAICA) as the local body the membership to which I also belong. Ethics content coverage detail is not very prescriptive from the professional accounting bodies' accreditation and class delivery requirements.

The professional accounting bodies have left this function to the university's accountancy department to decide, with most of these departments leaving this task of what to cover under ethics purely to the individual module owner to handle. This observation is characteristic of how professional accounting bodies have abdicated these functions, as pointed out by West and Buckby (2020). In this study, West and Buckby note that the professional accounting

bodies have not lived up to their talk on the importance of ethics education, given that very little has been done by professional bodies to assess ethics in qualifying examinations. Is the talk by professional accounting bodies merely noise to ensure that they have their backs covered whenever an accounting scandal happens in the future, thereby allowing the professional body to put the entire blame on the individual professional accountant involved in the scandal? Does this point to a critical issue on whether, in some of these instances of scandals, the professional accountant is unethical or unaware of their ethical requirements?

Education that focuses on technical ability while neglecting the moral side of an individual is, to a large extent, the status quo in the accounting profession. This indicates what Aristotle meant when he stated, "Educating the mind without educating the heart is no education at all" (Lee, 2016). The accounting profession, on the evidence of the continued rise of accounting scandals (Endenich & Trapp, 2020; Kiradoo, 2020; Poje & Groff, 2022; Robinson et al., 2020; Welsh et al., 2015; Rees et al., 2019), seems to have done what Aristotle pointed to be non-education as the focus has been on the technical abilities of professional accountants with little to no attention being given to the moral uprightness of the individual professional accountant. This phenomenon is, however, not only a problem in the accounting profession. Wass (2018) states that even in other fields, such as health care and medical education, the disequilibrium between "mind" and "heart" is very concerning. Wass (2018) also points to the need to bridge the gap between knowledge and humanities. Kindness and compassion, the fundamental nature of human interaction, have not been cultivated in the young qualifying healthcare professionals. Without an equal level of importance being placed on paper and inaction regarding the required high levels of technical competence and moral reasoning, ethics education will not achieve the intended objectives, with the outcome being a continued increase of accounting scandals across the globe.

From an outside observation, that observation is subjective, depending on whose perspective you take, either that of the professional accounting bodies or that of a reasonable person with no interest in siding with the professional accounting bodies. The position of Morales et al. (2014) of attributing unethical conduct to individual professional accountants' moral weakness will be the appropriate stance to take from the perspective of the professional accounting body. This stance will ensure that the professional accounting bodies have their backs covered and are not to blame and that the individual professional accountant takes the full blame. However, even though this position by Morales et al. (2014) seems to be more consistent with the perspective of the professional accounting bodies, it contradicts the core objective of these professional accounting bodies on ethics education. Morales et al. (2016) conclude that once an individual has been identified as having unethical characteristics, the organisation should

not have a place for such individuals. Thus, then point to the fact that ethics education amounts to nothing as ethics cannot be taught.

The professional accounting bodies, to this end, have taken the position, as alluded to above in the previous paragraph, that whenever there is an accounting scandal, an individualistic approach points to the moral weakness of the professional accountant involved. Suh et al. (2020), having investigated unethical conduct by accounting professionals using a sample population of professionals who have been involved in unethical conduct and have been charged for their unethical conduct, arrived at a different conclusion from that of Morales et al. (2014). Suh et al. (2020) posit that the position taken by Morales et al. (2014) is a narrower view that does not consider the social context, the legal context, and the political context within which such unethical conduct took place. Therefore Morales et al.'s approach does not provide room for a comprehensive understanding of factors contributing to the moral lapses that are on the rise within the accounting profession as it only focuses on the individual professional accountant.

The social context, the legal environment and the political environment are very crucial and critical components to the final ethical decision-making position taken by an individual, either as a professional accountant or not and as such, these factors must always be considered so that a holistic approach to addressing unethical conduct can be developed (Suh et al., 2020). For a professional accountant, especially within the South African context, the political environment has proven to be a critical factor in how professional accountants will make decisions when faced with an ethical dilemma. In the next paragraph, I will bring it closer to home to indicate that politics and the social context play a significant role in the decision-making process of a professional accountant when faced with a dilemma.

While conducting an audit on behalf of another auditing company, I discovered fraud that had taken place at the client. The standards require that this be reported to the Independent Regulatory Board of Auditors (IRBA), and the reporting was done. The case was even reported to the police with a case number issued. However, the chief executive officer (CEO), a non-professional accountant, was ultimately fired from the CEO position. Still, due to his political connections, political standing, and social standing in the community as a well-respected cadre, the case never moved beyond the CEO losing his position after over R10 million was misappropriated. The company then struggled and has since retrenched over 60 employees as it was severely affected by this cash misappropriation. The fired CEO was legally benefiting more than R300 000 monthly from the very company he was stealing from. During the process

of reporting to the IRBA and the police, I was personally offered a bribe so that I could facilitate the case to disappear. Upon refusing the bribe, threats to my life were made.

As a young professional with a young family, yes, I decided to do my part, getting the matter reported and a police case opened, with no tangible results except that the person was fired, the money not recovered by the company and my life threatened. If the threats against my life had been taken further, I am currently trusting they will never be acted upon, I may have been dead by now. Thus, taking the ethical decision currently in South Africa and potentially the whole of Africa can easily cost you your life after spending at least 19 years of studying for a qualification that will get you killed for being ethical. In this instance, and even at the advice of some senior members of the profession, an unethical decision to accept the bribe to ensure that I was not under any threats of personal harm, as well as harm to my family or either losing my life and leaving the young children fatherless, was considered a much viable and less risky alternative. This is evidence enough that ethical decisions to be made by professional accountants, primarily within African countries, are heavily influenced by the social and political environment.

Hence, Morales et al.'s (2014) position, which is also commonly taken by professional accounting bodies such as SAICA, is a very narrow view that allows the professional body to keep its hands clean while blaming the individual professional accountant. Suh et al. (2020) suggest that the political, social, and legal environment are crucial determinants of unethical conduct by professional accountants. Within the context of South Africa, several professional accountants in their capacity either as an auditor, investigating a corruption case, an auditor having identified fraud, or as an accountant whistleblowing have been killed due to their work and the fact that they will be upholding the moral conscience as demanded by the nature of their civic status. In most instances, those killed and their families have been left with nothing except suffering, having lost a loved one and, in most cases, a breadwinner in the family, with the perpetrators never brought to account.

The legal environment and its actors, the social environment and its actors, and the political environment and its actors have all done absolutely nothing to prevent the killings of those who uphold ethical conduct even when their lives are threatened for what's morally right. Worse, the professional accounting bodies still take the Morales et al. (2014) perspective that unethical conduct is purely due to an individual's moral weakness; therefore, the position taken by the professional accounting bodies is that the focus should be on educating people on ethics to act ethically since these individuals are morally weak. Yes, accounting ethics has been and is being taught, and continued professional development has been. It is being done,



and more emphasis is placed on ethical conduct on declared continued professional hours. Have these actions by professional bodies managed to reduce unethical conduct by professional accountants, and if so, why do we still have an increase in corporate accounting scandals?

However, the truth is that the codes of conduct issued by professional accounting bodies do not address the critical issues faced by the profession's members in reality as they try to keep acting morally for the greater society. It is, therefore, my submission that the individualistic blame game approach adopted by the professional accounting bodies is primarily self-serving for these institutions and the very first significant impediment to the real conversation and research to addressing the reality that has to deal with the continued rise of unethical conduct at least within the context of Africa and other continents of countries such as Africa or countries in Africa. The accounting profession needs to wake up from its slumber, move on and beyond the individualistic approach currently focused on and consider the determinants influencing professional accountants to act unethically from a holistic point of view that considers the individual, the organisation, the social environment, the legal environment and largely the political environment.

Research within a field and a particular setting is normally and primarily driven by the individuals within that field, either as practitioners or academics. The lack of research in the accountancy profession has been attributed to the disengagement of qualified chartered accountants being the ones involved in the university environment but not having the incentive to engage in scholarly research. This scholarly disengagement by professional accountants in the context of South Africa is due to the intense immersion of the only accounting professional body, the South African Institute of Chartered Accountants in academia (SAICA) (Verhoef & Samkin, 2017). Verhoef and Samkin (2017) elucidate that the appointment of professional accountants who are members of the degree accrediting body SAICA at universities to teach accredited modules that are heavily focused on rules and techniques in senior academic positions with salary subventions from the professional body SAICA has not motivated these individuals to engage in scholarly accounting research, hence the significant lagging behind of accounting ethics education research in South Africa.

Lopez and Perry (2018) argue that the accountancy profession “needs to define a professional identity common to the accounting profession by creating a virtue ethics framework. The authors suggest that the virtue ethics framework is first instilled in students through the university curriculum and then maintained in professionals through continued professional development”. There is a need for an examination of how current accounting students’

understanding of ethics shifted and what assisted in the shift, the effects on course design, real cases used and working in groups, basically pointing to an effective and efficient ethics education program in business students (Mladenovic et al., 2019).

## **Chapter 5 Conclusion**

### **5.1 Conclusion**

The accounting profession remains a critical sector within the global economy as it ensures the continued efficient functioning of global markets. The relevance and the importance of the accounting profession are, however, under significant threat currently due to the continued rise in accounting scandals which have resulted in vast sums of money being lost by investors. The accounting profession rides on the wings of civic trust and professionalism, with ethical conduct being the very core that sustains civic trust. With the recent significant erosion of that civic trust, there is a greater need to rebuild the lost civic trust in the accounting profession.

To rebuild the trust, there is a need for a concerted effort from all role players, the individual professional accountant, the professional accounting bodies, the society, the legal fraternity, and the political environment as headed by the government. There must be a willingness from all sectors involved and individuals involved to work towards a better economy for all by ensuring that those upright members of the accounting profession are assisted in their endeavour to act ethically. The blame game will not assist in rebuilding the profession's status as was once was. The professional accounting bodies have a crucial role to play, moving away from denial of their failures as they have viewed this evil facing the profession from an individualistic approach of pointing fingers at the individual professional accountants and adopting a holistic approach to addressing the ethical dilemmas facing the profession.

Research in the accounting profession has been done significantly; however, the profession remains very much unexplored as conflicting conclusions characterise the current research. Much of the research has been done using the not-so-appropriate population, the student population, on issues such as education, and the use of practising accountants on how unethical conduct with a high possibility of obtaining socially desirable responses from the research subjects. Is there more room for unpacking these unethical conduct drivers within the accounting profession, and if so, how?

In this study, the structured literature review was primarily embarked on to understand the known and unknown factors influencing unethical conduct within the accounting profession. This understanding could only be arrived at after a thorough read of what has been written by the various authors on the subject matter. Having obtained that understanding of the factors influencing unethical conduct, the models which have been used, theories that have been

developed as well as contentions within the field of research, the following research questions need to be addressed by future research:

- a) What factors influence professional accountants to choose or decide to act unethically in the execution of their functions when faced with a dilemma?

This question will then be unpacked by adopting a holistic approach to addressing the matter that attends to the following:

- What social factors were at play when unethical conduct was perpetrated, and how can these social factors be dealt with?
  - What political factors were at play when unethical conduct was perpetrated, and what can be done to eliminate or mitigate these political factors?
  - What legislative factors were at play in instances where unethical conduct was perpetrated, and how can these be improved?
- b) What can the profession, through the professional bodies, do to assist members of the profession to still make the right ethical decision even under conditions threatening their livelihood?

This question to achieve the necessary objective, we should try to address the following areas:

- What can the profession do to protect its members, physically, emotionally, and otherwise, when faced with legal and political threats in the execution of their functions?
  - What kind of collaborations can the profession venture into that involve society, legal, and political actors to ensure a stable, safe working environment for professional accountants?
- c) How and in what ways can an effective and efficient ethics education system be implemented at both the pre-qualification stages, primarily in universities and post-qualification in the form of continued development?

Again, in an attempt to address this question in research, the following sub-questions should be attended to:

- Have the right people taught ethics education to potential professional accountants, and has the right teacher-to-student pairing been achieved given cultural, political, and geographical factors at play in either delivery from the teacher's side to ensure receptivity on the part of the student?
- After having the right people to deliver ethics education who have been appropriately paired with the targeted student, has the proper ethics content

been prescribed at the appropriate level to be taught using the appropriate delivery mechanisms?

Lastly, there has been some complacency on the part of professional accountants regarding doing research within our field of accounting. Much of the research in the accounting field has been done either by the same individuals in the field of accounting or by individuals outside of the field of accounting. As I have alluded to earlier in this study and supported by Muto and Price (2014) and again by Suh et al. (2020), the best people to provide a better understanding of the factors influencing unethical conduct are the offenders themselves. The same principle seems to apply to research in the accounting field. Professional accountants, especially in Africa, must be involved in research within their own field of accounting as they better comprehend their field and how best it can be shaped going forward.

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