

STUDY MANUAL
PROFESSIONAL VALUES AND ETHICS IN ACCOUNTING (PEA 7)



ASSOCIATION OF NATIONAL ACCOUNTANTS OF NIGERIA (ANAN)

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Contents

MODULE 1.....	15
1.1 Ethical Reasoning, Values and Virtues	15
1.2 LEARNING OUTCOMES.....	15
1.3 Introduction.....	15
1.4 Morals and values	18
1.5 WHAT IS ETHICS?.....	22
1.6 Basic Courtesies.....	31
1.7 National Integration	33
1.8 Personality Development and Prestige; Table Manners, Proper Sitting Posture, Public Respect	40
Bibliography	Error! Bookmark not defined.
MODULE 2.....	56
2.0 Ethical Theories.....	56
2.1 Learning Outcome	56
2.2 Introduction.....	56
2.3 Definition of Ethics	58
2.4 EGOISM	64
2.5 UTILITARIANISM	76
2.6 KANT AND DEONTOLOGY.....	78
2.6 Kent Theory	81
2.7 VIRTUE ETHICS.....	88
MODULE 3.....	94
3.0 PROFESSIONAL BEHAVIOUR IN ACCOUNTING.....	94
3.2 INTRODUCTION	94
3.3 Ethical Principles/ Issues	97
3.1.1 The Principle of Justice	97
3.1.2 The Principle of Respect For Autonomy.....	97
3.1.3 The Principle of Beneficence	97
The Principle of Nonmaleficence	98
3.4 Ethical Action.....	98

4.5	Major Social Institutions.....	101
3.6	ETHICAL CODES	107
3.4	ETHICAL DILEMA.....	108
3.5	Threats and Safeguards.....	112
3.6	Ethical Conflict Resolution	113
MODULE 4.....		116
4.0	Fundamental Ethical Principles.....	116
4.1	LEARNING OUTCOME.....	116
4.1	Introduction.....	116
4.2	Fundamental principles of the Accountancy Profession	118
4.2.1.	Disclosure of Confidential Information.....	125
4.2.2	Factors to Consider when Disclosing Confidential Information	127
4.3	PROFESSIONAL BEHAVIOUR.....	130
4.5	INDEPENDENCE	131
4.6	TECHNICAL STANDARDS.....	133
4.7	Dilemmas and Case Studies	133
4.8	Black and White	134
4.9	CONFLICTS OF INTERESTS	134
4.10	Tax Practice	135
4.11	THREATS TO FUNDAMENTAL PRINCIPLES OF PROFESSIONAL CODE OF ETHICS.....	137
4.12	Legal and Regulatory Environment.....	140
4.13	Professional Accountancy Organizations.....	144
	Further Reading.....	147
	REFERENCES	Error! Bookmark not defined.
MODULE 5.....		148
5.0	Ethics in the Auditing Functions and Managerial Accounting.....	148
5.1	Learning Outcome	148
5.2	Introduction.....	148
5.3	The Ethics of Public Accounting: The Auditor’s Responsibility to the Public.....	149
5.4	The Auditor’s Basic Responsibilities.....	152
5.5	Audit Risk and Auditor’s Independence.....	154
5.6	Professional Skepticism and Reasonable Assurance	158

5.8	Behaviours.....	164
5.8.1	Popular Types of Personalities	165
5.9	Blowing the Whistle	168
MODULE 6.....		172
6.0	PROFESSIONAL WORK ENVIROMENT	172
6.1	LEARNING OUTCOME.....	172
6.1	INTRODUCTION	172
6.2	PROFESSIONAL BEHAVIOUR AND COMPLIANCE WITH ETHICAL STANDARD	179
6.3	THE TOP 5 QUALITIES THAT LEAD TO PROFESSIOALISM	186
6.4	ETHICAL STANDARD	188
6.5	LAW AND ETHIC.....	193
6.6	What is Ethics?	200
6.7	Ethics and people	202
6.8	FOUR ETHICAL 'ISMS'	205
6.9	God-based ethics - supernaturalism	208
6.10	Are there universal moral rules?.....	211
MODULE 7.....		215
7.0	DECISION MAKING	215
7.1	Learning outcome	215
7.2	Introduction.....	215
7.2.1	Definition and meaning of decision-making.....	216
7.2.2	The Six C's of Decision Making:.....	217
7.2.3	Types of Decisions.....	217
7.2.4	Characteristics of Decision-Making Process	219
7.2.5.	Principles of Decision Making	220
7.2.6.	Techniques Or Basis For Decision Making	220
7.2.6	Process of Decision Making:	221
7.2.7	Factors Influencing Decision Making	224
7.2.9	Characteristics/ Nature of Decision-Making.....	228
	Decision-event chains.....	230
7.3	WHISTLE BLOWING	232
7.3.1	Forms of Whistle Blowing	233

7.3.2	Motives of Whistle Blowing.....	233
7.3.3	Moral Justification for Whistle Blowing.....	234
7.3.4	When is whistle blowing morally unjustified?.....	234
7.3.5	Advantages of Whistle Blowing.....	235
7.3.6	Stages of Whistleblowing.....	235
7.3.7	Problems of Whistle Blowing IN Nigeria.....	236
7.3.8	Creating A Whistle Blowing Culture.....	242
7.3.9	Whistle Blower Policy.....	242
7.3.10	What are the values of whistleblowing?.....	244
7.3.11	Whistleblowing In Nigeria.....	246
7.4	ETHICAL DILEMMA.....	247
7.4.1	Ethical Dilemma Situations.....	249
	Societal Dilemmas.....	249
7.5	NINE CHECKPOINTS FOR ETHICAL DECISION MAKING.....	252
7.6	ETHICAL THREATS AND SAFEGUARDS.....	257
7.7	CONSEQUENCES OF UNETHICAL BEHAVIOUR.....	259
7.7.1	Unethical Behaviour Among Individuals.....	259
7.7.2	Unethical Behaviour Among Businesses.....	260
7.7.3	Unethical Behaviour by Professionals.....	260
7.7.4	Unethical Behaviour Among Politicians and the Government.....	261
7.7.5	To the individual.....	262
7.7.6	Impact on Employee Performance:.....	262
7.7.7	To Organisation.....	263
7.7.8	To the professional.....	264
	MODULE 8.....	265
8.0	Enterprise Governance and Social Issues.....	265
8.1	Learning Outcome.....	265
8.2	Introduction.....	265
8.3	Ethics in Relation to Business and Good Governance.....	266
8.4	Characteristics of Good Corporate Governance.....	267
8.5	Principles of Corporate Governance.....	268
8.6	Challenges of Corporate Governance.....	269

8.7	Business Ethics	270
8.8	Benefits of Good Business Ethics	271
8.9	Factors influencing Business Ethics:.....	272
8.10	Ethical Corporate Behaviour	273
8.11	Development of Ethical Corporate Behaviour	274
8.12	Ethical Issues in Organizations	278
8.13	Guidelines for Managing Ethics in Organizations	278
8.14	Roles and Responsibilities in Ethics Management.....	280
8.15	Ethics and the profession: social responsibility	280
8.16	Managerial Skills in Corporate Governance.....	285

MODULE 1

1.1 ETHICAL REASONING, VALUES AND VIRTUES

1.2 LEARNING OUTCOMES

At the successful completion of this module readers should understand and be able to explain the following:

- Morals and values
- The concept of virtues
- Basic courtesies
- National integration
- Personality Development and prestige; Table manners, Proper sitting posture, public respect
- Environmental awareness and self-reliance

1.3 INTRODUCTION

Moral education aims at promoting students' moral development and character formation. Beyond the scope of promoting rational pro-social skills or virtues, moral education of real human value should cultivate the meaningful and personally formative knowledge that significantly transcend or avoid natural and/or social scientific understanding and explanation. Moral education is about an inner change, which is a spiritual matter and comes through the internalization of universal values. Ethics is the branch of philosophy which tries to probe the reasoning behind our moral life. The critical examination and analysis through the concepts and principles of ethics help to justify our moral choices and actions

Ethics is the conception of right and wrong conduct. Ethical Principles are guides to moral behaviour. And Ethical relativism means that what is truly right depends solely on what the

individual or the society thinks is right. This is because what people think will vary with time and place, what is right will also vary.

Ethics are means of deciding what is a right or wrong action in a reasoned, impartial manner. Note that it is not everything that is unethical that is illegal. Morality: involves the values that govern society's attitude toward right and wrong.

Ethical reasoning pertains to the rights and wrongs of human conduct. Each person has standards that are defined by their personal values which come into play when the person faces certain dilemmas or decisions. Commonly, ethical differences occur as a result of individual interpretation of a subject or event, or may be political or religious in nature.

Reasoning is the use of the abstract thought process to think creatively, to answer questions, to solve problems and to formulate strategies for an action and to achieve desired ways of beings. When people participate in reasoning, they do not merely accept the unexamined belief and notions of other people. Reasoning involves thinking for oneself to determine in other to understand if a conclusion is based on logical or good foundations. Thus, moral reasoning relates to reasoning that is focused on moral or ethical issues. Moral reasoning for professional accountant takes place or occurs in their daily discharge of their responsibilities and the in relationship between accounting professionals, with their colleagues, employees or clients.

Importance of Values and Morals

It is important to carefully consider your values for several reasons:

- a. they could guide your life minute by minute towards noble goals, rather than your life being controlled by self-serving motives, customs, accidental occurrences, bad habits, impulses, or emotions. You have to know where you are going before you can get there.
- b. Values and morals can not only guide but inspire and motivate you, giving you energy and a zest for living and for doing something meaningful.
- c. Sensitivity to a failure to live up to your basic values may lead to unproductive guilt or to constructive self-dissatisfaction which motivates you to improve.
- d. High values and some success meeting those goals are necessary for high self-esteem.
- e. Professed but unused values are worthless or worse--phony goodness and rationalizations for not changing. We must be honest with ourselves, recognizing the difference between pretended (verbalized) values and operational (acted on) values. Of course, no one lives up to all their ideals, but values that only make us look or feel good (including being religious) and do not help us act more morally must be recognized as self-serving hypocrisy.

Thus, self-help is not just for overcoming problems; it also involves learning to become what you truly value, achieving your greatest potential. That is why your values and strengths should be considered along with your problems. For every fault or weakness you want to lose, you have a valuable strength to gain; for every crude emotion to control, you have an opposing good feeling to experience; for every awkwardness, a helpful skill to acquire; for every denial, a truth to be found. Optimally, you will identify your problems, but also decide on lofty goals that are worthy of your life.

1.4 MORALS AND VALUES

Values motivate, morals and ethics constrain. In other words, values describe what is important in a person's life, those things that matter to an individual or a society, while ethics and morals prescribe what is or is not considered appropriate behaviour in living one's life, they describe acceptable and unacceptable behaviours in a society.

Moral

Moral is deciding good or bad considered behaviour. According to the Webster New World Dictionary, Moral is thing that related with skill to decide right and wrong of behaviour that accepted by citizen. Morality according to Bentham is art to maximize happiness; it can be seen by achieving the existence of happy and joyful life of all people. (Hazlitt, 2003: 109). A morality is sacrifice from little goodness to big goodness. (Hazlitt, 2003: 111). According to Stenberg (1994), morality refers to concern with what is good or right in people's relationships each other. A key to understanding morality is to be specific about definition of good (or bad) and right (or wrong).

Aristotle holds that moral concepts are real only in relation to the actions of a person. Plato speaks of the absolute Beauty, Goodness, Truth, etc. which belong to the invisible world of intellect. But Aristotle would speak of the beauty, goodness, justice, etc. which belong to the physical world. Morality contains, (1) beliefs about the nature of the man, (2) belief about ideals, about what is good or desirable or worthy or pursuit for its own sake, (3) rules laying down what ought to be done and (4) motives that incline us to choose the right or the wrong course. We learn as children that we should be unselfish, that we should not tell lies. (Paul Edwards: 1967).

Moral issues concern both behaviour and character, they arise when life presents people with such questions as “what should I do (or not do)?”, “how should I act?”, “what kind of person that should I be?” moral issues are inescapable and they come in all shapes and size. (Barcalow, 1994)

According to Sigelman (1995), the term moral implies an ability they are (1) to distinguish right from wrong, (2) to act on this distinction, and (3) to experience pride when one does the right thing and guilt or shame when one does not. Sigelman, also stated that there are three basic components of morality. They are:

- i. **An affective or emotional component:** An affective or emotional component contains the feelings of guilt concern for other feelings that surround right or wrong actions and that motivate thoughts and actions.
- ii. **A cognitive component:** A cognitive component focuses on the way we conceptualize right and wrong and make decisions about how to behave.
- iii. **A behavioural component:** A behavioural component reflects how we actually behave when for example we do or have something that we know is bad or wrong, or help a needy person.

Values

Values are the unarticulated beliefs that form the foundation for ethical behaviour, such as practices that are viewed by our society as correct behaviour. Value refers to the relative worth of a quality or object. Value is what makes something desirable or undesirable" (Shockley-Zalabak 1999). Value is something that interest us, something that we look for, something that

pleases, something that loved, and in short value is something good. Value have good connotation. (Bertens: 2000: 139). Through applying our personal values (usually unconsciously) as benchmarks. Values, therefore, become part of complex attitude sets that influence our behaviour and the behaviour of all those with whom we interact. What we value guides not only our personal choices but also our perceptions of the worth of others. We are more likely, for example, to evaluate highly someone who holds the same hard-work value we do than someone who finds work distasteful, with personal gratification a more important value. We may also call the person lazy and worthless, a negative value label.

As accountants we should acknowledge the fundamental importance of the following values both for ourselves and the profession:

1. Quality of life - people being satisfied with their whole life experience;
2. Health, human potential, empowerment, growth and excellence - people being healthy, aware of the fullness of their potential, recognizing their power to bring that potential into being, growing into it, living it, and, generally, doing the best they can with it, individually and collectively;
3. Freedom and responsibility - people being free and responsible in choosing how they will live their lives;
4. Justice - people living lives whose results are fair and right for everyone;
5. Dignity, integrity, worth and fundamental rights of individuals, organizations, communities, societies, and other human systems;

6. All-win attitudes and cooperation - people caring about one another and about working together to achieve results that work for everyone, individually and collectively;
7. Authenticity and openness in relationships;
8. Effectiveness, efficiency and alignment - people achieving the maximum of desired results, at minimum cost, in ways that coordinate their individual energies and purposes with those of the system-as-a-whole, the subsystems of which they are parts, and the larger system of which their system is a part;
9. Holistic, systemic view and affected parties orientation - understanding human behaviour from the perspective of whole system(s) that influence and are influenced by that behaviour; recognizing the interests that different people have in the system's results and valuing those interests fairly and justly;
10. Wide participation in system affairs, confrontation of issues leading to effective problem solving, and democratic decision making.

Moral Value

Moral value is value that must be separated with other values. Every value will get quality if it has relation with other values. For example, Honesty is example of moral values, this value has no meaning if it is not applied with other values. Economic Value is related to human and thing. A thing is needed because its usefulness. Economic Value relates to purpose value. Loyalty is

moral value, but it must be applied with other, humanity value is general, for example, love of husband and wife.

There are four characteristics of moral value. They are as following:

- i. **Individual orientation.** Moral values have the function of orienting the individual in his everyday behaviour by providing a normative frame of reference.
- ii. **Social trust.** Moral values set limits to the potential trespasses of others and reduce fear of aggression, deception and violations of self-respect.
- iii. **Easing social co-operation.** Moral values make room for long-term social co-operation by creating a climate of mutual trust in which every party is confident that promises and contracts will be respected.
- iv. **Peaceful conflict resolution.** Moral values provide possibilities of resolving conflicts of interests and norms in accordance with shared social rules instead of the use of force

1.5 WHAT IS ETHICS?

A person who knows the difference between right and wrong and chooses right is moral. A person whose morality is reflected in his willingness to do the right thing – even if it is hard or dangerous – is ethical. Ethics are moral values in action. Being ethical is an imperative because morality protects life and is respectful of others – all others. It is a lifestyle that is consistent with mankind's universal values as articulated by the American Founding Fathers – human equality and the inalienable right to life. As warriors it is our duty to be protectors and defenders of the life value and to perform the unique and difficult mission of taking the lives of those acting immorally (against life) when necessary to protect the lives of innocent others.

When you must kill protecting life it is still hard, but it is moral. Those who kill those not observant of their narrow relative religious, ethnic or criminal values – in other words, kill over relative values – are immoral. A dedication to protecting the life value of self and others – all others – makes the Ethical Warrior different and moral.

The Concept of Virtues

Virtue, by definition, is the moral excellence of a person. Morally excellent people have a character made-up of virtues valued as good. They are honest, respectful, courageous, forgiving, and kind, for example. They do the right thing, and do not bend to impulses, urges or desires, but act according to values and principles. Some might say good qualities are innate, but we are not perfect. Virtues need to be cultivated to become more prevalent in life. With the habit of being virtuous, we take the helm of our own life, redirecting its course towards greater happiness and fulfilment.

The Greek Medieval Church enumerated seven chief virtues as the main type of all possible excellence. The seven chief virtues according to the Greeks are wisdom, courage, temperance, justice, magnanimity or generosity, benevolence and love. The first four are called the cardinal virtues or the primary virtues. The first four are already known to the Greek thought since the time of Plato, for they appeared firstly in Plato's "Republic". These virtues constitute the central core of morality. Plato says that these are primary or cardinal because they correspond to the natural constitution of the soul. Plato holds that as the human soul is of three parts, that is the rational and the irrational, where the irrational part of the soul is again sub-divided into the noble half and the ignoble half, hence corresponding to these three parts of the soul there should be intellect, feeling and will as the three main characteristics of the soul. Likewise, there

should be virtues of wisdom, temperance and courage to fulfil the soul's desire. These three qualities have reference more particularly to the personal life of an individual. But the human individual being living in the society with the other human individuals around him hence Plato includes justice as a social virtue.

Aristotle accepts the four primary virtues of Plato, but he added to the above four 'magnanimity' or 'generosity', because we see that someone who is mean and selfish is unlikely to be loved and liked by others and as a result, he is likely to be lonely and unhappy. Whereas someone else who is generous is likely to enjoy the benefit of being liked and loved by his fellow beings, but generosity should not be to the extent of letting other exploit our being generous and kind. In the later year of the history of Western Philosophy, other virtues are added to the list of Platonic virtues. For instance, in the 13th Century, Thomas Aquinas added benevolence, love, faith and hope to the Platonic virtues, he also talks about love, faith, and hope as virtues and also includes them in the list of the Platonic virtues.

Agent-Based Accounts of Virtue Ethics

Not all accounts of virtue ethics are eudaimonist. Michael Slote has developed an account of virtue based on our common-sense intuitions about which character traits are admirable. Slote makes a distinction between agent-focused and agent-based theories. Agent-focused theories understand the moral life in terms of what it is to be a virtuous individual, where the virtues are inner dispositions. Aristotelian theory is an example of an agent-focused theory. By contrast, agent-based theories are more radical in that their evaluation of actions is dependent on ethical judgments about the inner life of the agents who perform those actions. There are a variety of human traits that we find admirable, such as benevolence, kindness, compassion, etc. and we can identify these by looking at the people we admire, our moral exemplars.

Forms of Virtue Ethics

While all forms of virtue ethics agree that virtue is central and practical wisdom required, they differ in how they combine these and other concepts to illuminate what we should do in particular contexts and how we should live our lives as a whole. The four forms of virtue ethics are, a) eudaimonist virtue ethics, b) agent-based and exemplarist virtue ethics, c) target-centered virtue ethics, and d) Platonistic virtue ethics.

Eudaimonist Virtue Ethics: The distinctive feature of eudaimonist versions of virtue ethics is that they define virtues in terms of their relationship to *eudaimonia*, that is the condition of human flourishing or of living well. A virtue is a trait that contributes to or is a constituent of eudaimonia and we ought to develop virtues, the eudaimonist claims, precisely because they contribute to eudaimonia.

The concept of *eudaimonia*, a key term in ancient Greek moral philosophy, is standardly translated as “happiness” or “flourishing” and occasionally as “well-being.” Each translation has its disadvantages. The trouble with “flourishing” is that animals and even plants can flourish but *eudaimonia* is possible only for rational beings. The trouble with “happiness” is that in ordinary conversation it connotes something subjectively determined. It is for me, not for you, to pronounce on whether I am happy. If I think I am happy then I am—it is not something I can be wrong about (barring advanced cases of self-deception). Contrast my being healthy or flourishing. Here we have no difficulty in recognizing that I might think I was healthy, either physically or psychologically, or think that I was flourishing but be wrong. In this respect, “flourishing” is a better translation than “happiness”. It is all too easy to be mistaken about whether one’s life is *eudaimon* (the adjective from *eudaimonia*) not simply because it is easy to deceive oneself, but because it is easy to have a mistaken conception of *eudaimonia*, or of what

it is to live well as a human being, believing it to consist largely in physical pleasure or luxury for example.

Eudaimonia is a moralized or value-laden concept of happiness, something like “true” or “real” happiness or “the sort of happiness worth seeking or having.” It is thereby the sort of concept about which there can be substantial disagreement between people with different views about human life that cannot be resolved by appeal to some external standard on which, despite their different views, the parties to the disagreement concur.

Agent-Based Accounts of Virtue Ethics

Not all accounts of virtue ethics are eudaimonist. Michael Slote has developed an account of virtue based on our common-sense intuitions about which character traits are admirable. Slote makes a distinction between agent-focused and agent-based theories. Agent-focused theories understand the moral life in terms of what it is to be a virtuous individual, where the virtues are inner dispositions. Aristotelian theory is an example of an agent-focused theory. By contrast, agent-based theories are more radical in that their evaluation of actions is dependent on ethical judgments about the inner life of the agents who perform those actions. There are a variety of human traits that we find admirable, such as benevolence, kindness, compassion, etc. and we can identify these by looking at the people we admire, our moral exemplars.

Rather than deriving the normativity of virtue from the value of *eudaimonia*, agent-based virtue ethicists argue that other forms of normativity—including the value of *eudaimonia*—are traced

back to and ultimately explained in terms of the motivational and dispositional qualities of agents.

It is unclear how many other forms of normativity must be explained in terms of the qualities of agents in order for a theory to count as agent-based. The two best-known agent-based theorists, Michael Slote and Linda Zagzebski, trace a wide range of normative qualities back to the qualities of agents. For example, Slote defines rightness and wrongness in terms of agents' motivations: "agent-based virtue ethics ... understands rightness in terms of good motivations and wrongness in terms of the having of bad (or insufficiently good) motives" (2001). Similarly, he explains the goodness of an action, the value of *eudaimonia*, the justice of a law or social institution, and the normativity of practical rationality in terms of the motivational and dispositional qualities of agents. Zagzebski likewise defines right and wrong actions by reference to the emotions, motives, and dispositions of virtuous and vicious agents. For example, "A wrong act = an act that the *phronimos* characteristically would not do, and he would feel guilty if he did = an act such that it is not the case that he might do it = an act that expresses a vice = an act that is against a requirement of virtue (the virtuous self)" (Zagzebski 2004). Her definitions of duties, good and bad ends, and good and bad states of affairs are similarly grounded in the motivational and dispositional states of exemplary agents.

Target-Centered Virtue Ethics

A complete account of virtue will map out 1) its *field*, 2) its *mode* of responsiveness, 3) its *basis* of moral acknowledgment, and 4) its *target*. Different virtues are concerned with different *fields*. Courage, for example, is concerned with what might harm us, whereas generosity is concerned with the sharing of time, talent, and property. The *basis* of acknowledgment of a virtue is the feature within the virtue's field to which it responds. To

continue with our previous examples, generosity is attentive to the benefits that others might enjoy through one's agency, and courage responds to threats to value, status, or the bonds that exist between oneself and particular others, and the fear such threats might generate. A virtue's *mode* has to do with how it responds to the bases of acknowledgment within its field. Generosity *promotes* a good, namely, another's benefit, whereas courage *defends* a value, bond, or status. Finally, a virtue's *target* is that at which it is aimed. Courage aims to control fear and handle danger, while generosity aims to share time, talents, or possessions with others in ways that benefit them.

A *virtue*, on a target-centered account, "is a disposition to respond to, or acknowledge, items within its field or fields in an excellent or good enough way" (Swanton 2003). A *virtuous act* is an act that hits the target of a virtue, which is to say that it succeeds in responding to items in its field in the specified way. Providing a target-centered definition of a *right action* requires us to move beyond the analysis of a single virtue and the actions that follow from it. This is because a single action context may involve a number of different, overlapping fields. Determination might lead me to persist in trying to complete a difficult task even if doing so requires a singleness of purpose. But love for my family might make a different use of my time and attention. In order to define right action a target-centered view must explain how we handle different virtues' conflicting claims on our resources. There are at least three different ways to address this challenge. A *perfectionist* target-centered account would stipulate. An act is right if and only if it is overall virtuous, and that entails that it is the, or a, best action possible in the circumstances. A more *permissive* target-centered account would not identify 'right' with 'best', but would allow an action to count as right provided it is good enough even if not the (or

a) best action. A *minimalist* target-centered account would not even require an action to be good in order to be right. On such a view, an act is right if and only if it is not overall vicious.

Platonistic Virtue Ethics

Chappell (2014) takes the defining feature of Platonistic virtue ethics to be that Good agency in the truest and fullest sense presupposes the contemplation of the Form of the Good. Chappell follows Iris Murdoch in arguing that in the moral life the enemy is the fat relentless ego (Murdoch 1971). Constantly attending to our needs, our desires, our passions, and our thoughts skews our perspective on what the world is actually like and blinds us to the goods around us. Contemplating the goodness of something we encounter which is to say, carefully attending to it for its own sake, in order to understand it Chappell (2014) breaks this natural tendency by drawing our attention away from ourselves. Contemplating such goodness with regularity makes room for new habits of thought that focus more readily and more honestly on things other than the self. It alters the quality of our consciousness. And anything which alters consciousness in the direction of unselfishness, objectivity, and realism is to be connected with virtue. The virtues get defined, then, in terms of qualities that help one pierce the veil of selfish consciousness and join the world as it really is. And good agency is defined by the possession and exercise of such virtues. Within Chappell's and Murdoch's framework, then, not all normative properties get defined in terms of virtue. Goodness, in particular, is not so defined. But the kind of goodness which is possible for creatures like us is defined by virtue, and any answer to the question of what one should do or how one should live will appeal to the virtues.

Another Platonistic variant of virtue ethics is exemplified by Robert Merrihew Adams. Unlike Murdoch and Chappell, his starting point is not a set of claims about our consciousness of goodness. Rather, he begins with an account of the metaphysics of goodness. Like Murdoch

and others influenced by Platonism, Adams's account of goodness is built around a conception of a supremely perfect good. And like Augustine, Adams takes that perfect good to be God. God is both the exemplification and the source of all goodness. Other things are good, he suggests, to the extent that they resemble God (Adams 1999).

Role of Virtue Ethics

The following are the role of virtue ethics in our daily business and work dealings:

- i. Virtue ethics plays a vital role in the world of business, because it determined the moral behaviour of a person in the organisation.
- ii. A person with a high degree of virtues behaves well in the organisation and makes ethical choices for his or her action
- iii. Principles of those virtues are; courage, wisdom, temperance, fairness, integrity, and consistency. Specifically those are moral virtues.
- iv. Possession of such virtues principles by a worker (a manager) in the organisation helps in achieving the organisational goals. Thus, increases the tendency of worker's performance in terms of, decision making, planning, organising and controlling various resources in the organisation in an ethical manner.
- v. Virtue ethics is not like other ethics in the world of ethics.
- vi. It is more than ethics compared to other nature of ethics, because it is grounded in the human character.
- vii. It is concerned with the human character from birth to death
- viii. In reality, it portray one's character to be recognize by others and gives the sense of reality.

Problems for Virtue Ethics

The following are problems associated with virtue ethics:

- i. How do we know who is virtuous?
- ii. Are there any virtuous people?
- iii. Is an act virtuous because a virtuous person performs it, or does the virtuous person perform it because it is a virtuous act?

1.6 BASIC COURTESIES

Courtesy is the gift of treating others with warmth and respect. It means affording dignity to people by being thoughtful, receptive and gentle in our dealings with them. Courtesy helps us remember our manners, not necessarily in a customary formal sense, but in the way we regularly and sincerely express gratitude, considerately acknowledge feelings and offer true friendliness. Courtesy enables successful interactions and negotiations, liberally laying a foundation for understanding and harmony.

Therefore, courtesy can be defined as a respectful act or expression of Behaviour marked by respect for others. Courtesy is also showing of politeness in one's attitude and Behaviour toward others, or kindness and consideration expressed in a sophisticated and elegant way.

How many times have you been in a meeting, out with friends, in a classroom, or even sitting around the family dinner table and trying to get your point out and someone decides that what you have to say doesn't matter? That their opinion is clearly more important than yours, they cut you off and proceed to dominate the conversation? It hurts the our emotions. So why would you do it to someone else? Respect the voices of others, yes even if they are sound boring to you.

Whether we are interacting with a stranger, a co-worker, friend, or a family member, we are experiencing a little slice of life, even if for only a few moments. We may disagree with his/her opinions or dislike his/her actions. In those few moments, we have the choice of connecting through courtesy or withdrawing through rudeness and disdain. If we make a commitment to activate the powerful energy of compassion in our lives and make it a part of our legacy, we shall seek to develop the habit of treating all others with courtesy.

The following are some common courtesies we can imbibe in our daily dealings with people:

1 Exhibit A Warm and Friendly Demeanour- No matter how bad a day you are having it is important to always be warm and friendly to others. This makes for friendlier interactions and can brighten someone's day.

2 Look People in the Eyes – Stop staring at your phone and look up. It seems like it should be the easiest one to accomplish, however these little things called cell phone are making eye contact almost near impossible today.

3 Use Proper Table Manners At Every Meal – Whether it be an informal dinner party or a business event, always remember your table manners.

4 Dress Appropriately – Always dress for the occasion, remember that overdressing is always better than under dressing.

5 Hold Doors Open – Before entering and exiting a building always look in front and behind you to see if there is anyone that could use a helping hand.

6 Say Please & Thank You – Remembering the basic please and thank you can make all the difference. These simple words show gratitude and appreciation and are never underrated.

7 Let Other Cars Merge In – Driving can be stressful for many people, letting a car merge in can help move along traffic and improve someone’s day. Whether it is a car from out of town or your daily rush hour, everyone appreciates being let in.

8 Keep Your Unnecessary Comments to Yourself – Being malicious and embarrassing someone is simply rude and poor etiquette. Always be mindful and think before you speak.

9 Not Talking Loudly – Talking too loudly when you are out in public is not only disruptive but an annoyance to everyone around. Sadly, many people think because they are using a bluetooth device that they can go anywhere and continue their conversation.

10 Treat Others with Respect – The age-old saying of “treat others how you want to be treated” reigns supreme. In order to get respect, a person must first show respect.

1.7 NATIONAL INTEGRATION

Nigerian is a Country/Nation blessed with tribal, ethnic, religious and cultural diversity. From the colonial period to the present, Nigeria has evolved as a nation. The issue of national unity has plagued Nigeria from its inception. Today, Nigeria has surmounted some of the challenges of diversity and its many cultural groups. It has achieved greater national unity over the almost fifty years of existence. The integration of Nigerians with one another not minding the diversity (tribal, ethnic, religious and cultural) for individual and collective good and progress are

imperative if the nation is to move towards sustainable development. For Nigeria as a Nation to maximize its potentials towards the actualization of greatness at this stage of its development there is need for its citizens despite their different ethnic origins, ideologies cultures, and beliefs should hold on to one another. In the early days of the country, there was unity among members of ethnic groups. Members did not identify themselves as belonging to ethnic groups. This kind of solidarity, oneness, unity and cooperation is what national integration stands for and this experience to a reasonable and practical extent seems to be lacking in the country (Okoroafor, Nzenwa and Ezeibe, 2016).

What is National Integration

A nation is a country with a unified socio-economic and political structure. It denotes a body of people who have a feeling of oneness, built on the basis of common history, society, culture and values. This feeling of oneness binds the people together in to a nation. In general terms it is this feeling which is known as national integration.

National integration is the awareness of a common identity amongst the citizens of a country. It means that though the individuals belong to different communities, castes, religions, cultures and regions and speak different languages, all of them recognize the fact that they are one. This kind of integration is very important in the building of a strong and prosperous nation. National integration means creating a mental outlook which will promote and inspire every person to place loyalty to the country above group loyalties and the welfare of the country above narrow sectarian interests.

National integration is essential for any nation with socio-cultural, religious, linguistic and geographical diversities. And for a country like Nigeria, it is still more necessary. As we know,

Nigeria is a very large country. Nigeria is the most populous black country in the world with a population of over 200,000,00 people. A unique feature of Nigeria is its religious and ethnic diversity. There are hundreds of languages that are spoken in Nigeria. There are also great varieties in costume, food habits, and social customs. Geographically, our land is diverse and there are amazing differences in climate. Despite all these differences Nigeria is one political entity. We have to co-exist with each other peacefully, respect the culture and religion of our fellow Nigerians. This is possible only when national integration is realised in true sense of the term. National integration is necessary also for the security and development of the nation.

Measures to Promote National Integration

Strong states only developed into nation-states where social and cultural integration occurred within their boundaries. The following are measures that can promote national integrity:

- i. **Encouraging Nigerians to be patriotic:** The people must all feel as Nigerians with one destiny and one goal. Nigerians must learn to act in a manner that will promote unity in the way they contribute to nation building. They must have 'we' feeling.
- ii. **Organizing national cultural festivals:** National cultural festivals that bring people of different culture, religion, class and so on together should be organized. This will help people to understand and appreciate each other as well as the culture and values of other people's culture.
- iii. **Promotion of cultural re-orientation/awareness:** This can be done by strengthening the National Orientation Agency (NOA) to encourage Nigerians to learn the languages, eat the food and wear the traditional dresses of one another.
- iv. **Encouraging inter-ethnic and inter-tribal marriages:** Inter-ethnic, inter-religious and inter-tribal marriages help in promoting national integration. Through this, cultural ties

are strengthened among Nigerians and they can through this learn and appreciate each other.

- v. **Promoting equal economic opportunities:** There must be conscious effort to promote equal economic opportunities for all socio-cultural groups in Nigeria.
- vi. **Providing equal access to education:** Equal educational opportunities should be given to all Nigerians from primary to tertiary levels.
- vii. **Promoting Public education for national integration:** This can be done through the mass media by sensitizing Nigerians on common national issues and values.
- viii. **Providing equal access to representation in government:** The application of federal character or quota principle in appointment into positions in government at all levels will help achieve equal access to representation.
- ix. **Strengthening the National Youth Service Corps (NYSC) Scheme:** More incentives such as automatic employment, cash donations, awards etc. should be given to outstanding corps members who served in other states outside their cultural areas.
- x. **Promoting religious tolerance:** we must as a people learn to respect each other's religious belief and system of worship for us to coexist in unity and promote nation building.
- xi. **Good and responsible governance/leadership** to promote sense of belonging among Nigerians.

The Challenges of National Integration in Nigeria

National integration is important to all Nigerians and those who have one form of interest or the other in Nigerian, however, it is challenged by the issues of gross intolerance, distrust, ethnicity, corruption, and most dangerously, insecurity, working against national cohesion and

development. The following are some of the major challenges undermining the actualization of effective national integration in Nigeria as suggested by Onyeakazi and Ejike (2018):

- i. **Corruption:** The issue of corruption has eaten deep into the fabric of the Nigerian society to the extent that it is fast becoming an integral part of our mainstream culture. It pervades our life so completely today that one may be justified in calling it condition par excellence of contemporary Nigeria, Udenwa (2012).
- ii. **Poverty/Deprivation:** This is a social problem that is devastating a greater majority of the Nigerian population. It appears that each day that passes, Nigerians become poorer and more deprived. The state of the nation's economy is so worrisome that it is contributing to individual(s) frustration and submission to all sorts of vices and crimes as a way of survival or as a way to let out desperation and hopelessness. Johnson (2016) opines that "poverty is the masterminder of all sorts of problems and destabilizes individuals and organizations to the level that only its reduction or elimination can bring relief and hope". The poverty levels in the country leave Nigerians hungrier and less interested in seeking or working towards building effective national integration and unity.
- iii. **Insecurity:** The issues of terrorism occasioned by Boko Haram bombings and attacks, kidnappings, herdsmen/farmers clashes, increasing armed robbery and banditry as well as rising levels of religious intolerance and hate-motivated speeches and actions portray Nigeria as a field of steady bloodshed and conflicts and probably one of the most disunited and disorganized nations of the world. The panic state of the nation is a reflection of the state of mind of its citizens and their fear for the future of the nation. Insecurity stands as one obstacle confronting the building of strong national integration

that can help the country to forge ahead with significant developmental strides (Udeh, Okoroafor & Ihezue, 2013).

- iv. **Inequality and Uneven Development:** The existence of gender inequality and other levels of social inequality in Nigeria has not helped the state of national integration in the country. The marginalization of girls and women at various levels of society continues to contribute to a more divisive and disgruntled population. The increasing inequality and uneven development only help to increase agitations, conflicts and national distrust. The nepotistic manner of employment, siting of national projects and general atmosphere breed inter-tribal suspicion, disharmony and antagonism which collectively undermine efforts towards national integration (Obialor, 2016).
- v. **Illiteracy/Ignorance:** The poor knowledge and understanding capacity of many Nigerians and the intentional and rogue perception and actions of some of our leaders have all posed as setback to national integration. The issues of falling standards of education, immorality and indiscipline which are easily connected to the syndrome of mass illiteracy and ignorance are rising to the detriment of the unity and oneness of Nigerians. Ogunlami (2013) submits that “the necessary and fundamental ingredient for fasttracking national unity and togetherness in Nigeria is the provision of good and functioning education for its citizens”. The level to which education can empower understanding, tolerance and value consensus among Nigerians as well as facilitate national development can never be imagined nor overemphasized (Okoroafor et al, 2016).
- vi. **Absence of Rule of Law:** One of the major challenge confronting national integration in Nigeria is the lack of rule of law which is evident in governments' lack of respect for the

constitution, the actions of some powerful and wealthy individuals who feel that they are above the law and the increasing cases of extrajudicial killings; violations of fundamental human rights and many other issues that are clearly undermining the proper adherence to the rule of law. As a nascent democracy, Nigeria needs its citizens and governments to conform to the rule of law if it hopes to strengthen its constitution, institutions and national integration. Onosode (2013) observes that “the rampant incidence of flouting of the constitution and the instrument of rule of law portends danger to building the Nigerian nation in the 21st century”.

vii. **Poor Leadership/Governance:** The quality of leadership and governance in Nigeria leaves much to be desired or appreciated due largely to the insensitivity and gross mismanagement of the nation’s resources in the past decades. Achebe (2001) states that “the trouble with Nigeria is simply and squarely a failure of leadership. The Nigerian problem is the unwillingness or inability of its leaders to rise to the responsibility of the personal example which are the hallmark of true leadership”. Good leadership is said to beget good followership and therefore the poor leadership and governance in the country is breeding a weak, docile and unpatriotic citizens who are aggrieved with the state of the nation and seem to be motivated towards disintegration of the nation to satisfy ethnic sentiments and other primordial interests.

viii. **Ethnicism/Nepotism:** To say that many Nigerians are tribalistic and nepotistic may be a clear understatement of the situation in the country. A lot of Nigerians are ethnocentric in their perception of issues concerning the integrity of the nation as a united democratic entity. Their behaviour exhibits the ethnic/tribal inclinations and antecedents that only aggravate the poor state of solidarity and unity among the

nation's many ethnic groups, creating social tension and disorder. The attitude of nepotism which further fuels disunity has not helped Nigeria's efforts towards nation building and national integration. Okoroafor et al (2016) posit that "this status quo is obviously anti-national unity because it breeds national discord, disunity and fear that undermine national integration".

1.8 PERSONALITY DEVELOPMENT AND PRESTIGE; TABLE MANNERS, PROPER SITTING POSTURE, PUBLIC RESPECT

Personality is something that people tend to think a lot about. When we meet new people, whether through work, school, or social events, it is often their personality on which we immediately focus. Whether they are nice, helpful, outgoing, or shy are just a few of the things that we assess as we evaluate the people around us. Personality defines us as individuals and the manner in which people will approach and address us. It is said that you are addressed the way you are dressed because, you dressing is the first point of contact with people. Your carriage as a person matters as it determines the impression people you about you and how they interact with you.

Personality development is the development of the organized pattern of behaviours and attitudes that makes a person distinctive. Personality development occurs by the ongoing interaction of temperament, character, and environment.

What do we mean when we talk about personality development? Personality development refers to how the organized patterns of behaviour that make up each person's unique personality emerge over time. Many factors go into influencing personality, including genetics,

environment, parenting, and societal variables. Perhaps most importantly, it is the ongoing interaction of all of these influences that continue to shape personality over time.

Five Stages of Personality Development

- 1. Oral Stage.** This is the first stage, which begins at birth. Calling it the "oral stage" makes sense because it is often oral fixation that soothes babies; e.g., bottle, nipple, pacifier. The child seeks oral gratification in order to gain pleasure. During this stage, if a child does not have its oral needs met, for example, not being fed when crying, he or she learns to not trust. If children have those needs met, they learn to trust those around them.
- 2. Anal Stage.** This is the next stage in Freud's theory of child development. It focuses on learning to control bowel movements and maintain bladder control. When children gain this ability, they feel independent and a sense of accomplishment. This stage is affected by how parents approach potty training. If they punish and ridicule or are very strict, the child can go on to be anal-retentive and have such personality traits as being obsessive, rigid, etc.

In this training of bladder and bowel control, child may develop autonomy, or shame and doubt. Autonomy, thus, overbalances shame and doubt and leads to development of confidence that he can control his functions, and also, to some extent, the people around him. Contrary to this, the child may feel angry, foolish and ashamed if parents criticise his faeces and over-control his bowel and bladder functioning during the training for toilet. Observations of sanskaras convey acceptance to the child and help

the parents to train them in appropriate manner. This stage lasts up until the child is around 3 years old.

3. Phallic Stage. During this stage the focus is on the genitals. This is when males and females realize there is a difference. Freud believed that the girls suffered from "penis envy" because they were not males and that boys were in competition with their fathers to get their mothers' attention. How far this initiative is reinforced depends upon how much physical freedom is given to the child and how far his curiosity is satisfied. If he is led to feel bad about his behaviour or his interests, he may grow with a sense of guilt about his self-initiated activities. This stage lasts until the child is around 6.

4. Latent Period. The child can reason out rationally and can use the tools that adults use. The sexual interests and curiosity (common in genital period) get suppressed till puberty. If encouraged and given opportunity, he/she gains confidence in his/her ability to perform and use adult materials. This leads to feeling of industry in him/her. When unable to use adult materials, he/she develops inferiority feelings. Such children may develop problems with peers. They need to be encouraged to interact with classmates and be less dependent upon others. This was believed to be an important period in personality development, when children focus on relationships with their peers, finding hobbies they enjoy, and pursuing interests. This stage takes place from age 6 to about 12.

5. Genital/Adolescence Stage. This final stage. This period, regarded as a period of turmoil, usually starts at 12-13 years and can extend up to 18-19 years. The adolescents, during this transitional process from childhood to maturity, behave something like an

adult and sometimes like a child. Parents too show their ambivalence to accept them in their new role of an adult in-the-making.

This stage exhibits all the psycho-social characteristics of earlier period and only towards the end, all these get resolved into a new set of role (identity) for the adolescent. In order to develop a personal identity, he becomes fan of some hero, starts following certain ideologies, and tries his luck with opposite sex.

Indecision and confusion are not uncommon in this stage. Identification with a wrong person shall create problems for him. The task of this age is to develop identity, i.e., values, strengths, skills, various roles, limitations, etc., failing which his identity gets diffused and he fails to know how to behave in different situations. He needs to be helped to deal with the physiological, emotional pressures along-with pressures from parents, peers, etc. Group work is more helpful with problem-adolescents. When showing confusion about their role, they can be helped to emulate the group leader or identify with group worker. Parents can handle adolescents properly if educated adequately about the needs and problems of this age.

Prestige

Prestige and dominance are said to be 'two ways to the top' in gaining status and influence in human social groups, and represent two evolutionarily distinct psychological processes found in our species. According to Henrich & Gil-White, *dominance* is a form of social influence attained by threat or fear, e.g. of physical aggression or the withholding of resources. By contrast, *prestige* is social influence that is acquired by individuals who are particularly skilled

or knowledgeable in a certain domain. Consequently, other individuals in the group voluntarily confer deference on the prestigious individual in order to gain access and proximity to them for social learning opportunities. Over time, prestigious individuals gain status, respect, admiration and attention from other group members who wish to learn from them. While dominance is common across social species, including humans.

Dominance or Prestige

Dominance and prestige reflect distinct patterns of behaviour, each aimed at helping people ascend to positions of high rank, as defined by possessing elevated capacity for social influence. Dominance is a phylogenetically ancient strategy shared with many other group-living species. Most animal hierarchies are regulated through dominance such that individuals achieve social rank based on their size, strength, and ability to intimidate. The biggest and strongest use agonistic behaviour to rise through the ranks, while weaker and less assertive individuals typically reside within lower ranking echelons of the hierarchy. Chimpanzee groups, for example, are marked by steep hierarchies in which an alpha male dominates his subordinates through fear, intimidation, and (as a last resort) direct aggression. Dominance often involves forming coalitions to gain social rank, but those coalitions are fickle, as individuals turn their backs on one another when it is in their best interest (Nishida, 1983). Such behaviour can be seen throughout many group-living species including humans. With dominance, high social rank is not freely conferred by others; it is seized and maintained through the use of power, fear, intimidation, and coercion (De Waal-Andrews, Gregg, & Lammers, 2015).

With prestige, in contrast, high social rank is freely conferred (Henrich & Gil-White, 2001). Prestige involves displaying skills and knowledge valued by the group, which in turn brings

respect, admiration, and, ultimately, high social rank. Compared with dominance, prestige is more socially malleable, as the skills and knowledge valued by others varies across groups and cultures. For example, intelligence may garner respect in academia, whereas physical prowess may do so on a sports team. Individuals adopting a prestige-oriented strategy tend to be well-liked (Cheng, Tracy, Foulsham, Kingstone and Henrich, 2013), and they typically prioritize the well-being of the group and its members (Henrich, Chudek, & Boyd, 2015). Prestige is a phylogenetically younger strategy than dominance, and is arguably unique to humans. With the advent of human culture, evolution favoured mechanisms that led people to attend to and copy highly successful group members, and the group members being copied could be described as having earned high social rank via prestige (Henrich & Gil-White, 2001).

Table Manners

Table manners are important in both professional and social situations, so it's a good idea to know some basics. Regardless of where you are eating, proper etiquette at the table is important. Even when it's just you and your family having a meal together, you still want to set an example for your kids.

Table manners have evolved over centuries to make the practice of eating with others pleasant and sociable. With so many table manners to keep track, keep these basic, but oh-so-important, table manners in mind as you eat:

- i. Chew with your mouth closed.
- ii. Keep your smartphone off the table and set to silent or vibrate. Wait to check calls and texts until you are finished with the meal and away from the table.

- iii. Do not use your utensils like a shovel or stab your food.
- iv. Do not pick your teeth at the table.
- v. Remember to use your napkin.
- vi. Wait until you are done chewing to sip or swallow a drink. (Choking is clearly an exception).
- vii. Cut only one piece of food at a time.
- viii. Avoid slouching and do not place your elbows on the table while eating (though it is okay to prop your elbows on the table while conversing between courses, and always has been).
- ix. Instead of reaching across the table for something, ask for it to be passed to you.
- x. Take part in the dinner conversation, but avoid controversial topics like politics and religion.
- xi. Be sure to thank your host before leaving and send a handwritten thank-you note the next day.

Proper Sitting Posture

Posture is the position in which you hold your body while standing, sitting or lying down. Good posture involves training your body to stand, walk, sit and lie so as to place the least strain on muscles and ligaments while you are moving or performing weight-bearing activities.

Good posture involves training your body to stand, walk, sit and lie in positions where the least strain is placed on supporting muscles and ligaments during these activities. Read on for illustrations and instructions for correct lifting, driving, sitting, and sleeping positions.

Importance of Good Posture

Good posture helps you in the following ways:

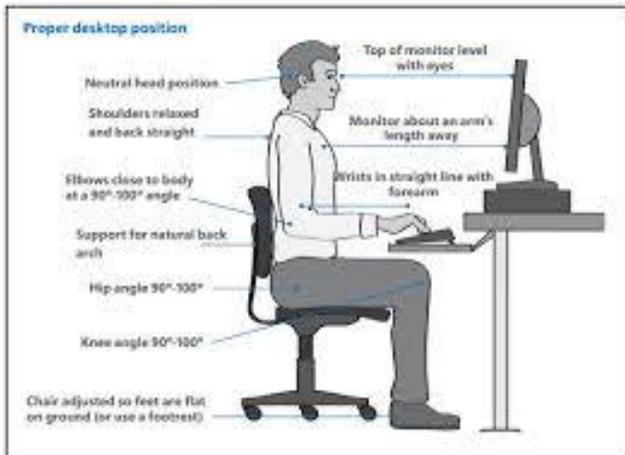
- Keeps bones and joints in the correct position (alignment) so that muscles are being used properly.
- Helps cut down on the wear and tear of joint surfaces (such as the knee) to help prevent the onset of arthritis.
- Decreases the strain on the ligaments in the spine.
- Prevents the spine from becoming fixed in abnormal positions.
- Prevents fatigue because muscles are being used more efficiently, which allows the body to use less energy.
- Prevents backache and muscular pain.

Correct sitting position

The following outline how good sitting posture:

- Sit up with your back straight and your shoulders back. Your buttocks should touch the back of your chair.
- All 3 normal back curves should be present while sitting. You can use a small, rolled-up towel or a lumbar roll to help maintain the normal curves in your back.

- Sit at the end of your chair and slouch completely.
- Draw yourself up and accentuate the curve of your back as far as possible. Hold for a few seconds.
- Release the position slightly (about 10 degrees). This is a good sitting posture.
- Distribute your body weight evenly on both hips.
- Bend your knees at a right angle. Keep your knees even with or slightly higher than your hips. (Use a foot rest or stool if necessary.) Do not cross your legs.
- Keep your feet flat on the floor.
- Try to avoid sitting in the same position for more than 30 minutes.
- At work, adjust your chair height and work station so that you can sit up close to your work and tilt it up toward you. Rest your elbows and arms on your chair or desk, keeping your shoulders relaxed.
- When sitting in a chair that rolls and pivots, don't twist at the waist while sitting. Instead, turn your whole body.
- When standing up from the sitting position, move to the front of the chair. Stand up by straightening your legs. Avoid bending forward at your waist. Immediately stretch your back by doing 10 standing backbends.



Here's how to find a good sitting position when you are not using a back support or lumbar roll:

- Distribute your body weight evenly on both hips.
- Bend your knees at a right angle. Keep your knees even with or slightly higher than your hips. (Use a foot rest or stool if necessary.) Do not cross your legs.
- Keep your feet flat on the floor.
- Try to avoid sitting in the same position for more than 30 minutes.
- At work, adjust your chair height and work station so you can sit up close to your work and tilt it up at you. Rest your elbows and arms on your chair or desk, keeping your shoulders relaxed.
- When sitting in a chair that rolls and pivots, don't twist at the waist while sitting. Instead, turn your whole body.
- When standing up from the sitting position, move to the front of the chair. Stand up by straightening your legs. Avoid bending forward at your waist. Immediately stretch your back by doing 10 standing backbends.

Correct Driving Position

- Use a back support (lumbar roll) at the curve of your back. Your knees should be at the same level or higher than your hips.
- Move the seat close to the steering wheel to support the curve of your back. The seat should be close enough to allow your knees to bend and your feet to reach the pedals.

Correct Lifting Position

- If you must lift objects, do not try to lift objects that are awkward or are heavier than 30 pounds.
- Before you lift a heavy object, make sure you have firm footing.
- To pick up an object that is lower than the level of your waist, keep your back straight and bend at your knees and hips. **Do not bend forward at the waist with your knees straight**
- Stand with a wide stance close to the object you are trying to pick up and keep your feet firm on the ground. Tighten your stomach muscles and lift the object using your leg muscles. Straighten your knees in a steady motion. Don't jerk the object up to your body.
- Stand completely upright without twisting. Always move your feet forward when lifting an object.
- If you are lifting an object from a table, slide it to the edge of the table so that you can hold it close to your body. Bend your knees so that you are close to the object. Use your legs to lift the object and come to a standing position.

- Avoid lifting heavy objects above waist level.
- Hold packages close to your body with your arms bent. Keep your stomach muscles tight. Take small steps and go slowly.
- To lower the object, place your feet as you did to lift, tighten stomach muscles and bend your hips and knees.

How to Attain Correct Posture in an Office

The following are tips on how to attain correct sitting posture in an office

- Support your back
- Adjust your chair
- Put your feet on the floor
- Keep your screen at eye level
- Position your keyboard correctly
- Use the right mouse
- Keep frequently used objects within reach
- Use a handset if you spend a lot of time on the phone
- Take regular breaks

Environmental Awareness and Self-Reliance

The world today is talking about "Go Green!" What does it mean to "go green"? It takes a variety of forms, but essentially, going green means being aware or mindful of the natural environment and making economic choices that are not harmful to the earth. For example, this might mean purchasing a glass or ceramic water bottle instead of using disposable plastic water bottles. Plastic takes an incredibly long time to break down, and a significant percentage of

plastic makes it to the oceans, where it kills plant and animal life. Going green might also involve using an all-natural hair-care product, instead of a can of aerosol spray containing toxic chemicals.

When people "go green," they are practicing environmental awareness. The term means exactly what you expect it to: being aware of the natural environment and making choices that benefit--rather than hurt the earth. In recent years, environmental awareness has gained increased attention. It is fair to say it has become a bit of a trend: from environmentally friendly tiny homes to organic food, environmental awareness is a hot topic. However, it is nothing new and it ought to be more than just a passing fad because of its importance. Let's dig deeper and learn more about environmental awareness.

Humans have a moral obligation to protect the environment and promote the sustainable development of the planet for future generations. Environmental degradation is detrimental and is jeopardising the long-term health and security of animals, plants and humans. Now more than ever, it is important that we understand the impact of our actions on the environment. In order to become more environmentally aware, we also need to take measures to protect the planet and hopefully undo some of the damage already caused by human activity.

Objectives of Environmental Awareness

The objectives of environmental awareness formulated at the UNESCO's Tbilisi Conference (1977) were as follows:

- i. Acquiring an awareness of the whole environment and the many problems that have arisen with regard to human misuse of environment and developing a sensitivity in people in this context.

- ii. Groups and individuals must gain skills for identifying and solving environmental problems.:
- iii. To help people gain experiences and gains a basic understanding of the environment and related problems.
- iv. Help people acquire values and feelings of concern for the environment and encourage their participation in improvement and safeguarding of our environment.
- v. Ensure evaluation of environmental measures and programmes in terms of ecological, economic, social, aesthetic and educational factors.
- vi. Provide to all an opportunity to get involved at all levels in the task of resolving environmental problems.

Guiding Principles of Environmental Awareness

The guiding principles laid down by the UNESCO at Tbilisi in 1977 were as follows:

- i. The need is to consider the environment as a whole, that is, the natural, technological, social, economic, political, cultural, moral, historical and aesthetic environment.
- ii. The need is to have a continuous life process of environmental education—from pre-school level to formal and non-formal education levels.
- iii. An interdisciplinary approach to spread awareness of environmental problems and knowledge about environment is necessary.
- iv. Major environmental issues are to be examined from local, national, regional and international perspectives.

- v. The complex nature of environmental problems is to be recognised and critical thinking and problem-solving skills need to be developed in people.
- vi. The value of local, national and international cooperation in addressing environmental problems is to be highlighted.
- vii. The need is to use available knowledge about the environment and the many available approaches to teaching and learning.
- viii. Learners must be acquainted with the real causes of environmental problems and the way these get expressed and must be encouraged to participate in prevention and resolving environmental problems.
- ix. School-level education needs to link up aspects of sensitivity to environment, knowledge of environment and problem-solving.
- x. The need is to stress on current as well as potential environmental situations.
- xi. All plans for social, economic and other kinds of growth and development must pay attention to environmental aspects.

Here are some simple tips we, as individuals, can follow to help reduce environmental pollution:

- Turn off lights, computers, and electrical appliances when not in use
- Use energy-efficient light bulbs and appliances

- Participate in your local utility's energy conservation programs
- Limit driving by carpooling, using public transportation, biking, and walking
- Combine errands for fewer car trips
- Keep your automobile well-tuned and maintained, and avoid excess idling
- Seal containers of household cleaners, workshop chemicals and solvents, and garden chemicals
- Advocate for emission reductions from power plants and for more stringent national vehicle emission standards

MODULE 2

2.0 ETHICAL THEORIES

2.1 LEARNING OUTCOME

At the end of this module readers are expected to understand and explain the following:

- i. Meaning of ethics
- ii. Difference between ethics and moral
- iii. Ethical Principles
- iv. The ethical theory of Egoism,
- v. The ethical theory of Utilitarianism,
- vi. The ethical theory of Deontological ethics, and
- vii. virtue ethics.

2.2 INTRODUCTION

The study of ethics belongs primarily within the discipline of philosophy, in the subdiscipline of 'moral philosophy', and so our account begins there. Philosophical study concerns the systematic and rational consideration of human systems of belief. The process of asking and answering questions about belief systems is therefore fundamental to philosophical study – it is not sufficient merely to 'learn' the answers that have been proposed by other philosophers! The branch of philosophy called 'ethics' is concerned with questions concerning how human beings ought to live their lives, and about what is 'right' or 'wrong'. In this section we look at how philosophers attempt to answer such questions in a systematic and rational way. This

section also introduces the fields of environmental and development ethics, and consider how these two fields of study are interrelated.

We are today faced with throes of giant ethical leap that is essentially embracing of humankind (Donahue, 1996). Scientific and technological advances, economics realities, pluralistic worldview and global communication makes it difficult for accountants to ignore the importance of ethical issues in the world community in their everyday lives and discharge of their responsibilities at work. As controversial and sensitive the issue of ethics continues to challenge accountants and other professionals. Accountants and other professionals are beginning to appreciate the philosophy of ethics and the diverse viewpoints of ethics as they affect their professions.

Ethical directives are not always clearly evident and people sometimes disagree on what is right and wrong. These factors lead come people to believe that ethics can be based merely on personal opinions. However, if accountants are to enter into the global dialogue about ethics, they must do more than practice ethics based on their personal opinion, intuition or unexamined beliefs that are proposed by other people. It is important for accountants to have a basic understanding of the concepts, principles, approaches and the theories that have been used in studying ethics throughout history so that they can identify and analyze ethical issues and dilemmas that are relevant to accountants. Mature ethical sensitivities are critical to ethical practice and developing strong ethical culture that will sustain the accounting profession.

Ethical theories provide part of the decision-making foundation for decision making when ethics are in play because these theories represent the viewpoints from which individuals seek guidance as they make decisions. Each theory emphasizes different points, different decision-

making style or a decision rule, such as predicting the outcome and following one's duties to others in order to reach what the individual considers an ethically correct decision.

In order to understand ethical decision making, it is important for students to realize that not everyone makes decisions in the same way, using the same information, employing the same decision rules. In order to further understand ethical theory, there must be some understanding of a common set of goals that decision makers seek to achieve in order to be successful. Thus, the need for the study of ethics.

2.3 DEFINITION OF ETHICS

Ethics is a branch of philosophy that is used to study ideal human behaviour and ideal ways of being. The approaches to ethics and the meanings of related concepts have varied over time among philosophers and ethicists. For the Aristoteles, the ideal behaviour were practices that lead to the end goal of eudaimonia, which is synonymous with a high level of happiness or well-being.

On the other hand, Immanuel Kant who belong to the 18th century philosophers, believe that the ideal behaviour is acting in accordance with one's duty. For Kant well-being means having the freedom to exercise autonomy (self-determination) rather than being used as a means to an end, people should be treated with dignity and having the capacity to think rationally.

As a philosophical discipline of study, ethics is a systematic approach to understand, analyse and distinguish matters of right and wrong, good and bad, and admirable and deplorable as they relate to the self-being of and the relationships among sentient beings.

2.3.1 Ethics and morality

The terms 'ethics' and 'morality' are not always used consistently and precisely in everyday contexts, and their ordinary meanings do not always correspond with philosophers' use of the terms. Ethics is often used in connection with the activities of organisations and with professional codes of conduct: for instance, accounting, medical and business ethics, which are often formalised in terms of exhaustive sets of rules or guidelines stating how employees are expected to behave in their workplaces (such as in respect of a duty of care or confidentiality that auditors owe to their clients).

Morality, on the other hand, is more often used in connection with the ways in which individuals conduct their personal, private lives, often in relation to personal financial probity, lawful conduct and acceptable standards of interpersonal behaviour (including truthfulness, honesty, and sexual propriety). These 'everyday' uses of the terms 'ethics' and 'morality' are not so much incorrect by philosophical standards, as too limited. The philosopher's interest in the theoretical study of ethics is with the idea of conduct that is right, fair and just, does not cause harm, and that can be applied to a wide variety of cases. For our purposes, each of the terms 'ethics' and 'morality' captures the essence of that idea sufficiently well. In what follows, then, it is not really necessary to over-emphasise the distinction between ethics and morality; here, those terms may be used interchangeably to refer to ideas about how humans ought to act.

2.3.2 Areas of ethical study

There are five broad areas of ethical study:

Normative ethics: Is the study of ethical acts. It therefore focuses explicitly on questions of 'what is the right thing to do?' in general. Normative ethics is concerned with questions of what people ought to do, and on how people can decide what the 'correct' moral actions to take are. It is the largest branch, it deals with how individuals can figure out the correct moral action that they should take. Philosophers such as Socrates and John Stuart Mill are included in this branch of ethics.

Meta-ethics: It focuses on the meaning of ethical terms themselves (for instance, 'what is goodness?'), and on questions of how ethical knowledge is obtained (for instance, 'how can I distinguish what is good from what is bad?'), rather than on the more applied question of 'what should I do in a particular situation?'. Meta-ethics is therefore concerned with the nature of ethical properties, statements, attitudes and judgments. Meta-ethics examines such themes as what moral questions mean, and on what basis people can know what is 'true' or 'false'. This branch seeks to understand the nature of ethical properties and judgments such as if truth values can be found and the theory behind moral principals.

Applied ethics: Is concerned with how people can achieve moral outcomes in specific situations. Therefore, it is concerned with the philosophical examination of particular and often complex issues that involve moral judgments. Areas such as business/corporate, environmental ethics and development ethics may be regarded as areas of applied ethics. This is the study of applying theories from philosophers regarding ethics in everyday life. For example, this area of ethics asks questions such as "Is it right to have an abortion?" and "Should you turn in your friend at your workplace for taking home office supplies?"

Moral Ethics - This branch questions how individuals develop their morality, why certain aspects of morality differ between cultures and why certain aspects of morality are generally universal.

Descriptive Ethics - This branch is more scientific in its approach and focuses on how human beings actually operate in the real world, rather than attempt to theorize about how they should operate.

2.3.3 Ethical Principles

The following are the guiding principles of ethics:

Beneficence: The principle of beneficence guides the decision maker to do what is right and good. This priority to “do good” makes an ethical perspective and possible solution to an ethical dilemma acceptable. This principle is also related to the principle of utility, which states that we should attempt to generate the largest ratio of good over evil possible in the world. This principle stipulates that ethical theories should strive to achieve the greatest amount of good because people benefit from the most good. This principle is mainly associated with the utilitarian ethical theory discussed later in this set of notes.

Least Harm: Similar to beneficence, least harm deals with situations in which no choice appears beneficial. In such cases, decision makers seek to choose to do the least harm possible and to do harm to the fewest people. Students might argue that people have a greater responsibility to “do no harm” than to take steps to benefit others. For example, a student has a larger responsibility to simply walk past a teacher in the hallway rather than to make derogatory remarks about that teacher as he/she walks past even though the student had failed that teacher’s class.

Respect for Autonomy: This principle states that decision making should focus on allowing people to be autonomous, to be able to make decisions that apply to their lives. Thus, people should have control over their lives as much as possible because they are the only people who completely understand their chosen type of lifestyle. Ask students if they agree. Are there limits to autonomy? Each individual deserves respect because only he/she has had those exact life experiences and understands his emotions, motivations, and physical capabilities in such an intimate manner. In essence, this ethical principle is an extension of the ethical principle of beneficence because a person who is independent usually prefers to have control over his life experiences in order to obtain the lifestyle that he/she enjoys.

Justice: The justice ethical principle states that decision makers should focus on actions that are fair to those involved. This means that ethical decisions should be consistent with the ethical theory unless extenuating circumstances that can be justified exist in the case. This also means that cases with extenuating circumstances must contain a significant and vital difference from similar cases that justify the inconsistent decision. Ask students if they describe what extenuating circumstances might be.

2.3.4 Importance of Ethics

Ethical conduct is an integral part of every individual, business and the society at large as it important to the success of all. The importance of ethics are as follows:

1. **Satisfying Basic Human Needs:** Being fair, honest and ethical is one the basic human needs. Every employee desire to be such himself and to work for an organization that is fair and ethical in its practices.

2. **Creating Credibility:** An organization that is believed to be driven by moral values is respected in the society even by those who may have no information about the working and the businesses or an organization. For instance an organisation is perceived as an organization with good corporate governance and social responsibility initiatives. This perception will be held far and wide even by those who do not even know what business the organization is into.
3. **Uniting People and Leadership:** An organization driven by values is revered by its employees also. They are the common thread that brings the employees and the decision makers on a common platform. This goes a long way in aligning Behaviours within the organization towards achievement of one common goal or mission.
4. **Improving Decision Making:** A man's destiny is the sum total of all the decisions that he/she takes in course of his life. The same holds true for organizations. Decisions are driven by values. For example an organization that does not value competition will be fierce in its operations aiming to wipe out its competitors and establish a monopoly in the market.
5. **Long Term Gains:** Organizations guided by ethics and values are profitable in the long run, though in the short run they may seem to lose money. UAC, is about the largest business conglomerates in Nigeria. The group was built on solid corporate culture which over the years gained the confidence of the people and today is one of the leading conglomerates in Nigeria and Africa at large.
6. **Securing the Society:** Often ethics succeeds law in safeguarding the society. The law machinery is often found acting as a mute spectator, unable to save the society and the environment. Technology, for example is growing at such a fast pace that the by the

time law comes up with a regulation we have a newer technology with new threats replacing the older one. Lawyers and public interest litigations may not help a great deal but ethics can.

- 7. Lessen stress.** When we make immoral decisions, we tend to feel uncomfortable and concerned about our decision making. Making the right moral decision, or taking a principled perspective on an issue, reduces stress.

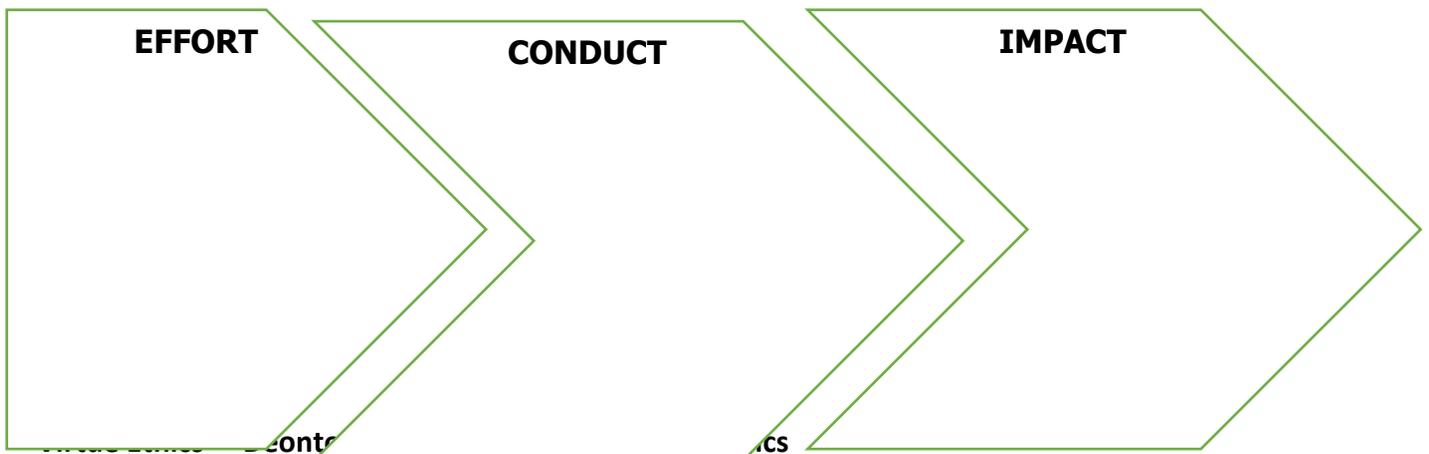


Figure 1: Theories of Ethics

2.4 EGOISM

2.4.1 What is Egoism?

According to ethical egoism, you should *only* act in your self-interest. Ethical Egoists do not believe you should pursue the interests of others as well as your own interests, rather they believe you should only pursue your interests. An egoist believes that “What makes an action good is that it is good for ME.” That is, the fact that an action is in my self-interest is precisely what makes it good.

There are generally two types of egoism that are discussed by moral philosophers: psychological egoism and ethical egoism.

2.4.2 Psychological egoism

Is the belief that human beings always act in what they perceive to be their own, individual, best interest. This means that as human beings we are unable to act in a way that we do not believe will ultimately benefit us in some way. Someone might argue that this does not account for the many instances when people do things to help others. However, the psychological egoist would argue that when a person does something to help someone else, he/she always believes it will also help herself in some way. Perhaps he/she believes the other person will return the favor, or others will think more highly of the person for her seemingly selfless actions. So, the psychological egoist believes there is no such thing as a truly altruistic act – a completely selfless act performed for the benefit of someone else. For the psychological egoist, altruism simply does not exist. But what about those actions performed on behalf of others that no one else ever knows about or when there is apparently no chance of the person benefitting ever being able to repay the person helping them? To this the psychological egoist responds that the person performing the altruistic action feels satisfaction or pleasure in the act of helping another person, and that this is their ultimate or deepest motivation, even if they are unaware of it. Thus, they are still being motivated by self-interest.

Psychological egoism is a controversial claim as it implies that human beings are not capable of genuine altruism. That is, they are not capable of doing something that solely to promote the happiness (to further interests) of another. Psychological egoism is controversial because there

appear to be a lot of cases where people actions are done not to promote our own happiness at all, but to promote the happiness of others.

- a) saving someone's life by risking your own
- b) donating money
- c) donating blood, organs, etc.
- d) volunteer activities

2.4.3 Ethical egoism

Is the belief that human beings should always act in what they perceive to be their own, individual, best interest. Notice the difference between the two. Psychological egoism says we cannot help but always act from self-interest, while ethical egoism says we should always do so. The first is descriptive – describing what is already the case, with no judgment, while the second is prescriptive – telling us how we ought to act. This is an important distinction. Ethical egoism is also usually understood as a hedonistic ethical view, because “the Good” or goal of ethical life is understood as pleasure or happiness. If psychological egoism is true, then ethical egoism would seem to be the logical choice, when it comes to ethical models, because in order to say we ought to do something, we must be able to do it. If we are not able to perform altruistic acts, then it makes no sense to say we must perform them – we can't. However, psychological egoism has its weaknesses, as you'll see in your assigned reading. So, ethical egoism needs a more solid footing, if it's to be convincing.

2.4.4 Ethical Altruism

One has an obligation to pursue the interests of others – one may even be required to sacrifice one's own interests for the welfare of others (normative claim). To most of us, it seems that we CAN act selflessly. All the time, we hear about people volunteering at hospitals, or donating money to charities, or sacrificing their own life to save the lives of others. Surely these acts are not selfish ones?

2.4.5 Why do people like ethical egoism? As you read, evaluate the strength of each argument for ethical egoism.

- i. The ethical egoist recognizes that the only thing you own is your life. There is nothing wrong with being selfish or self-interested because you are nurturing your only real possession. So, you shouldn't buy in to the myth that self-denial is a virtue. Those who tell you otherwise are probably trying to manipulate you to get what they want. For example, they might encourage you to be altruistic, but only so they can parasitically live off your work. In short, preserving your life and your interests is all you have and all you should pursue.
- ii. According to some versions of laissez faire economics, the world would be a better place if everyone pursued their own self interests. For example, let's say I self-interestedly create a convenience store to make money. The consequence of my action is that you benefit from my pursuit of self-interest since you now have a local convenience store. So, the world works better when we mind our own business while pursuing self-interest. Therefore, we should each pursue our own interests.
- iii. People are also drawn to ethical egoism because it is consistent with many moral beliefs. For example, it is consistent with helping others. According to ethical egoism, it

is right to help others because it is usually in your self-interest to help them. Even religious morality seems to be based on self-interest. For example, many religious people do good because they believe there is a God, a heaven, a hell, or a moral force like Karma that makes it in their long-term self-interest to do good. So, perhaps all of morality can be derived from self-interest. Maybe you are an ethical egoist and don't know it? Is your religion based on ethical egoism?

- iv. Some ethical egoists believe altruistic acts like giving to charity are degrading and condescending to the people who receive them. It is degrading to constantly "give people fish instead of teaching them to fish." That is, altruism conceals a sick desire to make others dependent. The remedy is to be transparent; each person should unashamedly seek his or her own self-interest. Ethical egoism is authentic, altruism is deceptive and degrading.
- v. Some egoists argue that since every living creature seeks self-preservation, every living creature ought to only seek their self-preservation and self-interests.
- vi. Finally, some ethical egoists are psychological egoists and believe "Science has made it obvious that everyone is always seeking their self-interests, so they should always seek them." That is, they attempt to derive an ought from an is.

2.4.6 Advantages and Disadvantages of Egoism

Advantages of Egoism

- i. **Ethical egoism encourages self-awareness:** If you can know yourself and what you need, then it is easier to stay productive in modern society. The benefits of having

this trait in one's life include a higher level of emotional intelligence, greater listening and empathy skills, along with improved critical thinking. This combination of factors allows for better decisions to be made, which leads to stronger communication and better relationships. Self-awareness enhances leadership capabilities so that your capacity for accomplishments becomes higher.

ii. There are more opportunities for personal improvement: If you focus on a path involving ethical egoism, then your self-interests become the top priority. Instead of striving to push others forward, you're working toward making yourself better in some way.

iii. Everyone would have an opportunity to provide for themselves: Ethical egoism is an approach that says what you think or feel are the best motivators to keep you productive. You are effectively the salesperson of your own life, earning what you believe is your full potential every day. It eliminates the idea of a safety net because the only person you can depend upon is yourself, but then society restructures itself so that every individual has opportunities to pursue their definition of success.

iv. Ethical egoism allows people to implement self-care routines: When you start putting yourself first, then the first word in your vocabulary becomes "no." That makes it a lot easier for you to begin working toward the goals you have in life because others are not directing your footsteps. When you eliminate the control of others, then it becomes easier to prioritize your to-do list each take. Knowing what tasks are the most essential to complete helps you to achieve a goal faster.

v. No one can manipulate you when practicing ethical egoism.

You become entirely immune to the idea of having someone take advantage of you

when society practices ethical egoism. The people who use others to advance their personal agendas will no longer have the option to make others do favours for them that push their journey forward. Everyone will be taking that approach, so you stay in control of your circumstances at all times.

vi. It eliminates the autopilot approach that people take in life: Many people go through life without a cognitive awareness of their choices or themselves. This approach to life puts you on autopilot because you are allowing the routine to take control instead of your desires. If you have ever zoned out during your commute to or from work, then you've experienced this effect. Ethical egoism pushes you toward a higher level of success. The people who find themselves stuck on autopilot tend to feel miserable and disengaged.

vii. Productivity would rise in society when ethical egoism is in control.

When Adam Smith wrote "The Wealth of Nations" in the 18th century, he suggested that when individuals pursue gratification of their insatiable desires single-mindedly, then they unintentionally benefit society as a whole. It is as if they are "led by an invisible hand," as he put it in his work. The idea is that people are usually the best judges of what is in their own best interest. Individuals have more motivation to work hard to benefit themselves than to achieve any other goal. That means productivity levels rise because everyone has a focus on what their daily needs will be.

2.4.7 Disadvantages of Egoism

- 1. It is an approach that would create a self-centered society:** One of the principal tenets of ethical egoism is that no one else looks after your personal needs except you. That means everyone, including people in families, is pursuing a reflection of their self-interest. Marriages would not be warm or compassionate places – they would become a means to an end. Relationships with children would become the same way.
- 2. There would be a loss of empathy in society with ethical egoism:** Implementing a society focused on ethical egoism would cause us to lose sight of our current culture of empathy. The benefits of understanding how others think or feel are numerous, and its absence is one of the hallmarks of psychopathy. We need this trait to establish friendships, have satisfaction in our intimate relationships, and see reductions of aggression in society. Increases in empathy reduce incidents of domestic violence.
- 3. It would lead to a breakdown in workplace relationships:** Ethical egoism suggests that employee relationships would become problematic in a society with this structure because the business would only serve its purpose as a means to an end. The relationships formed throughout a career are focusing on what others can do for you instead of being a mutually beneficial place where a rising tide lifts all boats. Everyone would forgo what others could accomplish because their benefits are always the top priority in this structure.
- 4. Ethical egoism eliminates the concept of objectivity from society:** If each person in society were to follow the theory of ethical egoism, then there would no longer be objectivity. No one would care about what anyone else thought with regards to their actions or pursuits. The only drive toward thoughts, feelings, and decisions would be self-interest.

- 5. It would only work if everyone was practicing this theory:** Ethical egoism is a theory that only works when everyone practices it. Since people will not associate with someone for long if your words or actions are a reflection of only caring for yourself, the need to be loved by others would eventually cause this approach to malfunction. If the first priority of everyone is to profit from someone else without regard to their status in life, then those effects will eventually fail. There is nothing wrong with the approach of wanting to live life on your own terms, but the idea is to treat others in the same way that you want to be treated.
- 6. There are no solutions offered when conflicts of interest arise:** Ethical egoism does not provide a solution when issues arise that involve a conflict of interest. Since most ethical issues involve this sort of problem, the approach at a societal level could cause productivity to grind to a halt. Imagine that a sewage treatment facility wants to dump raw waste into the local river. The people who live downstream from the facility would naturally object to that behaviour. This approach would cause both parties to actively pursue what they want.
- 7. Ethical egoism goes against the principle of impartiality:** The basic assumption made by most moral philosophers is that we should not discriminate against people for arbitrary reasons. That means a person's gender, sexual orientation, ethnicity, religion, or race should not become part of the discussion because our diversity is what makes us stronger. Ethical egoism suggests that we should not even try to be tolerant because it is more important to distinguish between ourselves and everyone else. Then we focus on offering preferential treatment internally or to our external factors. Immanuel Kant argued over 200 years ago that the fundamental principle of morality is that we should

not make exceptions of ourselves. That is what ethical egoism wants us to do. We should not perform actions if we can honestly wish that everyone would behave in the same way under similar circumstances.

- 8. It isn't always in a person's best interest to pursue their own self-interest:** Game theory uses the prisoner's dilemma as an example of why ethical egoism is problematic. If you are in a hypothetical situation where a crime was committed and the police ask you to confess, the terms of the deal say that you get 6 months and your friend gets 10 years in prison. If your friend confesses and you do not, then the opposite result occurs. When both people confess, then you get five years, but if no one confesses, then you both get two years.

Regardless of what your friend does, the best thing to do is to confess because you will get a lighter sentence. Ethical egoism says both should pursue rational self-interest, but then the outcome is not the best possible one. It is an idea that shows how sacrificing your own interests for the good of others sometimes denies the fundamental value of your own life.

2.4.8 Objections to Ethical Egoism:

There are several reasons to think that ethical egoism is false.

- I. **a. I do it because I have to, not because I want to. *is false.*** There are some actions that we do not because we want to do them but because we feel we ought to do them. For example, suppose I borrow your notebook for class and see your notes are much better than mine. I might not want to return your notebook (I want to keep it), but I return it anyway because I feel as though I ought to return it.

b. I want to do x, but x does not benefit me. P2 is false. Take a soldier who risks his life for his country. He might say “I want to risk my life for my country” but it is not clear how it benefits him in any way.

II. **Against the reduction of motives.** Assumes that just because we have a self-interested motive, all of our actions are determined by this (and only this) motive. But this is not true since we can have actions determined by multiple motives: a self-interested motive (one aimed to make us feel good) and a motive to do something benevolent (one aimed at making others feel good). For example, suppose we see a child drowning in a pond and we are debating whether or not to save the child. We have two motives:

Motive 1: I have a motive to save that child because if I didn't, I would not be able to sleep at night; also, if I do save the child, I might get some public praise.

Motive 2: I have a motive to save the child because I realize that his life is important and there are those that would be sad if he were dead.

III. **Genuine Altruism:** It appears that there are some actions that are completely benevolent and not motivated by an attempt to feel good. For example, people do not sacrifice their lives (or undergoes extreme pain) to save someone else's life because it will make them feel good; they do it to fulfill some cause or because they are committed to something or someone.

IV. It is not clear that individuals do an action because they want to feel good OR that feeling good accompanies every good action. When you do an action because you want to feel good, your action is motivated by the goal of feeling good. But, sometimes you do an action because you think it is the right thing to do, or because you are committed to a cause, or just to try it out, and later realize that doing that action comes with the

added benefit of feeling good. In this second case, we don't do the action because it makes us feel good (we would do it even if it made us feel bad), but feeling good happens to accompany the action we are doing.

2.4.9 Ethical Egoism and Ethical Altruism

Ayn Rand claimed that altruism is the act of some individual giving up or forfeiting the things that are really important to them (such as life projects, and goals, and other things that are good to have). But, this disrespects the individual that each person is. By requiring that individuals give up what is important to them for the sake of others, we are basically requiring that they give up everything that makes that person the distinct individual that they are. In short, altruism does not respect each person's right to be an individual who pursues their own interests. Egoism, by respecting each person's life as their own to do with as they please, is the only moral theory that truly respects the individual.

Lincoln & the Piglets: Egoism or Altruism?

On his way to an important function Abraham Lincoln stopped his coach in order to save a sow and her piglets from drowning, and in so doing, got a goodly amount of mud on his clothes. Lincoln was reputed to remark,

“Why that was the very essence of selfishness. I should have had no peace of mind all day had I gone on and left that suffering old sow worrying over those piglets. I did it to get peace of mind, don't you see?”

2.5 UTILITARIANISM

There are four questions one might ask an ethical theory to answer:

- i. Which acts are right and which are wrong? Which acts ought we to perform (understanding the "ought" as a moral "ought")?
- ii. What makes a particular action right or wrong? What is it about the action that determines its moral status?
- iii. How do we know what is right and wrong?
- iv. What, if anything, motivates us to do what is right?

Consequentialists hold that the rightness or wrongness, the permissibility or impermissibility, of an action depends wholly on its consequences. The most common sort of consequentialism is utilitarianism, so we will focus on that. Utilitarian's add to the general idea that rightness and wrongness depend on consequences: first, that what matters is utility, e.g., pleasure, well-being/welfare, and second that the act we ought to perform is the one that maximizes utility. utilitarian begin by asking what, if anything, is good in and of itself, something that is not merely instrumentally good as a means to some other good but is good per se. We answer this question by looking at the structure of human desire, what it is that (well-informed) people ultimately aim for in action. (Does this sound like Aristotle?) The idea is that once we understand what this good is, the right act is the one that promotes the maximum amount of it. Given that on this utilitarian account what is good is determined by what humans ultimately aim for, we'll have an answer to (b) that points in the direction of an answer to (d), i.e., what motivates humans to do what is right.

Utilitarianism combines consequentialism with the claim that the only valuable consequence is pleasure, and the only invaluable consequence is pain. utilitarianism, says we have an obligation to take the course of action that achieves the most positive outcome or consequence. According the theory of utility, the best consequence is happiness/pleasure, because it is considered the absolute good.

2.5.1 An Argument for Utilitarianism

“the sole evidence that it is possible to produces anything is desirable, that is people do actually desire it...No reason can be given why the general happiness is desirable, except that, so far as each person believes it to be attainable, desires his own happiness...that each person’s happiness is a good to that person, and the general happiness, therefore, is a good to the aggregate of all persons.”

- (1) People desire happiness.
- (2) If people desire something other than happiness, it is because they believe it leads to happiness.
- (3) Therefore, happiness is the only thing that is desired for its own sake. (from 1 and 2)
- (4) Something is desirable if it is desired for its own sake.
- (5) Happiness is the only desirable thing. (from 3 and 4)
- (6) Something is good if it is desirable.
- (7) Happiness is the only good. (from 5 and 6).

2.5.2 Utilitarianism and Accounting Profession

Utilitarianism leans towards companies that provide goods and services while doing the least harm, and condemns companies that cause more harm than benefit to others. Utilitarianism is the basis of economic utility theory and cost-benefit analysis. As a result, it is very tempting for accountants to adopt this theoretical approach as a basis for all ethical decision-making. There are two primary types of utilitarianism: rule and act. Rule utilitarianism suggests that the decision-maker should find the most appropriate rule to use for a particular situation. The rightness or wrongness of the decision is determined by the consequences of following the chosen rule. Given the rule-driven approach that is popular in accounting practice today, it is not surprising that rule utilitarianism is popular among accountants. On the other hand, act utilitarianism deals with the rightness and wrongness of the specific act. In this case, the rightness or wrongness of the decision is based simply on the outcome of the specific act. That is, there is no general rule to follow; only a calculation that shows the greatest “utility” for the act being considered.

2.6 KANT AND DEONTOLOGY

2.6.1 DEONTOLOGY

The word deontology originated from a Greek word deon, which means duty. Which is why it is called **Duty-based**. The deontology theory suggests that we are morally obligated to act in accordance with a certain set of principles and rules regardless of outcome. Duty-based or deontological ethics solves a number of problems associated with consequentialist ethical theories such as utilitarianism. According to deontology, all persons have certain obligations. These obligations are non-negotiable: they cannot be bought off or disposed of.

Rights, obligations and justice are concepts that consequentialism has no answer to. In a duty-based ethic, however, this is the focal point. According to this theory, an action is morally good if it honors a given obligation (which does not depend on the consequence of the action). Such a theory entitles certain people or groups to rights or a claim to justice. Deontological theories stipulate duties that must be observed irrespective of their consequences: legitimate rights must be respected and unjust action is prohibited.

Deontological ethics theories are non-consequentialist. This means that they place the emphasis on the decision or action itself on the motivations, principles, or ideals underlying the decision or action, rather than being concerned with the outcomes or consequences of that decision or action. This reasoning is founded on the desirability of principle (usually duties or rights) to act in a given situation. The two main non-consequentialist theories are ethics of duties and ethics of rights and justice. Both of these are rooted in assumptions about universal rights and wrongs and responsibilities. This means that people who promote these types of ethical principles usually believe that they should be applied to everyone, everywhere in the world. If a child in one country has a right to an education, then this means that all children, everyone in the world, should have a right to an education. Examples of these types of principles can be found in the Universal Declaration of Human Rights

Deontological ethics are concerned with what people do, not with the consequences of their actions. Under this form of ethics, you cannot justify an action by showing that it produced good consequences, which is why it's sometimes called 'non-Consequentialist'.

In religious deontology, the principles are driven by divine commandments. Such that under religious laws, we are morally obligated not to steal, lie, or cheat. Thus, deontological theories and duties have existed for many centuries

2.6.2 Act-deontology and rule-deontology

Act-Deontology: The act-deontologist holds that every situation is so unique that it is undesirable or even impossible to formulate general rules of action. One must determine in each individual situation which action is morally obligated and how it should be judged. The agents in such situations normally proceed on the basis of their intuition or “listen to their conscience.” Actdeontology is generally seen as a weak basis for normative judgments. For example, how is it possible for a board of management to reach consent on the basis of intuition in deciding whether or not to sink an oil platform in the ocean? That’s why deontologists generally advocate a form of ruledeontology.

Rule-Deontology: The rule-deontological variant holds that we should not evaluate actions individually but rather that we should judge types of actions on the basis of general principles or rules. The advantage of the rule-deontological approach is that it is much more practical for the purposes of decision-making. It is virtually impossible to contemplate every single aspect of each and every decision. Reliance on a number of rules of conduct makes it possible to implement the deontological approach in practice. Moreover, the use of rules in society helps us to better understand what we mean to one another. The moral judgments on the basis of act-deontology are too fickle.

2.6.3 Difference Between Deontology and Utilitarianism

Deontological theories differ from utilitarian theories in several key ways. The most notable difference is utilitarianism aims at a goal of greatest happiness (or the best consequence) and justifies any act that achieves that goal. Deontological theories hold that some acts are always wrong, even if the act leads to an admirable outcome. Actions in deontology are always judged independently of their outcome. An act can be morally bad but may unintentionally lead to a favorable outcome.

2.6 KANT THEORY

Immanuel Kant, the theory's celebrated proponent, formulated the most influential form of a secular deontological moral theory in 1788. Unlike religious deontological theories, the rules (or maxims) in Kant's deontological theory derive from human reason. Morals must come not from authority or tradition, not from religious commands, but from reason. He holds that rather than relying on religion to tell us what our duties are, Kant believed that we can rely on our powers of reason to do so.

2.7.1 Principles of Kant's Theory

Moral agent: *An agent is a person who performs an action;* a moral agent is a person with the capacity to act morally.

Maxim: *rule or principle.* A maxim is a principle of action that one gives oneself, stating what one is going to do, and why one is going to do it.

Will: *the faculty of deciding, choosing, or acting.* This is the ability of one to decide on what is right and wrong in making a choice and acting on the choice made.

Kant is responsible for the most prominent and well-known form of deontological ethics. Kant's moral theory is based on his view of the human being as having the unique capacity for rationality. No other animal possesses such a propensity for reasoned thought and action, and it is exactly this ability that requires human beings to act in accordance with and for the sake of moral law or duty. Kant believes human inclinations, emotions and consequences should play no role in moral action; therefore, the motivation behind an action must be based on obligation and well thought out before the action takes place. Morality should, in theory, provide people with a framework of rational rules that guide and prevent certain actions and are independent of personal intentions and desires.

According to Kant, the moral worth of an action is determined by the human will, which is the only thing in the world that can be considered good without qualification. Good will is exercised by acting according to moral duty/law. Moral law consists of a set of maxims, which are categorical in nature – we are bound by duty to act in accordance with categorical imperatives.

2.7.2 Kant Concept of Duty

Duty is an obligation that one person owes another, a group of people or the society. It is a responsibility to act in certain way(s) or to deliver goods or services to others based on expressed or implied agreement entered into by the parties. Most people believe that all human beings have some duties to other human beings. Duties can be positive, such as the duty to look after one's children, or negative, such as the duty not to murder another human

being. When people use the language of duties, they usually do so in a way that implies that the duty is universal to all human beings (or at least to all adult humans of sound mind).

2.7.3 Perfect Duties and Imperfect Duties

Most deontologists say there are two different kinds of ethical duties, **perfect duties** and **imperfect duties**. A perfect duty is inflexible. “Do not kill innocent people” is an example of a perfect duty. You can’t obey it a little bit – either you kill innocent people or you don’t. There’s no middle-ground.

Imperfect duties do allow for some middle ground. “Learn about the world around you” is an imperfect duty because we can all spend different amounts of time on education and each be fulfilling our obligation. How much we commit to imperfect duties is up to us.

2.7.4 Categorical Imperatives

There are three formulations of Kant’s categorical imperative.

The First Formulation of the Imperative

“Act only according to that maxim whereby you can at the same time will that it should become a **universal law** without contradiction.” – Immanuel Kant, *Groundwork of Metaphysics of Morals*

Kant states that a true moral proposition must not be tied to any particular conditions, including the identity of the person making the decision. A moral maxim must be disconnected from the particular physical details surrounding its proposition and should be applicable to any

rational being. According to Kant, we first have a perfect duty not to act by maxims that result in logical contradictions.

Second, we have imperfect duties, which are still based on pure reason but allow for interpretation regarding how they are performed. Because these duties depend loosely on the subjective preferences of mankind, they are not as strong as perfect duties but are still morally binding. Unlike perfect duties, people do not attract blame if they do not complete an imperfect duty, but they receive praise if they complete it, for they have gone beyond basic duty and taken responsibility upon themselves. Imperfect duties are circumstantial, meaning that one can not reasonably exist in a constant state of performing that duty. What differentiates perfect and imperfect duties is that imperfect duties are never truly completed.

The first formulation of the categorical imperative appears similar to the Golden Rule: “Do not impose on others what you do not wish for yourself.” Kant’s first categorical imperative sounds like a paraphrase of the Golden Rule. However, the Golden Rule is neither purely formal nor universally binding. It is empirical in the sense that applying it requires context; for example, if you don’t want others to hit you, then don’t hit them. Also, it is a hypothetical imperative in the sense that it can be formulated, and its “if-then” relationship is open for dispute.

The Second Formulation of the Imperative

“Act in such a way that you treat humanity, whether in your own person or in the person of any other, never merely as a means to an end but always at the same time **as an end.**” – Immanuel Kant, *Groundwork of Metaphysic of Morals*

This imperative states that every rational action must be considered not only a principle, but also an end. Most ends are subjective in nature because they need only be pursued if they are in line with a hypothetical imperative. (A hypothetical imperative is a demand of reason that is conditional. It tells us how to act to achieve a specific goal *e.g.* I must drink when I need to slake my thirst.)

The free will is the source of all rational action.

For an end to be objective, it would need to be pursued categorically. The free will is the source of all rational action. Because the autonomous will is the one and only source of moral action, it contradicts the first formulation of the categorical imperative to claim that a person is merely a means to some other end instead of an end in him or herself.

Based on this, Kant derives the second formulation from the first. A person has a perfect duty not to use themselves or others merely as a means to some other end. For example, someone who owns slaves would be asserting a moral right to own a slave by asserting their rights over another person. However, this reasoning violates the categorical imperative because it denies the basis for free rational action and disregards the person as an end in themselves. In Kantian ethics, one cannot treat another person as a means to an end. Under the second formulation of the categorical imperative, a person must maintain her moral duty to seek an end that is equal for all people.

The Third Formulation of the Imperative

“Therefore, every rational being must so act as if he were through his maxim always a legislating member in the universal kingdom of ends.” – Immanuel Kant, *Groundwork of Metaphysic of Morals*.

“Act on the maxims of a member who makes universal laws for a merely possible kingdom of ends” (Kant, 1964, p. 106 (439)). According to Bowie (1999, p. 87), “Loosely put, this formulation of the categorical imperative says that you should act as if you were a member of an ideal kingdom of ends in which you were both subject and sovereign at the same time.” This formulation effectively describes a Kantian-based moral community where all stakeholders have equal rights and duties and further, they must follow the same universal laws. Based on this formulation, business should be expected to act in a moral manner where they treat their employees, customers, vendors, and all other stakeholders with respect and where all decisions are based on a set of universal principles in which all stakeholders have had input into their creation and to which all stakeholders have agreed to be held responsible to follow. From an accounting perspective, following this formulation would put the accounting profession’s focus back onto the interest of the public instead of limited interest of the client firm and its shareholders.

A truly autonomous will is not subjugated to any interest; it is subject to those laws it makes for itself, but the will must also regard those laws as if others are bound by the laws. If the laws are not universal, they are not laws of conduct at all. Kant suggests that people treat themselves and others always as ends and never merely as means. People ought to act only by maxims that harmonize with a possible kingdom of ends. We have a perfect duty not to act by maxims that create incoherent or impossible states of natural affairs when we attempt to universalize them,

and we have an imperfect duty not to act by maxims that lead to unstable or greatly undesirable states of affairs for all parties involved.

Using reasoned judgment we can apply this formula to any maxim and discover whether it is morally permissible under deontological ethics. Let's take, for example, the act of picking flowers from the local park. The flowers are very pretty, and one may want to take some home. Essentially, this requires adopting a maxim that supports doing whatever one wants to do. Using the formula of the universal law (categorical imperative), there are a few irrationalities and contradictions that arise from the adoption of such a maxim as law. If everyone were to do this, there would be no flowers left in the park, and the act contradicts the original motive for picking the flowers. The better option is to go to a shop and order or plant one's own flowers.

There are a few acts that are always forbidden, such as lying, which negatively affects trust between people and the meaning of truth. This rule remains the case even when lying has advantageous or even morally admirable consequences. Imagine a psychotic criminal wants to kill your colleague, who fired the psychotic. If you lie about the whereabouts of your colleague, then an innocent life will be saved. It seems moral duty forbids you from lying. However, a higher moral duty trumps the duty not to lie. That is, the obligation not to kill or help others in killing, is a higher moral duty that we should follow.

Example

if I steal a book from a friend, I am treating him as a means only (to obtain a book). If I ask to have his book, I am respecting his right to say no and am thereby treating him as an end in himself, not as a means to an end. If I only ask for the book in order to appear nice and hope

that my friend is likely to do more things for me in the future, then I am still treating him as a means only.

2.7.5 Challenges Of Kant Theory

1. The theory applies only to rational agents. It would not apply to non-humans or to humans who are not rational, e.g., humans with brain malfunctioning, illness or persistent vegetative coma.
2. The theory cannot resolve conflicts between duties:
 - a. between two perfect duties
 - b. between a perfect duty and an imperfect duty
3. A clever person could phrase the maxim to be universal in such a manner as to permit almost anything. By placing qualifiers on the maxim or peculiar definitions of terms.

2.7 VIRTUE ETHICS

Virtue ethics is an ethical view originating in ancient Greece which says that ethics is fundamentally about learning to live well. Virtues are good habits of character that are conducive to human flourishing, individually and communally, and out of those good habits we tend to do morally right actions, and thereby become better, more virtuous people overall.

Virtue is act of doing what is morally right because we understand the moral principle, the reason behind the moral principle and practice of the moral principle such that it becomes our character.

In practical terms, however, there's agreement that the world is too diverse and changing to be controlled by lists of recommendations and prohibitions. So, proponents of virtue suggest that we change the focus of our moral investigations. Instead of trying to form specific rules for everyone to follow; do not bribe, do not exploit the deceased on TV. They propose that we build virtuous character. The idea is that people who are good will do the good and right thing, regardless of the circumstances: whether they're at home or abroad, whether they're trying to win new clients or making a decision about what kind of images are appropriate for public TV.

2.7.1 PROFESSIONAL VIRTUE

Professional virtue is a trait which allows one to fulfill one's function effectively and efficiently. What is required to be an excellent teacher is different from what is required to be an excellent soldier, because teachers and soldiers have different functions

- a. Virtues are trained habits (like the arts)
- b. Virtues give us reasons to act in a certain way
- c. Doing a virtuous action is not the same thing as having a virtue (and the latter is better)
- d. Having a virtue affects not just one's actions, but one's thinking, desires, emotions
- e. Virtues are the mean between two extremes (deficiency and excess)
- f. Virtues can be closer to one extreme than the other

- g. To hit the mean, you should aim towards the extreme which is less natural for you
- h. There is no value in knowing about virtue, only in having the virtue
- i. Virtues allow us to perform our function well (our function being the activity of the soul in accordance with reason)
- j. Living virtuously increases one's understanding of virtue (not everything about virtue can be known by the non-virtuous).

2.8.6 ACCOUNTING AS A PROFESSION: CHARACTERISTICS OF A PROFESSIONAL

Virtue ethics is an approach that addresses ethical issues in terms of the character of the agent carrying out the action. Virtue ethical concerns might be raised if we think about the character of the accountant/auditors or the motive they have for carrying out their duties. For example, the concern about the motivation of the company hiring an accountant or engaging an auditor may be terms of the contract. But the other concerns could be captured in virtue terms by thinking about how a virtuous agent (accountant/auditor) would act.

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. Therefore, a professional accountant's responsibility is not exclusively to satisfy the needs of an individual client or employer. In acting in the public interest, a professional accountant should observe and comply with the ethical requirements of this Code.

The following are the characteristics of a professional accountant

Creativity: Often overlooked, creativity is one of the valued personal qualities of an accountant.

These days, accountants need to be creative when crunching numbers. They must be capable of developing fresh ideas and strategies to solve complex and unique issues.

Knowledge of the Field: Accountants are necessary in a diverse array of fields and industries. While the basic tasks remain the same, additional requirements and functions might be expected of the accountant in specific fields. As such, the accountant must have a thorough grasp of the industry and niche of the client's business. Understanding the requirements, goals and the way the business is being run is vital to determining the right way to proceed with the accounting.

Constantly Learning: While accountants need to have a strong grasp of the basics, they must also display interest in keeping up-to-date. With the introduction of new principles, laws and taxes, the field of accounting is ever changing. Accountants must ensure that they have a thorough understanding of the latest news and developments in their fields. Nowadays, technology is playing a greater role in the industry and accountants must be cognizant of these emerging trends. An accountant who does not keep learning will not remain an asset to an organization in the long run.

Organizational Skills: Accountants need to deal with a lot of paperwork, numbers and data on a daily basis. To remain on top of all these details and access the right information in an efficient manner, they must exhibit excellent organization skills.

Trustworthiness and Reliability: One of the most important qualities of a good accountant, trustworthiness, is a valued asset in this field. Accountants deal with the financial health and condition of an organization, a confidential topic. The accountant must have the integrity and reliability to ensure confidential data remains secure.

Sense of Accountability: A good quality of an accountant is to accept the result and any fallout of their work. Accountants must own up to their mistakes and ensure that they are not repeated.

Mistakes can happen to even the most diligent person. Accountants should, however, be taking steps to prevent inaccuracies.

Ability to Work in a Team: Accounting and bookkeeping requires a team effort. An accountant must be able to work with a team in delivering the work required. They must be comfortable meeting with clients directly and coordinating tasks with the rest of the team including senior stakeholders. Accountants must know how to work together to reach the organization's goals.

A Strong Sense of Ethics: Ethics and integrity are valued characteristics in an accountant. They must know right from wrong and always display integrity in his or her accounting and bookkeeping activities.

Emotional intelligence: The ability to identify your own emotions and those of others, harness and apply them to tasks, and regulate and manage them.

Financial Skills: Good math skills are a must for accountants, as is a comprehensive understanding of business and personal financial management practices, accounting procedures and functions. Being able to solve multi-faceted financial problems is essential, as is an understanding of financial software. Accountants who work in specialized fields or focus in certain types of personal accounting may require specialized knowledge of the industries and individuals they serve.

Ability to Communicate: Not everyone is well-versed in financial jargon, so good communication skills are vital to the profession. Accountants must often distill complex data for laymen, so being able to accurately deliver details in a way that makes sense for average people is important. This means exceptional verbal as well as written communication skills,

and an ability to translate spreadsheets and financial projections into information others will find understandable.

MODULE 3

3.0 PROFESSIONAL BEHAVIOUR IN ACCOUNTING

3.1 LEARNING OUTCOME

At the successful completion of this module readers should understand and be able to explain the following:

- Ethical Behaviour in Accounting
- Ethical Actions
- Social Practices, Institutions, and Systems
- Why Study Ethics
- How to Determine What to do
- Questions to Ask to Justify and Action
- Ethical Dilemmas and Some Classic Moral Dilemmas

3.2 INTRODUCTION

The American Institute of Certified Public Accountants (AICPA) is a professional organization responsible for developing professional accounting ethical values. The AICPA requires professional accountants to act responsibly when engaging in accounting services and reviewing sensitive financial information. Accountants should always exercise sound moral judgment in all accounting activities

Some professional organizations may define their ethical approach in terms of a number of discrete components. Typically, these include Honesty, Trustworthiness, Transparency, Accountability, Confidentiality, Objectivity, Respect, and Obedience to the law, and Loyalty.

Ethical Behaviour. Acting in ways consistent with what society and individuals typically think are good values. Ethical Behaviour tends to be good for business and involves demonstrating respect for key moral principles that include honesty, fairness, equality, dignity, diversity and individual rights.

3.2.1 Integrity

Integrity is an important fundamental element of the accounting profession. Integrity requires accountants to be honest, candid and forthright with a client's financial information. Accountants should restrict themselves from personal gain or advantage using confidential information. While errors or differences in opinion regarding the applicability of accounting laws do exist, professional accountants should avoid the intentional opportunity to deceive and manipulate financial information.

Public accounting firms or private companies often develop a code of ethics or conduct for accountants. These ethics and conduct rules ensure all accountants act in a consistent manner. In the absence of specific rules or standards, accountants should review their actions to ensure they are following commonly accepted principles.

3.2.2 Objectivity and Independence

Objectivity and independence are important ethical values in the accounting profession. Accountants must remain free from conflicts of interest and other questionable business relationships when conducting accounting services. Failure to remain objective and independent may hamper an accountant's ability to provide an honest opinion about a

company's financial information. Objectivity and independence are also important ethical values for auditors.

The accounting industry usually limits the number of services public accounting firms or individual certified public accountants (CPA) can offer clients. Accounting services include general accounting, auditing, tax and management advisory services. Accountants who perform more than one of these services for a client may compromise their objectivity and independence.

For example, individuals who handle general accounting functions and then audit this information are essentially reviewing their own work. This situation may allow an accountant to hide a company's negative financial information.

3.2.3 Due Care and Competence

Due care is the ethical value requiring accountants to observe all technical or ethical accounting standards. Professional accountants are often required to review generally accepted accounting principles (GAAP) and apply this framework to a company's specific financial information. Due care requires accountants to exercise competence, diligence and a proper understanding of financial information.

Competence is usually based on individual's education and experience. Thus, due care may require senior accountants to supervise and direct other accountants with less experience in the accounting profession.

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reviewing sensitive financial information. Accountants should always exercise sound moral judgment in all accounting activities.

3.3 ETHICAL PRINCIPLES/ ISSUES

fundamental ethical principles (a very simple introduction)

- Justice.
- Autonomy.
- Beneficence.
- Nonmaleficence.

3.3.1 The Principle of Justice

We have an obligation to provide others with whatever they are owed or deserve. In public life, we have an obligation to treat all people equally, fairly, and impartially. Corollary principle: Impose no unfair burdens. Combining beneficence and justice: We are obligated to work for the benefit of those who are unfairly treated.

3.3.2 The Principle of Respect For Autonomy

Autonomy is Latin for "self-rule" We have an obligation to respect the autonomy of other persons, which is to respect the decisions made by other people concerning their own lives. This is also called the principle of human dignity. It gives us a negative duty not to interfere with the decisions of competent adults, and a positive duty to empower others for whom we're responsible.

Corollary principles: honesty in our dealings with others & obligation to keep promises.

3.3.3 The Principle of Beneficence

We have an obligation to bring about good in all our actions. Corollary principle? We must take positive steps to prevent harm. However, adopting this

corollary principle frequently places us in direct conflict with respecting the autonomy of other persons.

3.3.4 The Principle of Nonmaleficence

(It is not "non-maleficence," which is a technical legal term, & it is not "nonmalevolence," which means that one did not intend to harm.) We have an obligation not to harm others: "First, do no harm."

Corollary principle: Where harm cannot be avoided, we are obligated to minimize the harm we do. Corollary principle: Don't increase the risk of harm to others.

Corollary principle: It is wrong to waste resources that could be used for good. Combining beneficence and nonmaleficence: Each action must produce more good than harm.

3.4 ETHICAL ACTION

Ethical Action is an expression of our core commitments to honor the worth of all people, cultivate relationships, and build justice. We work together to bring out the best in others and ourselves, enhancing everyone's unique capacity and responsibility to contribute to a more humane world

Social practice is a theory within psychology that seeks to determine the link between practice and context within social situations. Emphasized as a commitment to change, social practice occurs in two forms: activity and inquiry. Most often applied within the context of human development, social practice involves knowledge production and the theorization and analysis of both institutional and intervention practices.

3.4.1 Social Practice as Activity

Social practice involves engagement with communities of interest by creating a practitioner-community relationship wherein there remains a focus on the skills, knowledge, and understanding of people in their private, family, community, and working lives. In this approach to social practice, activity is used for social change without the agenda of research. Activity theory suggests the use of a system of participants that work toward an object or goal that brings about some form of change or transformation in the community.

3.4.2 Social Practice as Inquiry

Within research, social practice aims to integrate the individual with his or her surrounding environment while assessing how context and culture relate to common actions and practices of the individual. Just as social practice is an activity itself; inquiry focuses on how social activity occurs and identifies its main causes and outcomes. It has been argued that research be developed as a specific theory of social practice through which research purposes are defined not by philosophical paradigms but by researchers' commitments to specific forms of social action.

3.4.3 Areas of Interest

Education

In education, social practice refers to the use of adult-child interaction for observation in order to propose intentions and gauge the reactions of others. Under social practice, literacy is seen as a key dimension of community regeneration and a part of the wider lifelong learning agenda. In particular, literacy is considered to be an area of instruction for the introduction of social practice through social language and social identity. According to social practice in education, literacy and numeracy are complex capabilities rather than a simple set of basic skills. Furthermore, adult learners are more likely to develop and retain knowledge, skills, and

understanding if they see them as relevant to their own problems and challenges. Social practice perspectives focus on local literacies and how literacy practices are affected by settings and groups interacting around print.

Literature

As literature is repeatedly studied in education and critiqued in discourse, many believe that it should be a field of social practice as it evokes emotion and discussion of social interactions and social conditions. Those that believe literature may be construed as a form of social practice believe that literature and society are essentially related to each other. As such, they attempt to define specific sociological practices of literature and share expressions of literature as works comprising text, institution, and individual. Overall, literature becomes a realm of social exchange through fiction, poetry, politics, and history.

Art and Social Practice

Social practice is also considered a medium for making art. Social practice art came about in response to increasing pressure within art education to work collaboratively through social and participatory formats from artists' desires and art viewers' increasing media sophistication. "Social practice art" is a term for artwork that uses social engagement as a primary medium, and is also referred to by a range of different names: socially engaged art, community art, new-genre public art, participatory art, interventionist art, and collaborative art.

Artists working in the medium of social practice develop projects by inviting collaboration with individuals, communities, institutions, or a combination of these, creating participatory art that exists both within and outside of the traditional gallery and museum system. Artists working in social practice art co-create their work with a specific audience or propose critical interventions

within existing social systems that inspire debate or catalyze social exchange. Social practice art work focuses on the interaction between the audience, social systems, and the artist through topics such as aesthetics, ethics, collaboration, persona, media strategies, and social activism.¹The social interaction component inspires, drives, or, in some instances, completes the project. Although projects may incorporate traditional studio media, they are realized in a variety of visual or social forms (depending on variable contexts and participant demographics) such as performance, social activism, or mobilizing communities towards a common goal.

Social Institutions

Social institution is an established and organized system of social Behaviour with a recognized purpose. Social institutions can be examined from both a macro and a micro level of analysis. From the macro perspective, we examine the functions of the organization/system for the society.

3.5 MAJOR SOCIAL INSTITUTIONS

Industrial societies have nine major institutions:

1. Family
2. Education
3. Work and the economy
4. Political institution (or state)
5. Religion
6. Health care
7. Mass media
8. Organized sports
9. military

Functions of Social Institutions Around 1949–1951, Levy and Parsons, (functionalists), identified the following functions of all social institutions:

1. Socialization of new members
2. Production and distribution of goods and services
3. Replacement of society's members
4. Maintenance of stability and existence
5. Providing members a sense of purpose

6 Conflict:

Social Institutions Conflict theorists see disharmony and the subordination of groups of individuals as inherent within social institutions. Within the health care system, doctors are always superior to nurses and other service providers. Doctors give orders and are paid more; nurses take orders and are paid less. There is havoc within this system as insurance companies are dictating how much to pay and for what.

Social system.

Social system refers to' an orderly arrangement, an inter relationships of parts. In the arrangement, every part has a fixed place and definite role to play. The parts are bound by interaction. System signifies, thus, patterned relationship among constituent parts of a structure which is based on functional relations and which makes these parts active and binds them into reality.

Society is a system of usages, authority and mutuality based on "We" feeling and likeness. Differences within the society are not excluded. These are, however, subordinated to likeness. Inter-dependence and cooperation are its basis. It is bound by reciprocal awareness. It is essentially a pattern for imparting the social behaviour.

It consists in mutual interaction and interrelation of individuals and of the structure formed by their relations. It is not time bound. It is different from an aggregate of people and community. According to Lapiere, "The term society refers not to group of people, but to the complex pattern of the norms of interaction that arises among and between them."

Applying these conclusions to society, social system may be described as an arrangement of social interactions based on shared norms and values. Individuals constitute it, and each has place and function to perform within it. In the process, one influences the other; groups are formed and they gain influence, numerous subgroups come into existence. But all of these are coherent. They function as a whole. Neither individual, nor the group can function in isolation. They are bound in oneness, by norms and values, culture and shared behaviour. The pattern that thus comes into existence becomes the social system.

A social system may be defined, after Parsons, a plurality of social actors who are engaged in more or less stable interaction "according to shared cultural norms and meanings" Individuals constitute the basic interaction units. But the interacting units may be groups or organisation of individuals within the system. The social system, according to Charles P. Loomis, is composed of the patterned interaction of social actors whose relation to each other are mutually oriented through the definition of the mediation of pattern of structured and shared symbols and expectations.

All social organisations are, therefore, 'social system', since they consist of interacting individuals. In the social system each of the interacting individual has function or role to

perform in terms of the status he occupies in the system. For example, in the family parents, sons and daughters are required to perform certain socially recognised functions or roles.

3.5.1 Elements of Social System:

1. Faiths and Knowledge:

The faiths and knowledge brings about the uniformity in the behaviour. They act as controlling agency of different types of human societies. The faiths or the faith is the result of the prevalent customs and beliefs. They enjoy the force of the individual are guided towards a particular direction.

2. Sentiment:

Man does not live by reason alone. Sentiments – filial, social, notional etc. have played immense role in investing society with continuity. It is directly linked with the culture of the people.

3. End Goal or object:

Man is born social and dependent. He has to meet his requirements and fulfill his obligations. Man and society exist between needs and satisfactions, end and goal. These determine the nature of social system. They provided the pathway of progress, and the receding horizons.

Similarly, social organisations function within the frame work of a normative pattern. Thus, a social system presupposes a social structure consisting of different parts which are interrelated in such a way as to perform its functions.

Social system is a comprehensive arrangement. It takes its orbit all the diverse subsystems such as the economic, political, religious and others and their interrelation too. Social systems are bound by environment such as geography. And this differentiates one system from another.

4. Ideals and Norms:

The society lays down certain norms and ideals for keeping the social system intact and for determining the various functions of different units. These norms prescribe the rules and regulations on the basis of which individuals or persons may acquire their cultural goals and aims.

In other words, ideals and norms are responsible for an ideal structure or system of the society. Due to them the human behaviour does not become deviant and they act according to the norms of the society. This leads to organization and stability. These norms and ideals include folkways, customs, traditions, fashions, morality, religion, etc.

5. Status-Role:

Every individual in society is functional. He goes by status-role relation. It may come to the individual by virtue of his birth, sex, caste, or age. One may achieve it on the basis of service rendered.

6. Role:

Like the status, society has prescribed different roles to different individuals. Sometimes we find that there is a role attached to every status. Role is the external expression of the status. While discharging certain jobs or doing certain things, every individual keeps in his mind his status. This thing leads to social integration, organization and unity in the social system. In fact, statuses and roles go together. It is not possible to separate them completely from one another.

7. Power:

Conflict is a part of social system, and order is its aim. It is implicit, therefore, that some should be invested with the power to punish the guilty and reward those who set an example. The authority exercising power will differ from group to group; while the authority of father may be supreme in the family, in the state it is that of the ruler.

8. Sanction:

It implies confirmation by the superior in authority, of the acts done by the subordinate or the imposition of penalty for the infringement of the command. The acts done or not done according to norms may bring reward and punishment.

3.5.2 Characteristics of Social System

Social system has certain characteristics. These characteristics are as follows:

1. System is connected with the plurality of Individual actors:

It means that a system or social system cannot be borne as a result of the activity of one individual. It is the result of the activities of various individuals. For system, or social system, interaction of several individuals has to be there.

2. Aim and Object:

Human interactions or activities of the individual actors should not be aimless or without object. These activities have to be according to certain aims and objects. The expression of different social relations borne as a result of human interaction.

3. Order and Pattern amongst various Constituent Units:

Mere coming together of various constituent units that form social system does not necessarily create a social system. It has to be according to a pattern, arrangement and order. The underlined unity amongst various constituent units brings about 'social system'.

4. Functional Relationship is the Basis of Unity:

We have already seen different constituent units have a unity in order to form a system. This unity is based on functional relations. As a result of functional relationships between different constituent units an integrated whole is created and this is known as social system.

5. Physical or Environmental Aspect of Social System:

It means that every social system is connected with a definite geographical area or place, time, society etc. In other words, it means that social system is not the same at different times, at different place and under different circumstances. This characteristic of the social system again points out towards its dynamic or changeable nature.

6. Linked with Cultural System:

Social system is also linked with cultural system. It means that cultural system bring about unity amongst different members of the society on the basis of cultures, traditions, religions etc.

7. Expressed and implied Aims and Objects:

Social system is also linked with expressed and implied aims. In other words, it means that social system is the coming together of different individual actors who are motivated by their aims and objectives and their needs.

3.6 ETHICAL CODES

Ethical codes are the fundamental principles that accounting professionals choose to abide by to enhance their profession, maintain public trust, and demonstrate honesty and fairness. The following are five areas that deserve the attention of anyone considering working in the accounting profession.

- ▶ INDEPENDENCE/OBJECTIVITY
- ▶ INTERGRITY/HONESTY
- ▶ CONFIDENTIALITY

▶ PROFESSIONAL COMPETENCE

▶ PROFESSIONAL BEHAVIOUR

3.6.1 Why Study Ethics

One reason to study ethics is that ethics is inescapable. It is difficult, if not impossible, to imagine a society in which there are not codes of conduct, ways of assessing what is desirable or healthy and undesirable or unhealthy. Even if such codes are thought of as mere means of survival, there will still be implicit commitments to what is good or bad: food and water (in proportion) is good for persons, deprivation of either will lead to damage and dissolution. If you do not study ethics, chances are you will have no opportunity to carefully reflect on the values that shape your life, no chance to think about whether the values in your society are wise or foolish, no chance to expand your awareness of the values of other persons.

The study of ethics should also lead one to develop skills in articulating your own values, to provide others with reasons for your actions and give you the means of questioning the values of others. Ethics provides for a stable society. When people live ethical lives, they tell the truth, avoid harming others, and are generous. Working with such people is easy. On the other hand, callous and insensitive people are distrusted, so it's difficult for them to be integrated well into social arrangements.

3.6.2 ETHICAL DILEMA

An ethical dilemma or ethical paradox is a decision-making problem between two possible moral imperatives, neither of which is unambiguously acceptable or preferable. The complexity arises out of the situational conflict in which obeying would result in transgressing another.

An ethical dilemma or ethical paradox is a decision-making problem between two possible moral imperatives, neither of which is unambiguously acceptable or preferable. The complexity arises out of the situational conflict in which obeying would result in transgressing another. Sometimes called ethical paradoxes in moral philosophy, ethical dilemmas may be invoked to refute an ethical system or moral code, or to improve it so as to resolve the paradox.

3.6.3. Ethical Dilemma Examples

Your friend is on her way out of the house for a date and asks you if you like her dress. Do you tell her the truth or do you keep mum? At a restaurant, you see your friend's wife engaged in some serious flirting with another man. Do you tell your friend and ruin his marriage or do you pretend you never saw that?

You are a salesperson. Are you ethically obligated to disclose a core weakness of your product to your potential customer?

3.6.4 Approaches to Ethical Decision Making

- ▶ There can be different approaches to thinking about ethical decision making, although struggling with these dilemmas might give you a headache:

Ends Based

- ▶ The utilitarian approach or the ends-based approach says that the actions are ethically right or wrong depending on their effects. It argues that the most ethical choice is the one that does the greatest good for the greatest number.

Rules Based

- ▶ This approach rests on the belief that rules exist for a purpose and must therefore be followed. Basically, stick to the rules and principles and don't worry about the result!

Care Based

- ▶ This approach puts love for others first. It is most associated with ‘Do unto others as you would have them do unto you’.

3.6.5 How To Resolve an Ethical Dilemma

What do you do when you find yourself in an ethical dilemma? How do you figure out the best path to take? Before thinking about which path is the most ethical one, be sure to spell out the problem and the feasible options at hand. Many times, our mind limits itself to two conflicting options and does not see the presence of a third, better option.

Generally, philosophers outline two major approaches in handling ethical dilemmas after assessing the legality of the actions

Step one – Analyze the consequences

- ▶ When you have two options, considering the positive and negative consequences connected with each of those options gives you a better outlook on which option is better.
- ▶ It is not enough to count the number of good and bad consequences an option has; it is also important to note the kind and amount of good it does. After all, certain ‘good things’ in life (e.g., health) are more significant than others (e.g., a new phone).

Step two – Analyze the actions

- ▶ Now, look at those options from an entirely different perspective. Some actions are inherently good (truth-telling, keeping promises), while others are bad (coercion, theft). No matter how much good comes from these bad actions, the action will never be right.

How do your actions measure up against moral principles of honesty, fairness and respecting the rights and dignity of others? If there is a conflict between one or more of these principles, consider the possibility of one principle being more important than the others.

Step three – Make a decision

- ▶ Each of the above approaches acts as a check on the limitations of the other and must therefore be analyzed in combination. They provide the basic elements that we can use in determining the ethical character of the options at hand and make the process relatively easy.
- ▶ When you find yourself in a fix, consider speaking to others about the situation and getting the opinion of more knowledgeable people to find a possible solution

3.6.6 Social practice as activity

Social practice involves engagement with communities of interest by creating a practitioner-community relationship wherein there remains a focus on the skills, knowledge, and understanding of people in their private, family, community, and working lives. In this approach to social practice, activity is used for social change without the agenda of research. Activity theory suggests the use of a system of participants that work toward an object or goal that brings about some form of change or transformation in the community.

3.6.7 Social practice as inquiry

Within research, social practice aims to integrate the individual with his or her surrounding environment while assessing how context and culture relate to common actions and practices of the individual. Just as social practice is an activity itself, inquiry focuses on how social activity occurs and identifies its main causes and outcomes. It has been argued that research be

developed as a specific theory of social practice through which research purposes are defined not by philosophical paradigms but by researchers' commitments to specific forms of social action

3.7 THREATS AND SAFEGUARDS

Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:

- (a) Self-interest threats, which may occur as a result of the financial or other interests of a professional accountant or of an immediate or close family* member;
- (b) Self-review threats, which may occur when a previous judgment needs to be re-evaluated by the professional accountant responsible for that judgment;
- (c) Advocacy threats, which may occur when a professional accountant promotes a position or opinion to the point that subsequent objectivity may be compromised;
- (d) Familiarity threats, which may occur when, because of a close relationship, a professional accountant becomes too sympathetic to the interests of others; and
- (e) Intimidation threats, which may occur when a professional accountant may be deterred from acting objectively by threats, actual or perceived. Parts B and C of this Code, respectively, provide examples of circumstances that may create these categories of threats for professional accountants in public practice and professional accountants in business. Professional accountants in public practice may also find the guidance in Part C relevant to their particular circumstances.

Safeguards that may eliminate or reduce such threats to an acceptable level fall into two broad categories:

- (a) Safeguards created by the profession, legislation or regulation; and
- (b) Safeguards in the work environment.

Safeguards created by the profession, legislation or regulation include, but are not restricted to:

- Educational, training and experience requirements for entry into the profession.
- Continuing professional development requirements.
- Corporate governance regulations.
- Professional standards.
- Professional or regulatory monitoring and disciplinary procedures.
- External review by a legally empowered third party of the reports, returns, communications or information produced by a professional accountant.

Parts B and C of this Code, respectively, discuss safeguards in the work environment for professional accountants in public practice and those in business. Certain safeguards may increase the likelihood of identifying or deterring unethical Behaviour. Such safeguards, which may be created by the accounting profession, legislation, regulation or an employing organization, include, but are not restricted to:

- Effective, well publicized complaints systems operated by the employing organization, the profession or a regulator, which enable colleagues, employers and members of the public to draw attention to unprofessional or unethical Behaviour.
- An explicitly stated duty to report breaches of ethical requirements. 100.15 The nature of the safeguards to be applied will vary depending on the circumstances. In exercising professional judgment, a professional accountant should consider what a reasonable and informed third party, having knowledge of all relevant information, including the significance of the threat and the safeguards applied, would conclude to be unacceptable.

3.8 ETHICAL CONFLICT RESOLUTION

In evaluating compliance with the fundamental principles, a professional accountant may be required to resolve a conflict in the application of fundamental principles.

When initiating either a formal or informal conflict resolution process, a professional accountant should consider the following, either individually or together with others, as part of the resolution process:

- (a) Relevant facts;
- (b) Ethical issues involved;
- (c) Fundamental principles related to the matter in question;
- (d) Established internal procedures; and
- (e) Alternative courses of action.

Having considered these issues, a professional accountant should determine the appropriate course of action that is consistent with the fundamental principles identified. The professional accountant should also weigh the consequences of each possible course of action. If the matter remains unresolved, the professional accountant should consult with other appropriate persons within the firm* or employing organization for help in obtaining resolution.

Where a matter involves a conflict with, or within, an organization, a professional accountant should also consider consulting with those charged with governance of the organization, such as the board of directors or the audit committee.

It may be in the best interests of the professional accountant to document the substance of the issue and details of any discussions held or decisions taken, concerning that issue. If a significant conflict cannot be resolved, a professional accountant may wish to obtain professional advice from the relevant professional body or legal advisors, and thereby matter remains unresolved, the professional accountant should consult with other appropriate persons within the firm* or employing organization for help in obtaining resolution.

Where a matter involves a conflict with, or within, an organization, a professional accountant should also consider consulting with those charged with governance of the organization, such as the board of directors or the audit committee.

It may be in the best interests of the professional accountant to document the substance of the issue and details of any discussions held or decisions taken, concerning that issue.

If a significant conflict cannot be resolved, a professional accountant may wish to obtain professional advice from the relevant professional body or legal advisors, and thereby obtain guidance on ethical issues without breaching confidentiality. For example, a professional accountant may have encountered a fraud, the reporting of which could breach the professional accountant's responsibility to respect confidentiality. The professional accountant should consider obtaining legal advice to determine whether there is a requirement to report.

If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, a professional accountant should, where possible, refuse to remain associated with the matter creating the conflict. The professional accountant may determine that, in the circumstances, it is appropriate to withdraw from the engagement team* or specific assignment, or to resign altogether from the engagement of the firm or employee organization.

MODULE 4

4.0 FUNDAMENTAL ETHICAL PRINCIPLES

4.1 LEARNING OUTCOME

On successful completion of this module, you should be able to understand and apply the fundamental principles, which a professional accountant (in public practice or in business) should comply with, as follows:

1. Integrity
2. Objectivity
3. Professional competence and due care
4. Confidentiality
5. Professional behaviour
6. Independence
7. Technical standards

4.2 INTRODUCTION

The mission of International Federation of Accountants (IFAC) is “worldwide development and enhancement of an accountancy profession with harmonized standards, able to provide services of consistently high quality in the public interest.”

In pursuing this mission, IFAC Board established Ethics Committee to develop and issue high quality ethical standards and other pronouncements for professional accountants for use around the world. ANAN is a member of IFAC hence it may apply agreed standards.

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest.

Therefore, a professional accountant's responsibility is not exclusively to satisfy the needs of an individual client or employer but to serve the public interest.

Acting in the public interest involves having regard to the legitimate interests of clients, government, financial institutions, employers, employees, investors, the business and financial community and others who rely upon the objectivity and integrity of the accounting profession to support the propriety and orderly functioning of commerce. This reliance imposes a public interest responsibility on the profession. Professional accountants shall take into consideration the public interest and reasonable and informed public perception in deciding whether to accept or continue with an engagement or appointment, bearing in mind that the level of the public interest will be greater in larger entities and entities which are in the public eye.

Therefore, a professional accountant's responsibility is not exclusively to satisfy the needs of an individual client or employer. In acting in the public interest, a professional accountant shall observe and comply with both the IFAC and, for CNA, ANAN Codes. If a professional accountant is prohibited from complying with certain parts of the Code by law or regulation, the professional accountant shall comply with all other parts of both Codes.

Fundamental Ethical Principles is based on the Part A of IFAC Code, establishes the fundamental principles of professional ethics for professional accountants and provides a conceptual framework that professional accountants shall apply to:

- Identify threats to compliance with the fundamental principles;
- Evaluate the significance of the threats identified; and

- Apply safeguards, when necessary, to eliminate the threats or reduce them to an acceptable level. Safeguards are necessary when the professional accountant determines that the threats are not at a level at which a reasonable and informed third party would be likely to conclude, weighing all the specific facts and circumstances available to the professional accountant at that time, that compliance with the fundamental principles is not compromised.

A professional accountant shall use professional judgment in applying this conceptual framework. Where a professional accountant decides to accept or continue an engagement, appointment, task or employment in a situation where a significant threat to the fundamental principles has been identified, the professional accountant is expected to be able to demonstrate that the availability and effectiveness of safeguards has been considered and that it was reasonable to conclude that those safeguards will adequately preserve their compliance with the fundamental principles. It may be useful to document the reasoning and other evidence which supports the evaluation of threats and safeguards to such an extent that it enables a reasonable and informed third party to conclude that the decisions are acceptable.

4.3 FUNDAMENTAL PRINCIPLES OF THE ACCOUNTANCY PROFESSION

There are principally 7 fundamental principles, which a professional accountant (in public practice or in business) should comply:

1. Integrity
2. Objectivity
3. Professional competence and due care
4. Confidentiality
5. Professional behaviour
6. Independence

7. Technical standards

1. Professional Integrity - to be straightforward and honest in all professional and business relationships.

Professional integrity refers to honesty, fair dealing, trustworthy and free from conflict of interest. Professional accountant should be straightforward and honest in all professional and business relationships.

It also refers to personal qualities and attributes that are considered essential for the auditor. These include probity, transparency, and correct interpretation of facts, ability to make fair decisions, and ability to exercise reasonable skill, care and caution. Auditors' conduct is essential.

The principle of integrity imposes an obligation on all professional accountants to be straightforward and honest in all professional and business relationships. Integrity also implies fair dealing and truthfulness.

It follows that a professional accountant's advice and work must be uncorrupted by self-interest and not be influenced by the interests of other parties.

A professional accountant shall not knowingly be associated with reports, returns, communications or other information where the professional accountant believes that the information:

- Contains a materially false or misleading statement;
- Contains statements or information furnished recklessly; or

- Omits or obscures information required to be included where such omission or obscurity would be misleading.

When a professional accountant becomes aware that the accountant has been associated with such information, the accountant shall take steps to be disassociated from that information. A professional accountant will be deemed not to be in breach of paragraph 110.2 if the professional accountant provides a modified report in respect of a matter contained in paragraph 110.2.

2. Professional Objectivity - to not allow bias, conflict of interest or undue influence of others to override professional or business judgments.

Objectivity refers to the careful use of protracted procedures and test to arrive to a conclusion such that a similar independent test by another person would give the same conclusion.

The principle of objectivity imposes an obligation on all professional accountants not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others.

The principle of objectivity imposes an obligation on all professional accountants not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others.

Objectivity is the state of mind which has regard to all considerations relevant to the task in hand but no other.

A professional accountant may be exposed to situations that may impair objectivity. It is impracticable to define and prescribe all such situations. A professional accountant shall not

perform a professional service if a circumstance or relationship biases or unduly influences the accountant's professional judgment with respect to that service.

3. Professional competence and due care - to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.

The principle of professional competence and due care imposes the following obligations on all professional accountants:

- To maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service; and
- To act diligently in accordance with applicable technical and professional standards when providing professional services.

Competent professional service requires the exercise of sound judgment in applying professional knowledge and skill in the performance of such service. Professional competence may be divided into two separate phases:

- Attainment of professional competence
- High standard of general education. For example, passing professional examinations (ANAN, CPA, ACCA, or its equivalent) and ensuring proper registration with respective accounting and auditing professional bodies.
- Relevant and adequate working experience.; and

- Maintenance of professional competence - Continuing awareness of the developments in the profession by attending Mandatory Continuing Professional Development program (MCPD).

The maintenance of professional competence requires a continuing awareness and an understanding of relevant technical, professional and business developments. Continuing professional development enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment.

Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.

A professional accountant shall take reasonable steps to ensure that those working under the professional accountant's authority in a professional capacity have appropriate training and supervision.

Where appropriate, a professional accountant shall make clients, employers or other users of the accountant's professional services aware of the limitations inherent in the services.

4. Confidentiality - to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.

The principle of confidentiality is not only to keep information confidential, but also to take all reasonable steps to preserve confidentiality. Whether information is confidential or not will depend on its nature. A safe and proper approach for professional accountants to adopt is to assume that all unpublished information about a client's or employer's affairs, however

gained, is confidential. Some clients or employers may regard the mere fact of their relationship with a professional accountant as being confidential.

The principle of confidentiality imposes an obligation on all professional accountants to refrain from:

- Disclosing outside the firm or employing organisation confidential information acquired as a result of professional and business relationships without proper and specific authority or unless there is a legal or professional right duty to disclose; and
- Using confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties.

Professional accountants in public practice must not disclose confidential information to a client even though the information is relevant to an engagement for, or would be beneficial to, that client.

Where professional accountants in public practice have confidential information which affects an assurance report, or other report which requires a professional accountant to state their opinion, the professional accountant cannot provide an opinion which they already know, from whatever source, to be untrue. If the professional accountant in public practice is to continue the engagement, the professional accountant must resolve this disparity. In order to do so, the professional accountant is entitled to apply normal procedures and to make such enquiries in order to enable the professional accountant to obtain that same information but from another source. Under no circumstances, however, shall there be any disclosure of confidential information outside the firm.

A professional accountant shall maintain confidentiality, including in a social environment,

being alert to the possibility of inadvertent disclosure, particularly to a close business associate or a close or immediate family member.

A professional accountant shall maintain confidentiality of information disclosed by a prospective client or employer.

This requirement extends not only to clients, past and present, but also to third parties from or about whom information has been received in confidence. The principle of confidentiality clearly does not prevent an employee from using the skills acquired while working with a former employer in undertaking a new role with a different organisation. Professional accountants shall neither use nor appear to use special knowledge which could only have been acquired with access to confidential information. It is a matter of judgement as to the dividing line which separates experience gained from special knowledge acquired.

A professional accountant shall maintain confidentiality of information within the firm or employing organisation.

A professional accountant shall take reasonable steps to ensure that staff under the professional accountant's control and persons from whom advice and assistance is obtained respect the professional accountant's duty of confidentiality.

Member firms shall ensure that all who work on their behalf are trained in, and understand:

- a. The importance of confidentiality;
- b. The importance of identifying any conflicts of interest and confidentiality issues between clients, or between themselves or the firm and a client, in relation to a current or prospective engagement; and

- c. The procedures the firm has in place for the recognition and consideration of possible conflicts of interest and confidentiality issues.

The need to comply with the principle of confidentiality continues even after the end of relationships between a professional accountant and a client or employer. When a professional accountant changes employment or acquires a new client, the professional accountant is entitled to use prior experience. The professional accountant shall not, however, use or disclose any confidential information either acquired or received as a result of a professional or business relationship.

Detailed guidance on conflicts of interest, including situations where such conflicts may result in threats (or perceived threats) to preservation of confidentiality, are included in section 220.

4.3.1. Disclosure of Confidential Information

The following are circumstances where professional accountants are or may be required to disclose confidential information or when such disclosure may be appropriate:

Where required by law or regulations to disclose confidential information, for example as a result of anti-money laundering or anti-terrorist legislation, or in connection with legal proceedings involving either themselves or their employing organisation, professional accountants shall always disclose that information in compliance with relevant legal requirements. Professional accountants shall take care when communicating relevant facts to others relating to known or suspected money laundering or terrorist activities. Under the UK Money Laundering Regulations 2007, the Terrorism Act 2000 and the Terrorism Act 2006, it is a criminal offence to 'tip off' a money launderer or terrorist. For further discussion, please refer

to the money laundering legislation and guidance available at www.icaew.com/moneylaundering.

- There is a professional duty or right to disclose, when not prohibited by law:
 - To comply with the quality review of ICAEW or professional regulator or professional body;
 - To respond to an inquiry or investigation by ICAEW a regulatory body or regulatory body;
 - To protect the professional interests of a professional accountant in legal proceedings;
or
 - To comply with technical standards and ethics requirements.

A professional accountant may disclose confidential information to third parties, when not obliged to do so by law or regulations, if the disclosure can be justified in the public interest and is not contrary to laws and regulations. Before making such disclosure, professional accountants are encouraged to obtain legal or professional advice regarding their duties and obligations in the context of their professional and business relationships, and possible protection under the UK Public Interest Disclosure Act 1998. Further guidance on disclosure in the public interest is available in Professional conduct and disclosure in relation to defaults or unlawful acts.

Confidentiality and privilege is a complex area. For example, information which is confidential may not be privileged and, therefore, may be admissible in court proceedings. Privilege is a difficult area, quite distinct from confidentiality, and it is recommended that further advice be taken if a professional accountant is in doubt as to the action to be taken.

4.3.2 Factors to Consider when Disclosing Confidential Information

In deciding whether to disclose confidential information, relevant factors to consider include:

- d. Whether the interests of all parties, including third parties whose interests may be affected, could be harmed if the client or employer consents to the disclosure of information by the professional accountant;
- e. Whether all the relevant information is known and substantiated, to the extent it is practicable; when the situation involves unsubstantiated facts, incomplete information or unsubstantiated conclusions, professional judgment shall be used in determining the type of disclosure to be made, if any;
- f. The type of communication that is expected and to whom it is addressed; and
- g. Whether the parties to whom the communication is addressed are appropriate recipients.
- h. Whether or not the information is privileged, either under Legal Professional Privilege or in Privileged Circumstances under section 330 of the UK Proceeds of Crime Act 2002 (see Technical Release 02/06); and
- i. The legal and regulatory obligations and the possible implications of disclosure for the professional accountant.

The paragraphs above deal with professional accountants' treatment of confidential information belonging to a client or employer. There is another context in which professional accountants will be given or may obtain information which they must handle sensitively. Professional accountants may be approached in confidence with information about alleged

illegal or improper actions on the part of employees or management of the business for which the informant works or with which the informant has some other relationship. Professional accountants may receive that information because of being trusted by the informant, or may receive it in connection with work their firm is carrying out for the informant's employer. Whatever the circumstances in which the information comes to professional accountants, the professional accountants shall:

- Advise informants to pass the information to their employer through the medium of the employer's own internal procedures (if they exist);
- Use their best endeavours to protect the identity of the informant, taking care not to mislead the informant as to the extent to which this can be done, and shall only cause the employer to be made aware of the informant's identity where this cannot be avoided; and
- Take care in determining the quality of the information and how best to use it, if at al

4.3.3 Advertising and solicitation

In **marketing and promoting** themselves and their work, professional accountants should not bring the profession into disrepute. Professional Accountants in Public Practice should be honest and truthful and should not:

- a) Make exaggerated claims for services offers,
- b) Make exaggerated claims for qualification possessed or
- c) Make exaggerated claims for experience gained; or

- d) Make disparaging reference to unsubstantiated comparisons to the work of another. In short not allowed to degrade other members
- e) Make unjustified claims to be an expert or specialist in a particular field of accountancy
- f) Imply the ability to influence any court, tribunal, regulatory agency or similar body or official
- g) Create a false, deceptive or unjustified expectation of favourable results

4.3.4 Publicity by Professional Accountants in Public Practice in a Non-Advertising Environment

When advertising is not permitted, publicity by individual professional accountants in public practice is acceptable provided that:

- (a) It has as its object the notification to the public or such sectors of the public as are concerned, of matters of fact in a manner that is not false, misleading or deceptive;
- (b) It is in good taste;
- (c) It is professionally dignified, and
- (d) It avoids frequent repetition of, and any undue prominence being given to the name of the professional accountant in public practice.

4.3.5 Conflict of Loyalties to Employed Professional Accountants

Professional accountants employed in public practice, industries, business, public sectors etc owe a duty of loyalty to their employers as well as to their profession.

There may be times or situations or circumstances when the two are in conflict. An employee's normal priority should be to support his or her organization's legitimate and ethical objectives and the rules and procedures drawn up in support of them.

However, an employee cannot legitimately be required to:

- a) Break the law
- b) Breach the rules and standards of profession
- c) Lie to or mislead (including misleading by keeping silent) those acting as auditors to the employer; or
- d) Put their name to or otherwise be associated with a statement which materially misrepresents the facts.

Should there be a conflict, then, the matter should be resolved within the employee's organization, initially with the employee's immediate superior and if not then it can be taken to higher management level or non-executive directors.

If the matter is still unresolved after exhausting all other relevant possibilities, the employee has no other recourse but to consider resignation. Employees should state their reasons for resignation but their duty of confidentiality normally precludes them from communicating the issue to other (unless legally or professionally required to do so).

4.4 PROFESSIONAL BEHAVIOUR

Professional behaviour require compliance to relevant laws and regulations and to avoid any action that discredits the profession. The principle of professional behaviour imposes an obligation on professional accountants to comply with relevant laws and regulations and avoid any action that may bring discredit to profession. This includes actions which a reasonable and informed third party, having knowledge of all relevant information, would conclude negatively affects the good reputation of the profession

Professional accountants shall conduct themselves with courtesy and consideration towards all with whom they come into contact when performing their work.

4.5 INDEPENDENCE

Independence—Assurance Engagements in the case of an assurance engagement it is in the public interest and, therefore, required by this Code of Ethics, that members of assurance teams, * firms and, when applicable, network firms* be independent of assurance clients.

Assurance engagements are designed to enhance intended users' degree of confidence about the outcome of the evaluation or measurement of a subject matter against criteria. The International Framework for

Assurance Engagements (the Assurance Framework) issued by the International Auditing and Assurance Standards Board describes the elements and objectives of an assurance engagement, and identifies engagements to which International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs) apply. For a description of the elements and objectives of an assurance engagement reference should be made to the Assurance Framework.

As further explained in the Assurance Framework, in an assurance engagement the professional accountant in public practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.

The outcome of the evaluation or measurement of a subject matter is the information that results from applying the criteria to the subject matter.

The term “subject matter information” is used to mean the outcome of the evaluation or measurement of subject matter. For example:

- The recognition, measurement, presentation and disclosure represented in the financial statements* (subject matter information) result from applying a financial reporting framework for recognition, measurement, presentation and disclosure, such as International Financial Reporting Standards, (criteria) to an entity’s financial position, financial performance and cash flows (subject matter).
- An assertion about the effectiveness of internal control (subject matter information) results from applying a framework for evaluating the effectiveness of internal control, such as COSO or CoCo, (criteria) to internal control, a process (subject matter)

Independence requires:

- a. **Independence of Mind:** The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional scepticism.
- b. **Independence in Appearance:** The avoidance of facts and circumstances that are so significant that a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, would reasonably conclude a firm’s, or a member of the assurance team’s, integrity, objectivity or professional scepticism had been compromised.

The use of the word “independence” on its own may create misunderstandings. Standing alone, the word may lead observers to suppose that a person exercising professional judgment ought to be free from all economic, financial and other relationships. This is impossible, as every

member of society has relationships with others. Therefore, the significance of economic, financial and other relationships should also be evaluated in the light of what a reasonable and informed third party having knowledge of all relevant information would reasonably conclude to be unacceptable.

4.6 TECHNICAL STANDARDS

A professional accountant should carry out services in accordance with the relevant technical and professional standards with care and skill.

In addition, they should also conform to standards set by:

- a) International Federation of Accountants (IFAC). E.g. International Standards on Auditing
- b) International Accounting Standard Board – (IASB) e.g. International Financial Reporting Standards
- c) The member's professional body or other regulatory body e.g. ANAN
- d) Relevant legislation.

4.7 DILEMMAS AND CASE STUDIES

Most of the situations that people encounter every day result in clear outcomes that anyone following these five guidelines would expect. However, ethical-decision making isn't always cut and dried.

- a. When a subpoena arrives requesting a client's personal financial records, should you surrender them?
- b. The CEO tells your staff member to apply a credit from an overpayment on one account to a disputed account, should you allow it?

- c. If a sale at year-end occurs but is not executed before the cut-off date, should the revenue be recorded in the current or prior year? What if the goods were in transit? What if there was an oral agreement but not a signed contract?
- d. If your boss, another CPA, instructs you to record the transaction in the earlier year, what should you do?
- e. There can be more questions than answers in these situations. Codified ethical principles guide these decisions — as does ongoing professional development and financial research.

4.8 BLACK AND WHITE

Blatant fraud, theft and corruption may make better movies and front-page news stories, but accountants' daily work involves much more subtle ethical situations. Decision-making doesn't always come down to "yes" or "no." The fine line between the two is subject to interpretation and will make up the bulk of the encounters that an accountant faces during his or her career.

Ethics in accounting includes both strict adherence to guidelines and careful assessment of unique situations where professional judgment is necessary. Understanding the ethical frameworks for independence, integrity, confidentiality and professional competence can guide decision-making and help preserve the reputation of the field.

4.9 CONFLICTS OF INTERESTS

Resolving Ethical Conflicts

Professional accountants encounter situations that give rise to conflicts of interests. It is recognized, however, that there can be particular factors which occur when the responsibilities of professional accountants may conflict with internal or external demands of one type or another:

- There may be a danger of pressure supervisor, manager, director, family or partner
- The accountant may be asked to act contrary to the technical/professional standards
- A question of divided loyalty between professional accountant's superior and the required professional standards
- Conflicts due to misleading information published which may be to the advantage of employer or client and which may or may not benefit the professional accountant.

When faced with significant issues, professional accountants should follow the established policies of the employing organization to seek a resolution of such a conflict.

If those policies do not resolve the ethical conflicts, the following should be considered:

- Review the conflict problem with the immediate supervisor
- Seek counselling and advice confidentially to an independent advisor or ANAN or Financial Reporting Council to obtain the possible course of action.
- If the conflict still exist after fully exhausting all levels of internal review, the accountant should resign and submit an information to an appropriate representative of the organization.

4.10 TAX PRACTICE

A professional accountant rendering tax services is entitled to put forward the best position in favour of client, or employer, provided the service is rendered with the professional competence, does not in any way impair the integrity and objectivity and is consistence with the law.

The accountant should not be associated with any return or communication which can be believed that it:

- Contains a false misleading statement
- Contain information furnished recklessly or without any real knowledge
- Omit or obscures information which misleads the revenue authority

In preparing tax returns, a professional accountant may rely on information furnished by the client or employer provided that the information appears reasonable.

In addition, the professional accountant should:

- Make use of the clients returns for prior years whenever feasible
- Make reasonable enquiries when the information presented appears to be incorrect.
- Make reference to the books and records of business operations

Cross Boarder Activities

When considering the application of ethical principles in cross boarder activities, a number of situations may arise. Which standards should be used in performing audit or accounting?

When a professional accountant performs services in a country other than the home country and differences on specific matters exist between ethical requirements of the two countries the following provisions should be applied:

- (a) When the ethical requirements of the country in which services are being performed are less strict than the IFAC Code of Ethics, then, IFAC Code of Ethics should be applied.
- (b) When the ethical requirements of the country in which services are being performed are stricter than the IFAC Code of Ethics, then, ethical requirements in the country where services are performed should be applied.

- (c) When the ethical requirements of the home country are mandatory for service performed outside that country and are stricter than set out in (a) and (b) above, then the ethical requirements of the home country should be applied.

4.11 THREATS TO FUNDAMENTAL PRINCIPLES OF PROFESSIONAL CODE OF ETHICS

Compliance to the fundamental principles may potentially be affected by self-interest, self-review, advocacy, familiarity and intimidation threats.

- (i) **Self Interest Threat:** Self Interest threat occurs when a firm or a member of the assurance team could benefit from a financial interest in, or other self-interest conflict with an assurance client.
- (ii) **Self-Review Threat:** Self Review Threat occurs when (1) any product or judgment of a previous assurance engagement or non assurance engagement needs to be re-evaluated in reaching conclusions on the assurance engagement or (2) when a member of the assurance tea was previously a director or officer of the assurance client or was an employee in a position to exert direct and significant influence over the subject matter of the assurance engagement.
- (iii) **Advocacy Threat:** Advocacy threat occurs when a firm, or a member of the assurance team, promotes, or may be perceived to promote, an assurance client's position or opinion to the point that objectivity may, or may be perceived to be, compromised. Such may be the case if a firm or a member of the assurance team were to subordinate their judgment to that of the client.
- (iv) **Familiarity Threat:** Familiarity threat occurs when, by virtue of a close relationship with an assurance client, its directors, officers or employees, a firm or a member of the assurance team becomes too sympathetic to the client's interests.

- (v) **Intimidation Threat:** Intimidation threat occurs when a member of the assurance team may be deterred from acting objectively and exercising professional scepticism by threats, actual or perceived, from the directors, officers or employees of an assurance client.

Examples of circumstances that may create self-interest threat include, but not limited to:

- (a) Threat of replacement over a disagreement with the application of accounting principles and
- (b) Pressure to reduce inappropriately the extent of work performed in order to reduce fees.

4.11.1 How to safeguard auditor's independence

The firm and members of the assurance team have a responsibility to remain independent by taking into account the context in which they practice, the threats to independence and the safeguards available to eliminate the threats or reduce them to an acceptable level.

Independence safeguards fall into 3 broad categories:

Safeguards created by the profession, legislation or regulation:

- Educational, training and experience requirements for entry into the profession.
- Continuing education requirements.
- Professional standards and monitoring and disciplinary processes
- External review of a firm's quality control system.
- Legislations governing the independence requirements of the firm.

Safeguards within the assurance client:

- When the assurance client's management appoints the firm, persons other than management ratify or approve the appointment.

- The assurance client has competent employees to make management decisions.
- Policies and procedures that emphasize the assurance client's commitment to fair financial reporting.
- Internal procedures ensure objective choices in commissioning non assurance engagement, and
- A corporate governance structure, such as an audit committee, that provides appropriate oversight and communication regarding a firm's service.

Safeguards within the firm's own systems and procedures:

- Firm leadership that stresses the importance of independence and the expectation that members of assurance teams will act in the public interest.
- Policies and procedures to implement and monitor quality control of assurance engagements.
- Documented independence policies regarding the identification of threats to independence, the evaluation of the significance of these threats and the identification and application of safeguards to eliminate or reduce the threats, other than those that are clearly insignificant, to an acceptable level.
- Internal policies and procedures to monitor compliance with firm policies and procedures as they relate to independence.
- Policies and procedures that will enable the identification of interests or relationships between the firm or members of the assurance team and assurance clients.
- Policies and procedures to monitor and, if necessary, manage the reliance on revenue received from a single assurance client.

- Using different partners and teams with separate reporting lines for the provision of non-assurance services to an assurance client.
- Policies and procedures to prohibit individuals who are not members of the assurance team from influencing the outcome of the assurance engagement.
- Timely communication of the firm’s policies and procedures and any changes thereto, to all partners and professional staff, including appropriate training and education thereon.
- Designation a member of senior management as responsible for overseeing the adequate functioning of the safeguarding system.
- A disciplinary mechanism to promote compliance with policies and procedures.
- Policies and procedures to empower staff to communicate to senior levels within the firm any issue of independence and objectivity that concerns them, this includes informing staff of the procedures open to them.

4.12 Legal and Regulatory Environment

4.12.1 Overview of Statutory Framework for Accounting And Auditing

The main legislation that establishes corporate financial reporting requirements in Nigeria is the **Companies and Allied Matters Act of 1990 (CAMA)** and its subsequent amendments. The CAMA outlines the formation, operation, and dissolution of companies, as well as the requirements for corporate accounting, auditing and financial reporting.

Accounting Framework

All companies are required to prepare annual financial statements in accordance with standards issued by the Financial Reporting Council of Nigeria (FRC) established by the Financial Reporting Council of Nigeria Act of 2011 (FRC Act). FRC is responsible for setting both private and public sector accounting standards and ensuring compliance with financial reporting

requirements, among other functions. Under the FRC Act, accounting standards adopted by FRC must be in line with the standards issued by the IASB.

Since 2010, all public interest entities (PIEs) are required to apply IFRS in the preparation of their financial statements, while small and medium-sized entities (SMEs) are required to use IFRS for SMEs. PIEs include listed and non-listed entities, banking and non-bank financial institutions, pension funds, and state-owned public enterprises. SMEs are defined as companies that: (i) are not in the process of issuing debt or equity securities for trading in a public market; (ii) do not hold assets in fiduciary capacity for a broad group of outsiders as one of their primary businesses; (iii) have annual turnover Small and Medium-sized Entities Guidelines on Accounting (SMEGA) Level 3 issued by the United Nations Conference on Trade and Development (UNCTAD).

Regulatory bodies such as the Central Bank of Nigeria (CBN), the Securities and Exchange Commission (SEC), the Nigerian Stock Exchange (NSE), and the National Insurance Commission (NAICOM) stipulate additional financial reporting requirements for the entities that fall within their purview.

Auditing Framework

The CAMA establishes a mandatory statutory audit requirement for all entities in Nigeria. In accordance with the FRC Act, the FRC has been granted authority to develop or adopt and keep up-to-date auditing standards issued by relevant professional bodies and ensure consistency between the standards issued and the auditing standards and pronouncements of the IAASB.

Appointment of the auditors of regulated entities is subject to the approval of the respective regulators, to whom audited financial statements must be submitted on a periodic basis.

4.12.2 Regulation of Accountancy Profession

Professional accountants in Nigeria are regulated by the Financial Reporting Council of Nigeria (FRC) and at the professional level by two professional accountancy organizations operating in the jurisdiction—the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN)

In accordance with the Financial Reporting Council (FRC) Act of 2011, FRC has oversight authority of the profession with respect to registration of professional accountants, quality assurance (QA) review inspections for audits of public interest entities (PIEs), and enforcement of sanctions for non-compliance with applicable standards and breaches of professional misconduct. FRC is also responsible for adoption of accounting standards that are to be consistent with the IFRS as well as for the development or adoption and maintenance of auditing standards issued by relevant professional bodies and ensuring consistency between the standards issued and the auditing standards and pronouncements of the IAASB. Lastly, FRC is also authorized to issue a Code of Ethics for auditors and other professionals providing services to PIEs.

The FRC Act requires professional accountants in Nigeria to be registered with the FRC to be authorized to prepare financial statements and conduct statutory audits of PIEs. A practicing certificate issued by any one of the abovementioned national PAOs is required as part of the registration process to deliver services in a public practice.

Both ICAN and ANAN offer their own qualifications to individuals pursuing careers in accountancy. ANAN offers the designation of Certified National Accountant (CNA). To **qualify as a CNA**, candidates must hold a University degree or a Higher National Diploma in accountancy and then enrol in the Nigerian College of Accountancy for a one year educational program and

pass the professional exams at the end of the one-year training period. Subsequently, individuals must then complete two years of practical training through an Accountant-in-Training (AIT) program either with a practicing ANAN member or an approved professional in the respective sector. After completing practical experience requirements, individuals are eligible to receive the CNA designation and may begin practicing after receiving a practicing certificate from the Council.

ICAN offers the designations of Chartered Accountant (CA) or Associate Accounting Technician (AAT)—which are protected titles under the ICAN Act of 1965—upon fulfilment of education and certification requirements for either stream. These requirements include completing a professional accountancy education program, passing the qualifying examination, and completing a three-year internship with a firm of chartered accountants. CAs are permitted to practice as auditors once licensed by ICAN and once registered with FRC if they will serve as auditors for PIEs.

Through their respective founding legislations, both PAOs have the authority to determine initial professional development and continuing professional development (IPD and CPD, respectively) requirements for their members; determine examination and certification requirements for members; maintain membership registers; enforce rules of professional conduct as well as ethical and technical standards for their members; and carry out quality assurance reviews for members.

4.12.3 Audit Oversight Arrangements

The Financial Reporting Council of Nigeria (FRC) is the audit oversight body in Nigeria established in accordance with the Financial Reporting Council Act (FRC) of June 2011.

In accordance with the FRC Act of 2011, FRC has oversight authority of the profession with respect to registration of auditors, quality assurance (QA) review inspections for audits of public interest entities (PIEs), and enforcement of sanctions for non-compliance with applicable standards and breaches of professional misconduct. The FRC is also responsible for adoption of accounting standards that are to be consistent with the IFRS as well as the development or adoption and maintenance of auditing standards issued by relevant professional bodies and ensure consistency between the standards issued and the auditing standards and pronouncements of the IAASB. Lastly, the FRC is also authorized to issue a Code of Ethics for auditors of PIEs.

FRC is not a member of the International Forum of Independent Audit Regulators (IFIAR).

Auditors must also be members of one of the two PAOs and be subject to the respective regulations of the Institute. Through their respective founding legislations, both PAOs have the authority to (i) determine initial professional development and continuing professional development (IPD and CPD, respectively) requirements for their members; (ii) determine examination and certification requirements for members; (iii) maintain membership registers; (iv) enforce rules of professional conduct as well as ethical and technical standards for their members; and (v) carry out QA reviews for members.

4.13 PROFESSIONAL ACCOUNTANCY ORGANIZATIONS

Association of National Accountants of Nigeria (ANAN)

The ANAN Act of 1993 establishes the Association of National Accountants of Nigeria (ANAN). ANAN administers a Certified National Accountants (CNA) certification, which is conferred on members who successfully complete the related qualification examinations administered by

ANAN. CNAs are required to be members of ANAN. Many ANAN members are accountants who work in the public sector. The association's mandate includes (i) setting initial professional development and continuing professional development (IPD and CPD, respectively) requirements for its members; (ii) determining examination and certification requirements for members; (iii) maintaining a membership register; (iv) enforcing rules of professional conduct as well as ethical and technical standards for its members; and (v) carrying out quality assurance reviews for members.

ANAN collaborates with the Financial Reporting Council of Nigeria (FRC) on audit and other professional standards. The association is a member of IFAC, the Pan African Federation of Accountants (PAFA) and the Association of Accountancy Bodies in West Africa (ABWA).

Institute of Chartered Accountants of Nigeria (ICAN)

The Institute of Chartered Accountants of Nigeria (ICAN), whose membership comprises accountants, auditors, and accounting technicians, was established in 1965 by Act of Parliament No. 15 of September 1, 1965 (the ICAN Act). ICAN is a mandatory membership organization and members of ICAN receive the title of Chartered Accountant or Associate Accounting Technician upon fulfillment of education and certification requirements for either stream. The titles are protected under the ICAN Act. ICAN's responsibilities in relation to its members are (i) setting initial professional development and continuing professional development (IPD and CPD, respectively) requirements for its members; (ii) determining examination and certification requirements for members; (iii) maintaining a membership register; (iv) enforcing rules of professional conduct as well as ethical and technical standards for its members; and (v) carrying out quality assurance reviews for members.

4.13.1 Code of Ethics for Professional Accountants

The Financial Reporting Council (FRC) Act of 2011 establishes the Financial Reporting Council of Nigeria (FRC) as the ethical standard-setter for registered professional accountants (in Nigeria this means auditors and other professionals providing services to public interest entities (PIEs)).

The FRC Act outlines that the FRC is also responsible for developing and liaising with relevant professional bodies—the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN)—in regard to ethical standards.

In accordance with its mandate under the ANAN Act of 1993, ANAN initially developed a Code of Professional Conduct and Ethics, which was consistent with the 2006 version of IESBA Code of Ethics. As of 2018, it states that it has updated its Code in line with the 2016 version of the IESBA Code.

ICAN developed a “Professional Code of Conduct and Guide for Members” as part of its responsibility under the ICAN Act of 1965. However, ICAN decided, in May 2018, to directly adopt the Code of Ethics for Professional Accountants as issued by the International Ethics Standards Board for Accountants (IESBA), **including** the NOCLAR standard with effect from July 2017.

Questions to help you Internalise what you have Studied

1. What is the public interest?
2. Who constitute the accountant’s public?
3. How should a professional accountant ensure that he/she discharges his/her duties in the public interest?
4. List and briefly explain the fundamental principles of the Accountancy Profession as given by International Federation of Accountants (IFAC)
5. What do you understand by Integrity?

6. What obligations does the principle of integrity impose on all Professional Accountants?

FURTHER READING

1. Nqwasgboaso, J. C., (2009) Professional Ethics, Skills and Standards, Inspirationz Media
Konzult
2. For further discussion on integrity, visit www.icaew.com/ethics.

MODULE 5

5.0 ETHICS IN THE AUDITING FUNCTIONS AND MANAGERIAL ACCOUNTING

5.1 LEARNING OUTCOME

At the end of this module the reader should understand and explain the following:

- The Ethics of Public Accounting
- The Auditor's Basic Responsibilities
- Independence and Independence Risk
- Professional Skepticism and Reasonable Assurance
- The Ethics of Managerial Accounting and Justify Unethical Behaviours
- Blowing the Whistle

5.2 INTRODUCTION

By the time people enter their professional careers, their personal ethics have been largely shaped. However, these ethics can be reinforced or, conversely, strained or even shattered by the corporate culture in which they work. It is essential that audit firms – and, for that matter, all organisations – entrench a culture that fosters ethical behaviour. The framework for rebuilding public trust: an ethical code of conduct. It is inevitable that an auditor will be faced with ethical decisions during the course of their career. It is therefore fundamental that appropriate and professional decision-making protocols and behaviours are ingrained in the culture in which they work.

A strong code of professional and personal ethical guidelines is a critical starting point to embedding ethical behaviour. The accounting bodies in Australia each have a code of conduct

to provide authoritative guidance on professional conduct. The codes set out general guidelines on concepts such as independence, competence and honesty, as well as statements addressing specific issues of professional behaviour. These guidelines are backed with the power to monitor and penalise non-conforming members.

Similarly, staff and partners of the Big Four auditing firms operate within global codes of conduct, which articulate the principles of integrity and accountability by which generations of audit professionals have been guided. Written codes of conduct that are comprehensive and clear are now seen as an essential element of good governance and ethics for all organisations. Codes of conduct are pro-active statements about the organization's position on ethical and compliance matters.

5.3 THE ETHICS OF PUBLIC ACCOUNTING: THE AUDITOR'S RESPONSIBILITY TO THE PUBLIC

5.3.1 Fundamental Ethical Principles of Accounting Profession

International Federation of Accountants (IFAC) Code of ethics for professional accountants stipulates that a professional accountant is required to comply with the following fundamental principles:

- i. **Integrity:** A professional accountant should be straightforward and honest in all professional and business relationships.
- ii. **Objectivity:** A professional accountant should not allow bias, conflict of interest or undue influence of others to override professional or business judgments.

- iii. **Professional Competence and Due Care:** A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques. A professional accountant should act diligently and in accordance with applicable technical and professional standards when providing professional services.
- iv. **Confidentiality:** A professional accountant should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of the professional accountant or third parties.
- v. **Professional Behaviour:** A professional accountant should comply with relevant laws and regulations and should avoid any action that discredits the profession.

5.3.2 Conceptual Framework Approach

The circumstances in which professional accountants operate may give rise to specific threats to compliance with the fundamental principles. It is impossible to define every situation that creates such threats and specify the appropriate mitigating action. In addition, the nature of engagements and work assignments may differ and consequently different threats may exist, requiring the application of different safeguards. A conceptual framework that requires a professional accountant to identify, evaluate and address threats to compliance with the fundamental principles, rather than merely comply with a set of specific rules which may be

arbitrary, is, therefore, in the public interest. This Code provides a framework to assist a professional accountant to identify, evaluate and respond to threats to compliance with the fundamental principles. If identified threats are other than clearly insignificant, a professional accountant should, where appropriate, apply safeguards to eliminate the threats or reduce them to an acceptable level, such that compliance with the fundamental principles is not compromised.

A professional accountant has an obligation to evaluate any threats to compliance with the fundamental principles when the professional accountant knows, or could reasonably be expected to know, of circumstances or relationships that may compromise compliance with the fundamental principles.

A professional accountant should take qualitative as well as quantitative factors into account when considering the significance of a threat. If a professional accountant cannot implement appropriate safeguards, the professional accountant should decline or discontinue the specific professional service involved, or where necessary resign from the client (in the case of a professional accountant in public practice) or the employing organization (in the case of a professional accountant in business).

A professional accountant may inadvertently violate a provision of this Code. Such an inadvertent violation, depending on the nature and significance of the matter, may not compromise compliance with the fundamental principles provided, once the violation is discovered, the violation is corrected promptly and any necessary safeguards are applied.

5.4 THE AUDITOR'S BASIC RESPONSIBILITIES

The objective of the ordinary audit of financial statements by the independent auditor is the expression of an opinion on the fairness with which they present, in all material respects, financial position, results of operations, and its cash flows in conformity with generally accepted accounting principles. The auditor's report is the medium through which he expresses his opinion or, if circumstances require, disclaims an opinion. In either case, he states whether his audit has been made in accordance with generally accepted auditing standards. These standards require him to state whether, in his opinion, the financial statements are presented in conformity with generally accepted accounting principles and to identify those circumstances in which such principles have not been consistently observed in the preparation of the financial statements of the current period in relation to those of the preceding period.

The Auditor has the following responsibilities

1. The auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.
2. The auditor's responsibility is to express an opinion on the financial statements.
3. The independent auditor also has a responsibility to his profession, the responsibility to comply with the standards accepted by his fellow practitioners.
4. Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances,

5. Identifies and assesses the risks of material misstatement of the entity's (or where relevant, the consolidated) financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion.
6. Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
7. Concludes on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's (or where relevant, the group's) ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion.
8. Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e gives a true and fair view).
9. Where the auditor is required to report on consolidated financial statements, obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

5.5 AUDIT RISK AND AUDITOR'S INDEPENDENCE

The established audit risk model in SAS 300 identifies the overall audit risk. Audit risk is defined as the risk that the auditor may give an inappropriate audit opinion on financial statements (APB 1995). Audit risk is a function of the risks of material misstatement and detection risk'. Hence, audit risk is made up of two components – risks of material misstatement and detection risk. Audit risk questions require candidates to identify risks of material misstatements, which include inherent and control risks as well as detection risks.

This risk has three key components which are inherent risk, control risk and detection risk.

Inherent risk is defined as 'the susceptibility of an account balance or a class of transactions to material misstatement, either individually or when aggregated with misstatements in other balances or classes irrespective of related internal controls'.

Control risk is defined as 'the risk that a misstatement could occur that would not be prevented or detected and corrected on a timely basis by the accounting and internal control system'.

Detection risk is defined as 'the risk that the auditors' substantive procedures do not detect a misstatement that could be material'. Inherent and control risk are risks which lie within the company itself. Detection risk lies with the auditors. The extent of substantive testing carried out by an auditor is a function of the assessment of the level of inherent and control risk within the company.

5.5.1 Threats and Safeguards

Auditor independence issues are complex and cannot be generalized as auditors are exposed to different challenges that may deter their independence. Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:

- i. Self-interest threats**, which may occur as a result of the financial or other interests of a professional accountant or of an immediate or close family member (direct or indirect interest in a client or from fear of losing a client).;
- ii. Self-review threats**, which may occur when a previous judgment needs to be re-evaluated by the professional accountant responsible for that judgment. This arises from the apparent difficulty of maintaining objectivity and conducting what is effectively a self-review, if any product or judgment of a previous audit assignment or non-audit assignment needs to be challenged or evaluated in reaching audit conclusions.;
- iii. Advocacy threats**, which may occur when a professional accountant promotes a position or opinion to the point that subsequent objectivity may be compromised; it arises from the apparent threat to objectivity if the auditor becomes an advocate for a client's position in any adversarial proceedings or situations. This may appear to be incompatible with objectivity.
- iv. Familiarity threats**, arises from the risk that the auditor may become overinfluenced by the personalities and qualities of the directors and management and become too sympathetic to their interests. Alternatively the auditor may become too trusting of management representations so as to be inadequately

rigorous in testing them. It may occur when, because of a close relationship, a professional accountant becomes too sympathetic to the interests of others; and

- v. **Intimidation threats**, which may occur when a professional accountant may be deterred from acting objectively by threats, actual or perceived. This may arise from the possibility that the auditor may become intimidated by threat, by dominating personality, or by other pressures, actual or feared, by a director or manager or by some other party.

Safeguards that may eliminate or reduce such threats to an acceptable level fall into two broad categories:

- (a) Safeguards created by the profession, legislation or regulation; and
- (b) Safeguards in the work environment.

Safeguards created by the profession, legislation or regulation include, but are not restricted to:

- i. Educational, training and experience requirements for entry into the profession.
- ii. Continuing professional development requirements.
- iii. Corporate governance regulations.
- iv. Professional standards.
- v. Professional or regulatory monitoring and disciplinary procedures.
- vi. External review by a legally empowered third party of the reports, returns, communications or information produced by a professional accountant.

Certain safeguards may increase the likelihood of identifying or deterring unethical behaviour. Such safeguards, which may be created by the accounting profession, legislation, regulation or an employing organization, include, but are not restricted to:

- i. Effective, well publicized complaints systems operated by the employing organization, the profession or a regulator, which enable colleagues, employers and members of the public to draw attention to unprofessional or unethical behaviour.
- ii. An explicitly stated duty to report breaches of ethical requirements.

5.5.2 Ethical Conflict Resolution

In evaluating compliance with the fundamental principles, a professional accountant may be required to resolve a conflict in the application of fundamental principles. When initiating either a formal or informal conflict resolution process, a professional accountant should consider the following, either individually or together with others, as part of the resolution process:

- i. Relevant facts;
- ii. Ethical issues involved;
- iii. Fundamental principles related to the matter in question;
- iv. Established internal procedures; and
- v. Alternative courses of action.

5.6 PROFESSIONAL SKEPTICISM AND REASONABLE ASSURANCE

Skepticism occurs when there is doubt on the information received. professional skepticism as an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence. They explicitly require the auditor to plan and perform an audit with professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated. Like other concepts fundamental to auditing, it is difficult for a single definition to capture fully the meaning of professional skepticism. Further, there is no single way in which professional skepticism can be demonstrated. Nevertheless, the ISA definition describes important elements that help in the understanding of what professional skepticism means. As an attitude, professional skepticism is fundamentally a mindset. A skeptical mindset drives auditor behaviour to adopt a questioning approach when considering information and in forming conclusions. In this regard, professional skepticism is inseparably linked to the fundamental ethical principles of objectivity and auditor independence. The auditor's independence enhances the auditor's ability to act with integrity, be objective and maintain an attitude of professional skepticism. Thus, professional skepticism refers to consistent skeptic attitudes and suspicious of individuals over their judgments until sufficient information or evidence is obtained (Hurt, 2010).

Due professional care requires the auditor to exercise *professional skepticism*. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. The auditor uses the knowledge, skill, and ability called for by the profession of public accounting to diligently perform, in good faith and with integrity, the gathering and objective evaluation of evidence.

Gathering and objectively evaluating audit evidence requires the auditor to consider the competency and sufficiency of the evidence. Since evidence is gathered and evaluated throughout the audit, professional skepticism should be exercised throughout the audit process.

The auditor neither assumes that management is dishonest nor assumes unquestioned honesty. In exercising professional skepticism, the auditor should not be satisfied with less than persuasive evidence because of a belief that management is honest.

5.6.1 How to enhance the awareness of professional skepticism and its application

Professional skepticism within the engagement team is also influenced both by the actions of the firm's leadership and the engagement partner, and by the culture and business environment of the firm.

Firm Level:

- a. Establishing policies and procedures designed to promote an internal culture recognizing that quality is essential in performing engagements.
- b. Promoting a quality-oriented internal culture through clear, consistent and frequent actions and messages from all levels of the firm's management. This may be communicated by, but not limited to, training seminars, meetings, formal or informal dialogue, mission statements, newsletters, or briefing memoranda
- c. Establishing policies and procedures designed to provide the firm with reasonable assurance that it has sufficient personnel with the necessary competence, capabilities and commitment to ethical principles.

- d. Developing and implementing internal training and continuing education programs for all levels of the firm's personnel.

Engagement Level

At the engagement level, the engagement partner is required to take responsibility for the overall quality on each audit engagement to which that partner is assigned. The actions of the engagement partner and appropriate messages to the other members of the engagement team emphasize that quality is essential in performing audit engagements and the importance to audit quality of, for example, the engagement team's ability to raise concerns without fear of reprisals and in issuing auditor's reports that are appropriate in the circumstances.

- a. The direction, supervision and performance of the audit engagement.
- b. Reviews of work performed. In this regard, the engagement partner, in particular, has much knowledge and experience to impart in helping less experienced team members develop a critical and questioning mind through review of, among other matters, critical areas of judgment and significant risks.
- c. The engagement team undertaking appropriate consultation on difficult or contentious matters and that the conclusions reached from such consultations have been implemented.

5.6.2 Importance of Professional Skepticism

- a. Accounting estimates, including fair value accounting estimates, and related disclosures
 - For example, when evaluating the reasonableness of the significant assumptions used by management for accounting estimates that give rise to risks to significant risks

- b. Going concern – by evaluating management’s plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management’s plans are feasible in the circumstances.
- c. Related party relationships and transactions – such as when the remaining alert during the audit for information that may indicate previously unidentified or undisclosed related party relationships or transactions; and in the context of identified significant transactions outside the entity’s normal course of business
- d. Consideration of laws and regulations – For example, when remaining alert while performing other audit procedures for instances of non-compliance or suspected non-compliance with those laws or regulations that may have a material effect on the financial statements or that have a fundamental effect on the operations of the entity causing it to cease operations, or call into question its continuance as a going concern.

5.7 THE ETHICS OF MANAGERIAL ACCOUNTING AND REASONS USED TO JUSTIFY UNETHICAL

1. Poor Working Condition

Where the employer fails to provide the needed comfortable working environment, they employer may justify his/her unethical conduct in that regards. They may say that, if they can not provide me with good working condition, I need to do less or be involved in unethical activities to compensate for the unfriendly working condition. Such as absconding from work and taking every opportunity to leave their duty post there by wasting productive hours doing nothing.

2. Pressure to Succeed

Employees may choose to act unethically based on unrealistic expectations to succeed. For example, a salesperson may make false claims to secure a deal to meet their quota. With Wells Fargo, employees opened up fake accounts and credit cards in their client's name to make quota. The quota, however, was unrealistic and almost impossible to make without cutting corners. In order to keep in good standing with their managers and keep their jobs, employees may make unethical decisions.

To help combat this notion, managers should discuss their job performance expectations with employees and any specific challenges employees face meeting these goals. They might discover that they need to change the quotas or provide the employee with additional resources-but they won't know until they ask.

2. Employees Are Afraid to Speak Up

Another reason employees don't report unethical behaviour is that they are fearful of the consequences. For one, employees may fear retaliation from their coworker who they are reporting. The employee might also fear getting a bad reputation among his or her coworkers. On top of this, many employees are don't know how their supervisor will react. They fear they may get demoted or fired if their supervisor doesn't believe their claim.

To relieve their fears, consistently reassure your employees that retaliation for speaking up is against company policies. Encourage managers to communicate with their employees about potential violations.

3. Lack of Training

Many organizations make the mistake of assuming their employees understand which behaviours are unethical. Employees may not know an activity they see on a daily basis is unethical or illegal. For example, an employee may not know that giving a potential client tickets to a sporting event could constitute a bribe.

Training employees on what behaviours are unethical can help lower your organization's risk. Moreover, training can also help employees determine what actions to take if they witness unethical behaviour.

4. There's No Policy for Reporting

Employees also need to know how to report potential ethics violations. Having a policy in place helps keep the information from falling into the wrong hands. For instance, if your organization's process is to go straight to HR, this prevents the employee from first going to his boss. Also, some employees may wish to stay anonymous. An anonymous drop off or hotline for employees to call and report violations or suspicions can ensure you discover most violations.

5. Managers Setting Bad Examples

Many instances of unethical behaviour stem from the examples set by the employee's manager. Managers should always be conscious of their actions and how employees view them. For example, a manager may lie to a customer about a contract. If the employee witnesses this, they may assume they are free to do the same. Employees may also become scared to defy

their manager in fear of losing their job. They may also avoid reporting unethical behaviours in fear of repercussion.

Make sure your managers are aware of their responsibilities for preventing unethical behaviour. It's also important to ensure you hold them accountable for violations.

5.8 BEHAVIOURS

Measuring behaviour on a regular basis can provide a great deal of information. Thus, understanding of human behaviour on a regular basis can provide a great deal of information. Thus, understanding of human behaviour is important in work environment as it guide how we relate with people in our everyday life. To understand the behaviour of a person we have to understand what that person will do if something happens.

Behaviour is every action by a person that can be seen or heard. Behaviour must be defined in a way that is both observable and measurable so that everyone working with the child has a good understanding of what the behaviour looks like and sounds like (Alberto & Troutman, 2003).

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5.8.1 The understanding of human behaviours

1. Molecular and Moral Behaviour

Molecular Behaviour: It is an unexpected behaviour that occurs without thinking. One example is suddenly closing eyes when something is about to hit the eyes.

Moler Behaviour: Unlike molecular behaviour, this type of behaviour occurs after thinking. For example, a person changes the way when she or he sees a harmful thing.

2. Overt & Covert Behaviour

Overt Behaviour: It is a visible type of behaviour that can occur outside of human beings. Eating food, riding on a bicycle, and playing football are some examples.

Covert Behaviour: Unlike overt behaviour, this type of behaviour is not visible. Thinking is a good example of covert behaviour because no one can see us thinking.

3. Voluntary and Involuntary Behaviour

Voluntary Behaviour: It is a type of behaviour that depends on human want. We can characterize walking, speaking, and writing as voluntary behaviours.

Involuntary Behaviour: Unlike voluntary behaviour, this type occurs naturally and without thinking. Breathing air is a perfect example of involuntary behaviour.

5.8.2 Popular Types of Personalities

An important research study in human behaviour has classified human personality into four types –‘optimistic’, ‘pessimistic’, ‘trusting’ and ‘envious’.Unfortunately, envious is the most common type. According to experts, more than 90% of individuals can be classified under these categories. There seems to be some balance in different personality types.

1. Optimistic:

An optimistic person stays hopeful in all situations and keeps trying no matter how hard circumstances get. Furthermore, these people can be pessimistic in some situations.

2. Pessimistic:

A pessimistic person may doubt everything around his or her. Moreover, these people can be optimistic in some situations.

3. Trusting: One of the major traits of trusting people is to trust others is that these class of people do not need a major reason to believe others. There are situations when these people may not trust people.

4. Envious: The number of people having this kind of personality varies from society to society. Envious people do not want to see other people succeed especially where they were not part of the success. They are not always like this; they can be supportive as well.

It is important to mention that a single person may become optimistic, pessimistic, envious, and trusting. It is due to the reason that these traits exist in all human beings. The people who are able to easily trust others are known as trusting so on and so forth.

Consider contacting a mental health expert if you want to overcome a mental problem.

Overt Behaviour: This behaviour is such an obvious act or behaviour. It is a behaviour that is observable by people. Based on my research, the perfect example of person that has its is a **racist**. Racists have no trouble of expressing their feelings, views and thoughts. What they have in mind, they speak openly. Overt Behaviour may include walking, singing and other examples of bodily actions.

Covert Behaviour: Opposite of overt behaviour, covert behaviour is a type of behaviour that is an unobvious manner and a type of behaviour that is being disguised and secret. It is any kind

of action that can't be easily observed by other people. This behaviour includes lying, praying, thinking and dreaming as an example of covert behaviour.

Conscious Behaviour: Is a type of behaviour is conscious or aware. It is an action you do from what you really wanted to do. Example of this is making breakfast. You make and eat breakfast because you are hungry. It is like you know what you're doing or action with purposive conduct.

Unconscious Behaviour: A type of behaviour where the person is unaware of what he's doing. It is because of the automatic response of the body such as breathing and the beating of our hearts. Unconscious behaviour is doing anything without thinking of any motivation because it is automatically done. Screaming because of cockroaches, spiders or females are like examples of unconscious behaviour.

Rational Behaviour: A type of behaviour that is reasonable and used to explain the choices that people make with regards to achieving satisfaction. It is like, people would rather be better off or have more than less. For example, a person is more likely to buy an item at a lower price like items on sale because they believe it is better.

Irrational Behaviour: It is defined as unreasonable behaviour or having no clear objective or meaning. Example of this based of what I've red is, you want to have a good day yet you punch the mailman in the face. It is senseless and meaningless.

Voluntary Behaviour: Behaviour that a person is naturally contributed to an action. It also means that you have a free will and able to make a decision to take a specific action. Taking a walk down the street is an example of voluntary behaviour.

Involuntary Behaviour: Behaviour that can't be controlled over. Example of this is when being emerged into bright sunlight from a dark place, we usually blink several times often without even knowing it.

5.9 BLOWING THE WHISTLE

The 2007–2008 global financial crisis re-awakened the world to the need for a crackdown on corporate corruption. Since then, governments and multi-national institutions have put political momentum behind combatting bribery and corruption. Pressure has increased for greater corporate responsibility and regulation has become tougher on business leaders, in some cases making them personally accountable for corporate ethics failures. A major consequence of this sharpened focus on anticorruption has been that whistleblowing systems have become far more common inside organisations – both in the private and public sectors. In some cases such systems are mandatory.

There are study reports that suggested that companies with whistleblowing services which includes include the possibility of anonymous reporting, suffer smaller losses from fraud. Also, Transparency International, also, stated that whistleblowing is the most effective tool for fighting fraud and corruption.

5.9.1 What is Whistle Blowing

Whistleblowing is when a person closely associated with the organisation, often an employee, but also sometimes a supplier or a customer, observes behaviour or actions that they believe to be misconduct, criminal and not in line with the company's code of conduct, and reports that suspicion. Whistleblowing is a preventive tool to reduce the risks of malpractice and irregularities. It allows organisations to efficiently monitor their policies and business principles,

by obtaining information on irregularities that should be acted upon at an early stage (WhistleB, Whistleblowing Centre, 2017).

5.9.2 Benefits of Whistle Blowing

The following stakeholders benefit from whistle blowing within and outside the organisation:

Compliance/Legal: Whistleblowing system is an effective tool for making sure entities get tips in about misconduct, and it reinforces its compliance policies. It make the system handle each case much more efficiently. It has a built-in process that employees follow, so that cases are being handled sensitively, consistently and in a compliant manner.

The Board: As members of the board, transparency and good governance is our number one priority. At the end of the day it's our responsibility to ensure that the management team creates an environment, a structure and a culture that reduces risk and enhances transparency. A whistleblowing system is an effective tool in that regard. If we receive a lot of reports then this would indicate that there's something very wrong in the walls of the organisation. If we receive nothing, no reports at all, then I'd say that the whistleblowing system is doing its job in preventing or reducing the risk of misconduct.

Employees: I am so relieved that my company has a whistleblowing service. I mean, sometimes I see things going on, but I'm not sure they are "wrong". When the whistleblowing system was introduced we all received training in how to use it. At the same time we had to re-read our company code of conduct, and have training on anti-corruption. It was good to understand how it all fits together and I also felt really proud that the company I work for doesn't tolerate unethical behaviour. Obviously, I hope I'll never have to use it, but just knowing it's there is a comfort. In the training we were told that the system is completely anonymous, and that I can

report in my own language. I can also report from my mobile phone if I want. I would hate to have to sneak around trying to work out how to report a colleague, or worse, my boss.

Investors/shareholders: I want my investment to be protected – it’s fairly simple. If there’s fraud going on inside the organisation, then I want it to be stopped as soon as possible, before the financial losses impact a wider group of people than necessary. I see the organization’s whistleblowing system as an important way to receive critical information early in the “economic crime” process.

Managing Director: No management team wants a crisis on their hands. As the Managing Director, I have to do everything I can to reduce the kind of crisis that is caused by my own employees, on behalf of all my stakeholders. Our whistleblowing system is very important for that. When we receive an early warning tip from a whistleblower, there is a much greater chance we can address it internally, or with expert help, and limit reputational damage considerably. But it is not just about the financial and crisis element. We are very serious about being a sustainable, ethical company full of people with integrity. This is the responsibility of everybody in the organisation. Our code of conduct explains what that looks like, our corporate culture enables right action and behaviour, and the whistleblowing system reinforces it all. It shows our people that we are serious and reminds them that when it comes to misconduct, we all have an impact – be that negative or positive.

Human Resources: Sometimes reports come in through the whistleblowing system, about something that is wrong in the organisation, in the eyes of the whistleblower. But it is not really a whistleblowing case. However, it is clearly something that is important to the sender of the report, something they are very unhappy about, or uncertain about, like an ethical dilemma.

The fact that we receive a report opens up an opportunity for dialogue with them. In Human Resources we take these kinds of reports seriously, we might otherwise never get to know about these issues. It helps us build trust with employees and even improve some of the HR related matters in the organisation.

Supplier: I know that corporate social responsibility is really important for one of my very big customers. When I first started working with them, they sent me their CSR guidelines, and explained that it was relevant to me too as they only wanted to work with companies that shared their values, throughout their entire supply chain. They also backed this up by giving me access to their whistleblowing system. I was not really sure what I would need to look for, but they gave me some training on classic signs that indicate fraud might be at play. I really appreciate this as I can apply it to other customers, and I am proud to be part of an ecosystem that does not tolerate corruption.

Customer: At first, I was surprised when I was offered access to the reporting part of my supplier's whistleblowing service. Then their compliance officer explained to me that they really took their corporate ethics seriously, both inside and outside the organisation. For example, my suppliers have zero-tolerance for bribery, but of course they would not be aware of their own salespeople being guilty of it, say for winning new business, unless we as customers told them. They shared their code of conduct with me, and now I have a link to their system if ever I suspect behaviour that I think goes against it. It is admirable. This feels like a responsible supplier to work with.

MODULE 6

6.0 PROFESSIONAL WORK ENVIRONMENT

6.1 LEARNING OUTCOME

On successful completion of this module readers are expected to understand and explain the following:

- Professional ethics
- Professional behaviour and compliance with ethical standards
- Concepts of independence and skepticism
- Ethics and law, including the relationship between laws, regulations and the public interest
- Compliance with the fundamental ethical principles
- ANAN Code of Professional Ethics
- IFAC International Code of Ethics for Professional Accountants

6.2 INTRODUCTION

A professional work environment is one that results in a workplace full of highly competent, respectful, mature, and accountable employees working towards a common goal. In other words, they look, act, and sound like professionals.

6.2.1. 6 Tips to Creating A Professional Work Environment

1. Set a Good Example

In all businesses, the upper management sets the tone for the employees. So before you tell your employees to act professional, they should see that you are a professional. It's important to lead by example.

Remember—even if you are on good terms with your employees, during working hours you are their boss, not their friend. Avoid conversations about relationships, alcohol or anything else that could be misconstrued. Additionally, make sure to complete your work in a timely manner and set reasonable deadlines for your employees to follow

- ▶ If you can't act professional, why should your employees.

2. **Enforce a Business Dress Code**

- ▶ Everyone loves casual Fridays or jean days in the office. However, if you want your employees to act professional, they should look the part during working hours.
- ▶ The mantra “dress for success” isn't just some silly phrase—when you're dressed better, you feel more confident and ready to take on the day. Wearing business-casual attire or something nicer shows that you take your job seriously and you're ready to meet with any potential clients or upper management that could be in the building that day.

3. **Separate Break area from Work area**

Breaks are a normal aspect of the work day—there is no way your employees are going to work eight hours straight for five days a week. You should let your employees take 10- to 15-minute breaks as needed.

However, you should remind your employees that if they want to take a break, it should be in an area away from where everyone else is working. Having a small break room or allowing employees to go outside can serve many functions—the employee can get away from work for a little bit and the rest of your employees won't get distracted by the person who isn't working.

Let work get done in the work area and let your employees relax in the break area.

4. Set Team Goals

There's nothing worse than feeling like you've spent the day doing nothing, especially if you're in the office. Having set goals gives your employees something to strive for each day. Planning objectives for the day or the week will give them something to work for, rather than sitting around waiting to be told to complete something.

Not only will setting goals keep your employees busy, it will also force them to keep a professional attitude during the day. Instead of goofing off because there's nothing to do, they can complete work and be more valuable to the company

5. Encourage Communication

While you and your employees should not be discussing personal information—such as salary, relationships and anything else that could be deemed inappropriate – you should still encourage your employees to communicate if there are problems or if they have questions about something. Addressing issues is all part of being a professional adult, and it's up to management to explain how to do that.

There are six different work environment types that suit different kinds of people and occupations:

To feel satisfied and be productive in your career, It is important that your working environment suits your personality type. Professional environments should provide a positive atmosphere marked by effective communication, adequate resources and opportunities for career development. They should also be conducive to the type of worker you are, your

personality and values. In this article, we provide an overview of six different work environments and the kind of people and jobs that are best suited to each.

6.2.2 What type of work environment do you prefer?

The term “work environment” refers to a culmination of many different factors and elements that together characterize your work conditions. Elements that make up your work environment include:

- **Hours:** Your work environment includes your working hours. For instance, your job may be the regular nine-to-five type or it may have more flexible job hours. Moreover, you could be paid for overtime work and/or have lunch breaks.
- **Company culture:** A company’s culture is also part of a work environment. For instance, some companies have a formal culture and expect workers to dress in suitable work attire and follow strict protocols, whereas others allow employees to dress more casually and grant them more freedom in the execution of their duties.
- **Benefits:** Your work environment also includes benefits, such as the amount of paid holiday time you receive, as well as sick leave.
- **People:** Managers and coworkers play a huge role in determining the type of work environment. Positive and happy people create a supportive and positive work environment, whereas negativity and self-centered people tend to create toxic workspaces.
- **Career development:** Another important factor that contributes to your work environment is to what extent you can grow as a professional in your job. Some

companies afford their personnel many opportunities for career development, whereas other companies may expect you to take responsibility for your own professional growth.

- **Workspace:** Your workspace is also part of your work environment and may range from an office cubicle, a private office space or working remotely from home.

1. The Conventional Work Environment.

The conventional work environment is highly-structured and organized, and includes systematic activities, such as working with data and numbers. This kind of environment is characterized by routine, stability, tradition and well-defined rules and procedures. People who gravitate to this environment are typically neat, well-organized and prefer to follow directions. This work environment typically involves working in an office and regular hours. An occupation that is well-suited to the convention work environment is a receptionist

2. The Enterprising Work Environment

The enterprising work environment is focused on the achievement of organizational and financial goals and typically includes activities like persuasion, management and sales. Such an environment is characterized by competition, achievement, power, money and competition and may involve activities like sales and management. People who thrive in this kind of work environment are normally outgoing, ambitious and assertive. This work environment includes working in a corporate or business environment or working in the retail industry. A job that is compatible with this environment is: Sales manger

3. The Social Work Environment

The social work environment is people-focused and involves activities that revolve around teaching, guiding, healing and understanding people. As this social work environment involves a

lot of social interaction, it attracts people who enjoy social interaction and are motivated by helping others. To do well in such an environment, you need to have excellent communication, verbal and interpersonal skills. This kind of environment may include working in an office, doing fieldwork, consulting with clients, teaching at a school or college or working in a hospital. A job that falls into this category is: Social worker

4. The Artistic Work Environment

The artistic work environment is unsystematic and emphasizes freedom of expression, creativity, aesthetics, imagination and originality. This environment is characterized by freedom and lack of structure and rules. People who are drawn to this kind of environment are normally unconventional, free-spirited, intuitive and self-directed. This work environment may involve theater productions, music performance, design work, writing, and the creation of art. An example of a job that falls into this category is: Fashion Designer.

5. The Investigative Environment

The investigative environment is focused on math and science and involves problem-solving and creative and abstract thinking. As is the case with the artistic work environment, this environment is unstructured and encourages independence and freedom of thought and action. People who do well in such an environment are innovative thinkers who prefer working with their minds rather than engaging in practical and physical tasks. This environment includes working in laboratories; computer programming; doing statistical, science or mathematical work and archeology. An example of a job in this category is an investigative research scientist.

6. The Realistic Environment

The realistic environment is focused on manual work that involves using tools, instruments and instruments and could also involve animals, plants and working outdoors. People who enjoy working with their hands and focusing on the present, do well in this environment. This environment includes mechanic, engineering and technical jobs that could involve working on-site, in workshops or doing call-out work. An example of a job in this environment is: Plumber.

7. Corporate Environment

A corporate environment is hard to define, but operates in any office where you are accountable to more than one person for your actions.

Many a job has been ruined by the restrictions placed down by a so-called corporate environment. Firms that operate this kind of culture will normally be the larger firms, and ones that work on a large scale.

People often find corporate environments very impersonal, as you will have you will normally have to be answerable for your actions to a number of your seniors.

Everyone has office politics, but in reality it can mean the difference between a happy or unhappy workplace.

Surviving the Corporate Environment: 8 Unwritten Rules To Guide Your Success

- ▶ Stay away from gossip.
- ▶ Keep a work-life balance.
- ▶ Do not complain.
- ▶ Observe.

- ▶ Don't step on any toes.
- ▶ Maintain the boundaries between personal and professional relationships.
- ▶ Leave your ego at home.
- ▶ Work hard

6.3 PROFESSIONAL BEHAVIOUR AND COMPLIANCE WITH ETHICAL STANDARD

Professional behaviour is a form of etiquette in the workplace that is linked primarily to respectful and courteous conduct. Many organisations will have a formal code of professional conduct in place, but many do not. Believe it or not, professionalism and ethical behaviour can benefit your career and improve your chances of future success.

Being conscious of how you treat co-workers and clients, and ensuring a positive workplace attitude can help you to improve your productivity and effectiveness in the workplace. In general, professional behaviour comes down to ethics and dedication. Although possessing the necessary skills to do your job effectively is essential, having an understanding of what constitutes professional behaviour will help you develop your own high standard of work habits that could contribute to future career success.

6.3.1 12 TIPS TO PROFESSIONAL BEHAVIOUR

- ▶ **1. Honesty:** always act openly. Never share confidential, privileged or client information unnecessarily, and don't tolerate or justify dishonest conduct by others. Report any conflicts of interest immediately.
- ▶ **2. Respect:** maintain a respectful attitude to others at all times, even during stressful times. Don't lash out at colleagues or disrespect anyone (senior or otherwise). Always

use appropriate language (verbally and in writing) and don't swear. Apologise for errors or misunderstandings, and keep your personal opinions of others private.

- ▶ **3. Meetings:** arrive on time and be prepared by reviewing the agenda or meeting notes in advance. Make contributions to discussions where appropriate, and don't take over when someone else is trying to talk. Respect the meeting convenor or chair, follow the appropriate format, and ask considerate questions.

- ▶ **4. Communication:** speak clearly and in language others can easily understand, act courteously and use good manners when engaging with others. Follow any company guidelines regarding content, read information provided before asking questions, listen to others when they are talking or explaining, and don't engage in office gossip. Be careful of language and tone in written communications, and don't copy in others unnecessarily when emailing (but don't intentionally exclude others either).

- ▶ **5. Time Management:** don't be late to work, instead arrive a few minutes early to settle, get your coffee and greet co-workers. Follow lunch and break schedules by leaving and returning on time. At the beginning of every day, review your schedule so you know what time you have to be where, and what workload you have on that day.

- ▶ **6. Integrity:** act ethically and do the 'right' thing at all times, always report suspicious people in the office, misconduct, or other violations of company policy. Remain impartial keeping any personal bias and intolerances out of the workplace.

- ▶ **7. Safety:** understand the company safety policy and report any maintenance or other hazards immediately.

- ▶ **8. Corporate Goals:** have an understanding of your company's missions, goals and objectives and the role that you play in achieving those.

- ▶ **9. Dress:** dress in clean, appropriate clothing. Follow any dress code standards or guidelines and if there aren't any, avoid clothing that is revealing, provocative, or includes offensive language or pictures.

- ▶ **10. Accountability:** take responsibility for your work and actions, do what needs to be done, and don't leave it for others. Be honest if things go wrong, or you don't finish something on time, then work out an effective resolution to move forward. Seek help early if you need it.

- ▶ **11. Teamwork:** you often need to work with people that you may not necessarily like. Set aside differences to work well with others since teamwork sometimes even outweighs performance – with people who work well with others often advancing based on that aspect.

- ▶ **12. Commitment:** dedication and a positive action to your role and the organisation can carry you a long way. Plus, dedication from employees is often contagious with others being inspired to go the extra effort themselves.

Essentially, being professional is about giving your best at all times. Think about how your behaviour will be perceived by others and make sure to understand and follow company codes of conduct where they exist.

Examples of professional Behaviour include, but are not limited to:

- Showing compassion for others.
- Responding appropriately to the emotional response of patients and family members.
- Demonstrating respect for others.
- Demonstrating a calm.
- compassionate, and helpful demeanor toward those in need;
- Being supportive.

6.3.2 THE 10 CHARACTERISTICS OF PROFESSIONALISM

There is nothing quite like being treated professionally. If you want to build a legacy or leave a lasting impression on your customers, suppliers, industry peers or any other internal or external stakeholder in your business, all you have to do is focus on your professionalism.

With the proliferation of small businesses, one-man-bands and the relaxation of business formalities, a professional edge is now only really evident in the upper echelons of corporate business.

Being professional is about having strong skills and competence in your chosen field. There is a certain obvious expectation that you would have the experience and qualification to deliver your product or service. But this alone is not enough to earn the respect of your customers.

Professionalism is also about the qualities and behaviours you exhibit, and the manner in which you conduct yourself during your business affairs.

True professionals possess a number of important characteristics that can apply to virtually any type of business.

Appearance

A professional is neat in appearance. Be sure to meet or even exceed the requirements of your company's dress code, and pay special attention to your appearance when meeting with prospects or clients, and take your cue from the way they dress.

Demeanour

Your demeanour should reflect confidence but not cockiness. Be polite and well-spoken whether you're interacting with customers, superiors or co-workers. Just because you are the expert in a field, does not earn you the right to treat your customers like ignorant idiots. On the other end of the spectrum, just because you are a warm and friendly person does not mean you can call your new customer "sweetie".

Reliability

As a professional, you will be counted on to find a way to get the job done. Responding to people promptly and following through on promises in a timely manner is also important, as this demonstrates reliability. It's about meeting expectations, which requires effective communication skills. Never assume. Clarify everything, especially when things change, to make sure you are always on the same page as your customer, and to eliminate nasty surprises.

Competence

Professionals strive to become experts in their field, which sets them apart from the rest of the pack. This can mean continuing your education by taking courses, attending seminars and attaining any related professional designations.

Ethics

Professionals such as doctors, lawyers and public accountants must adhere to a strict code of ethics. Even if your company or industry doesn't have a written code, you should display ethical behaviour at all times.

Maintaining Your Poise

A professional must maintain his poise even when facing a difficult situation. When you are challenged or questioned you need to be able to state your case in a calm and structured manner and keep it factual, clean and to the point. This is where people with a high Emotional Intelligence (EQ) gain the most respect. There is nothing like losing your cool or airing personal emotional baggage in a tense situation to destroy your integrity, credibility and reputation.

Phone Etiquette

Your phone etiquette is also an important component of professional behaviour. This means identifying yourself by your full name, company and title when you place a call. Be sure not to dominate the conversation and listen intently to the other party.

Written Correspondence

During written or email correspondence, keep your letters brief and to the point. Your tone should be polite and formal without being "stuffy." Remember that your written correspondence is a paper trail and record of your transactions with your clients, so take care of what you say and how you say it. Use your spell checker! And remember email etiquette 101 - never, ever write in capital letters in an email, no matter how frustrated you are. This only effect this has is on your character.

Organisational Skills

A professional can quickly and easily find what is needed. Your work area should be neat and organised, and your briefcase should contain only what is needed for your appointment or presentation.

Accountability

Professionals are accountable for their actions at all times. If you make a mistake, own up to it and try to fix it if possible. Don't try to place the blame on a colleague. If your company made the mistake, take responsibility and work to resolve the issue. Sometimes a compromise is necessary, you take it on the chin, learn from it and move on. Use an unfortunate opportunity

to gain more respect from the way you handle a mistake or an oversight than if you had not made the mistake at all!

Your customers are not your mates. They are not your siblings. Or your punch bags. These are the very people that provide the income to your business, which pays your salary, which puts food on your table. It's time to bring respect and professionalism back into the business equation, no matter how small or large you are

6.4 THE TOP 5 QUALITIES THAT LEAD TO PROFESSIONALISM

1) Ability to Learn

Every organization has a specific set of knowledge that every employee will need to acquire to be successful at their job. Whether it's learning technical knowledge, specific work processes or how to effectively navigate the organization, being able to acquire it and get up to speed quickly is very desirable to most organizations. It is after the initial learning curve that organizations start to receive a return on their hiring investment. The shorter that curve is (i.e., high ability to learn), the more successful new hires are in their new jobs.

2) Conscientiousness

Conscientiousness is a personality trait encompassing many characteristics desirable to organizations. People who are high in conscientiousness are dependable and reliable. These people are more likely to follow through, work hard, pay attention to details, and plan and organize their tasks. Let's be honest, organizations like employees who work hard for them, show up reliably and those willing to go the extra step to make the organization better.

3) Interpersonal Skills

For most jobs, **you do not need to be an extrovert**, but it is important to get along with others. In many organizations, you will be part of a team. New hires need to work with others on their team and across departments. Sometimes team members disagree; how these disagreements are handled makes a big difference in job performance. Successful employees are typically cooperative, diplomatic and tactful.

4) Adaptability

Things change. Processes change, jobs change, priorities change, markets change, leaders change...things change. It's important for employees to be able to adapt and continue to be effective even when changes are occurring. Organizations are looking for people who can roll with the punches and keep up with the demands of their jobs.

5) Integrity

Honesty. Morality. Virtue. Organizations want to be able to **trust their employees**. They want employees who will not lie, cheat or steal. There is nothing more valuable to organizations than their intellectual property; leaders want new hires who they can trust to not give away company secrets. This also means making the right decisions for the company and looking out for the organization's best interest.

So, if you're on the job market, remember these characteristics; share examples in the hiring process that illustrate how you have displayed these Behaviours in the past. If you are in a position to hire this year's new crop of talent, how do you ensure that you're bringing in people with these traits? Clearly, relying on GPA will not work. Rather, build measures of these traits into your selection system. Measure these traits with validated assessment content and well

developed, structured Behavioural-based interviews. High performing employees possess many desirable characteristics; make sure you're looking for them all.

6.5 ETHICAL STANDARD

Principles that when followed, promote values such as trust, good behaviour, fairness and/or kindness. There is not one consistent set of standards that all companies follow, but each company has the right to develop the standards that are meaningful for their organization. Ethical standards are not always easily enforceable, as they are frequently vague defined and somewhat open to interpretation (men and women should be treated equally, or treat the customer with respect and kindness). Others can be more specify, such as "Do not share the customer's private information with anyone outside of the company.

Ethical standards are a set of principles established by the founders of the organization to communicate its underlying moral values. This code provides a framework that can be used as a reference for decision making processes.

These standards are an important part of an organization's culture. They establish the parameters of Behaviour that owners and top executives expect from employees and also from suppliers, at least to the extent of their relationship with the organization. A corporate governance system will put a lot of effort into communicating and enforcing these principles. This is mostly done through Behaviour modeling, which means that top executives should set the example of how lower-level employees should act.

A few examples of these standards would be responsibility, honesty, transparency or fairness and even though they might be interpreted differently by each person, companies usually describe the founder's perspective of each value to avoid confusions.

These principles should serve also as guidelines for decision-making processes to help employees align their personal criteria with the company's perspectives as different ethical issues arise within normal business activities. This moral "compass" is crucial to maintain unethical Behaviours down to a minimum, mostly in managerial positions.

6.5.1 Example

Top Position LLC is a digital marketing company that advises other businesses to position their products, brands and institutional image within the virtual environment. The company was founded by Robert Johnson, a marketing expert with a vast experience working with Fortune 500 companies. Robert has been struggling with a vague corporate culture that has been established within his company due to the lack of ethical standards.

He didn't have time to think about that at the beginning and now that the company is large it is difficult to implement them. He hired a consultant to help him along the process and together they defined four core values, which are: transparency, punctuality, excellence and honesty. These principles helped the business to increase the healthiness of the work environment and reduced the number of conflicts experienced with both customers and suppliers.

6.5.2 The Benefits and Importance of Ethics in the Workplace

The Ethics Resource Center reports that non-unionized employees perceive stronger ethical cultures within their organizations than their unionized counterparts. The non-profit

organization also reports that young workers are more likely to perceive weak ethical cultures within their companies than older ones. Managers also tend to value stronger ethical cultures than employees in non-management positions. It is your duty as a manager to incorporate and manage a strong ethical culture within your business. Workplace ethics are significant to your business and provide numerous benefits.

Asset Protection

A strong ethical culture within your business is important in safeguarding your assets. Employees who abide by your workplace ethics would be able to protect and respect your business's assets. For example, they would avoid making personal long distance calls using the business's lines. Workers can only respect company property when you treat them with respect and dignity, which makes them feel proud to be working for your business. Ensure that your workers perform in an environment with integrity and strong ethics. It increases employee pride and discourages them from stealing supplies or equipment.

Productivity and Teamwork

Workplace ethics is integral in fostering increased productivity and teamwork among your employees. It helps in aligning the values of your business with those of your workers. Achieving this alignment requires that you encourage consistent dialogue regarding the values of your business, which enhances community, integrity and openness among employees. Ethics enable your workers to feel a strong alignment between their values and those of your business. They show such feelings through increased productivity and motivation.

- **Public Image**

You earn a lot of respect and cultivate a strong image in the public domain when you make ethical choices. For instance, you can fulfill your corporate social responsibility by reducing waste discharge from your business. The public would consider your business to be operating with honor and integrity while valuing people over profits. Building a strong public image through ethical conduct also earns you more clients. Customers would develop trust in you and do business with your organization.

- **Decision-Making**

Ethical conduct in the workplace encourages a culture of making decisions based on ethics. It also enhances accountability and transparency when undertaking any business decisions. During turbulent times, a strong ethical culture guides you in managing such conflicts by making the right moves. It can help you to introduce change successfully in your organization, which can be a challenge. Ethical conduct within the business sensitizes you and your staff on how to act consistently even in difficult times.

6.5.3 Five Sources of Ethical Standards

- **The Utilitarian Approach** Some ethicists emphasize that the ethical action is the one that provides the most good or does the least harm, or, to put it another way, produces the greatest balance of good over harm. The ethical corporate action, then, is the one that produces the greatest good and does the least harm for all who are affected -- customers, employees, shareholders, the community, and the environment. Ethical warfare balances the good achieved in ending terrorism with the harm done to all parties through death, injuries, and destruction. The utilitarian approach deals with consequences; it tries both to increase the good done and to reduce the harm done.

- **The Rights Approach** Other philosophers and ethicists suggest that the ethical action is the one that best protects and respects the moral rights of those affected. This approach starts from the belief that humans have a dignity based on their human nature per se or on their ability to choose freely what they do with their lives. On the basis of such dignity, they have a right to be treated as ends and not merely as means to other ends. The list of moral rights, including the rights to make one's own choices about what kind of life to lead, to be told the truth, not to be injured, to a degree of privacy, and so on, is widely debated; some now argue that nonhumans have rights too. Also, it is often said that rights imply duties -- in particular, the duty to respect others' rights.
- **The Fairness or Justice Approach** Aristotle and other Greek philosophers have contributed the idea that all equals should be treated equally. Today we use this idea to say that ethical actions treat all human beings equally -- or if unequally, then fairly, based on some standard that is defensible. We pay people more based on their harder work or the greater amount that they contribute to an organization, and say that is fair. But there is a debate over CEO salaries that are hundreds of times larger than the pay of others; many ask whether the huge disparity is based on a defensible standard or whether it is the result of an imbalance of power and hence is unfair.
- **The Common Good Approach** The Greek philosophers have also contributed the notion that life in community is a good in itself and our actions should contribute to that life. This approach suggests that the interlocking relationships of society are the basis of ethical reasoning and that respect and compassion for all others -- especially the vulnerable -- are requirements of such reasoning. This approach also calls attention to

the common conditions that are important to the welfare of everyone. This may be a system of laws, effective police and fire departments, health care, a public educational system, or even public recreation areas.

- **The Virtue Approach** A very ancient approach to ethics is that ethical actions ought to be consistent with certain ideal virtues that provide for the full development of our humanity. These virtues are dispositions and habits that enable us to act according to the highest potential of our character and on behalf of values like truth and beauty. Honesty, courage, compassion, generosity, tolerance, love, fidelity, integrity, fairness, self-control, and prudence are all examples of virtues. Virtue ethics asks of any action, "What kind of person will I become if I do this?" or "Is this action consistent with my acting at my best?"

6.6 LAW AND ETHIC

6.6.1 What is Law?

Law is commonly understood as a system of rules that are created and enforced through social or governmental institutions to regulate Behaviour, although its precise definition is a matter of longstanding debate. It has been variously described as a science and the art of justice. State-enforced laws can be made by a collective legislature or by a single legislator, resulting in statutes, by the executive through decrees and regulations, or established by judges through precedent, normally in common law jurisdictions. Private individuals can create legally binding contracts, including arbitration agreements that may elect to accept alternative arbitration to the normal court process. The formation of laws themselves may be influenced by a constitution, written or tacit, and the rights encoded therein. The law

shapes politics, economics, history and society in various ways and serves as a mediator of relations between people.

Legal systems vary between countries, with their differences analysed in comparative law. In civil law jurisdictions, a legislature or other central body codifies and consolidates the law. In common law systems, judges make binding case law through precedent, although on occasion case law may be overturned by a higher court or the legislature. Historically, religious law influenced secular matters, and is still used in some religious communities. Sharia law based on Islamic principles is used as the primary legal system in several countries, including Iran and Saudi Arabia.

Law's scope can be divided into two domains. Public law concerns government and society, including constitutional law, administrative law, and criminal law. Private law deals with legal disputes between individuals and/or organisations in areas such as contracts, property, torts/delicts and commercial law. This distinction is stronger in civil law countries, particularly those with a separate system of administrative courts; by contrast, the public-private law divide is less pronounced in common law jurisdictions.

Law provides a source of scholarly inquiry into legal history, philosophy,¹ economic analysis and sociology. Law also raises important and complex issues concerning equality, fairness, and justice.

There have been several attempts to produce "a universally acceptable definition of law". In 1972, Baron Hampstead suggested that no such definition could be produced. McCoubrey and White said that the question "what is law?" has no simple answer. Glanville Williams said that the meaning of the word "law" depends on the context in which that word is used. He said that,

for example, "early customary law" and "municipal law" were contexts where the word "law" had two different and irreconcilable meanings. Thurman Arnold said that it is obvious that it is impossible to define the word "law" and that it is also equally obvious that the struggle to define that word should not ever be abandoned. It is possible to take the view that there is no need to define the word "law" (e.g. "let's forget about generalities and get down to cases").

One definition is that law is a system of rules and guidelines which are enforced through social institutions to govern behaviour. In *The Concept of Law* Hart argued law is a "system of rules" Austin said law was "the command of a sovereign, backed by the threat of a sanction"; Dworkin describes law as an "interpretive concept" to achieve justice in his text titled *Law's Empire*; and Raz argues law is an "authority" to mediate people's interests. Holmes said, "The prophecies of what the courts will do in fact, and nothing more pretentious, are what I mean by the law. In his *Treatise on Law* Aquinas argues that law is a rational ordering of things which concern the common good that is promulgated by whoever is charged with the care of the community.^[51] This definition has both positivist and naturalist elements.

6.6.2 Types of Law

Civil law

Civil law is the legal system used in most countries around the world today. In civil law the sources recognised as authoritative are, primarily, legislation—especially codifications in constitutions or statutes passed by government—and custom. Codifications date back millennia, with one early example being the Babylonian *Codex Hammurabi*. Modern civil law systems essentially derive from legal codes issued by Byzantine Emperor Justinian I in the 6th century, which were rediscovered by 11th century Italy. Roman law in the days of the Roman Republic and Empire was heavily procedural, and lacked a professional legal class. Instead a

lay magistrate, *iudex*, was chosen to adjudicate. Decisions were not published in any systematic way, so any case law that developed was disguised and almost unrecognised. Each case was to be decided afresh from the laws of the State, which mirrors the (theoretical) unimportance of judges' decisions for future cases in civil law systems today. From 529–534 AD the Byzantine Emperor Justinian I codified and consolidated Roman law up until that point, so that what remained was one-twentieth of the mass of legal texts from before. This became known as the Corpus Juris Civilis. As one legal historian wrote, "Justinian consciously looked back to the golden age of Roman law and aimed to restore it to the peak it had reached three centuries before. The Justinian Code remained in force in the East until the fall of the Byzantine Empire. Western Europe, meanwhile, relied on a mix of the Theodosian Code and Germanic customary law until the Justinian Code was rediscovered in the 11th century, and scholars at the University of Bologna used it to interpret their own laws. Civil law codifications based closely on Roman law, alongside some influences from religious laws such as canon law, continued to spread throughout Europe until the Enlightenment; then, in the 19th century, both France, with the Code Civil, and Germany, with the Bürgerliches Gesetzbuch, modernised their legal codes. Both these codes influenced heavily not only the law systems of the countries in continental Europe (e.g. Greece), but also the Japanese and Korean legal traditions. Today, countries that have civil law systems range from Russia and Turkey to most of Central and Latin America.

Socialist law

"Socialist law" refers to the legal systems in socialist and formerly socialist states such as the former Soviet Union and the People's Republic of China. Academic opinion is divided on

whether it is a separate system from civil law, given major deviations based on Marxist-Leninist ideology, such as subordinating the judiciary to the executive ruling party.

Common law and equity

In common law legal systems, decisions by courts are explicitly acknowledged as "law" on equal footing with statutes adopted through the legislative process and with regulations issued by the executive branch. The "doctrine of precedent", or stare decisis (Latin for "to stand by decisions") means that decisions by higher courts bind lower courts, and future decisions of the same court, to assure that similar cases reach similar results. In contrast, in "civil law" systems, legislative statutes are typically more detailed, and judicial decisions are shorter and less detailed, because the judge or barrister is only writing to decide the single case, rather than to set out reasoning that will guide future courts.

Common law originated from England and has been inherited by almost every country once tied to the British Empire (except Malta, Scotland, the U.S. state of Louisiana, and the Canadian province of Quebec). In medieval England, the Norman conquest the law varied-shire-to-shire, based on disparate tribal customs. The concept of a "common law" developed during the reign of Henry II during the late 12th century, when Henry appointed judges that had authority to create an institutionalised and unified system of law "common" to the country. The next major step in the evolution of the common law came when King John was forced by his barons to sign a document limiting his authority to pass laws. This "great charter" or Magna Carta of 1215 also required that the King's entourage of judges hold their courts and judgments at "a certain place" rather than dispensing autocratic justice in unpredictable places about the country. A concentrated and elite group of judges acquired a dominant role in law-making under this system, and compared to its European counterparts the English judiciary became highly

centralised. In 1297, for instance, while the highest court in France had fifty-one judges, the English Court of Common Pleas had five. This powerful and tight-knit judiciary gave rise to a systematised process of developing common law.

However, the system became overly systematised—overly rigid and inflexible. As a result, as time went on, increasing numbers of citizens petitioned the King to override the common law, and on the King's behalf the Lord Chancellor gave judgment to do what was equitable in a case. From the time of Sir Thomas More, the first lawyer to be appointed as Lord Chancellor, a systematic body of equity grew up alongside the rigid common law, and developed its own Court of Chancery. At first, equity was often criticised as erratic, that it varied according to the length of the Chancellor's foot. Over time, courts of equity developed solid principles, especially under Lord Eldon. In the 19th century in England, and in 1937 in the U.S., the two systems were merged.

In developing the common law, academic writings have always played an important part, both to collect overarching principles from dispersed case law, and to argue for change. William Blackstone, from around 1760, was the first scholar to collect, describe, and teach the common law.^[98] But merely in describing, scholars who sought explanations and underlying structures slowly changed the way the law actually worked.

Religious law

Religious law is explicitly based on religious precepts. Examples include the Jewish Halakha and Islamic Sharia—both of which translate as the "path to follow"—while Christian canon law also survives in some church communities. Often the implication of religion for law is unalterability,

because the word of God cannot be amended or legislated against by judges or governments. However, a thorough and detailed legal system generally requires human elaboration. For instance, the Quran has some law, and it acts as a source of further law through interpretation,¹ Qiyas (reasoning by analogy), Ijma (consensus) and precedent. This is mainly contained in a body of law and jurisprudence known as Sharia and Fiqh respectively. Another example is the Torah or Old Testament, in the Pentateuch or Five Books of Moses. This contains the basic code of Jewish law, which some Israeli communities choose to use. The Halakha is a code of Jewish law that summarizes some of the Talmud's interpretations. Nevertheless, Israeli law allows litigants to use religious laws only if they choose. Canon law is only in use by members of the Catholic Church, the Eastern Orthodox Church and the Anglican Communion.

Canon law (from Greek *kanon*, a 'straight measuring rod, ruler') is a set of ordinances and regulations made by ecclesiastical authority (Church leadership), for the government of a Christian organisation or church and its members. It is the internal ecclesiastical law governing the Catholic Church (both the Latin Church and the Eastern Catholic Churches), the Eastern Orthodox and Oriental Orthodox churches, and the individual national churches within the Anglican Communion.^[102] The way that such church law is legislated, interpreted and at times adjudicated varies widely among these three bodies of churches. In all three traditions, a canon was originally a rule adopted by a church council; these canons formed the foundation of canon law.

The Catholic Church has the oldest continuously functioning legal system in the western world, predating the evolution of modern European civil law and common law systems.

The 1983 Code of Canon Law governs the Latin Church *sui juris*. The Eastern Catholic Churches, which developed different disciplines and practices, are governed by the *Code of Canons of the Eastern Churches*.^[106] The canon law of the Catholic Church influenced the common law during the medieval period^[107] through its preservation of Roman law doctrine such as the presumption of innocence.

Sharia law

Until the 18th century, Sharia law was practiced throughout the Muslim world in a non-codified form, with the Ottoman Empire's Mecelle code in the 19th century being a first attempt at codifying elements of Sharia law. Since the mid-1940s, efforts have been made, in country after country, to bring Sharia law more into line with modern conditions and conceptions.^{[109][110]} In modern times, the legal systems of many Muslim countries draw upon both civil and common law traditions as well as Islamic law and custom. The constitutions of certain Muslim states, such as Egypt and Afghanistan, recognise Islam as the religion of the state, obliging legislature to adhere to Sharia.^[111] Saudi Arabia recognises Quran as its constitution, and is governed on the basis of Islamic law.^[112] Iran has also witnessed a reiteration of Islamic law into its legal system after 1979.^[113] During the last few decades, one of the fundamental features of the movement of Islamic resurgence has been the call to restore the Sharia, which has generated a vast amount of literature and affected world politics.^[114]

6.7 WHAT IS ETHICS?

6.7.1 What use is ethics?

If ethical theories are to be useful in practice, they need to affect the way human beings behave.

Some philosophers think that ethics does do this. They argue that if a person realises that it would be morally good to do something then it would be irrational for that person not to do it.

But human beings often behave irrationally - they follow their 'gut instinct' even when their head suggests a different course of action.

However, ethics does provide good tools for thinking about moral issues.

6.7.2 Ethics can provide a moral map

Most moral issues get us pretty worked up - think of abortion and euthanasia for starters. Because these are such emotional issues we often let our hearts do the arguing while our brains just go with the flow.

But there's another way of tackling these issues, and that's where philosophers can come in - they offer us ethical rules and principles that enable us to take a cooler view of moral problems.

So ethics provides us with a moral map, a framework that we can use to find our way through difficult issues.

6.7.3 Ethics can pinpoint a disagreement

Using the framework of ethics, two people who are arguing a moral issue can often find that what they disagree about is just one particular part of the issue, and that they broadly agree on everything else.

That can take a lot of heat out of the argument, and sometimes even hint at a way for them to resolve their problem.

But sometimes ethics does not provide people with the sort of help that they really want.

6.7.4 Ethics doesn't give right answers

Ethics doesn't always show the right answer to moral problems.

Indeed more and more people think that for many ethical issues there isn't a single right answer - just a set of principles that can be applied to particular cases to give those involved some clear choices.

Some philosophers go further and say that all ethics can do is eliminate confusion and clarify the issues. After that it's up to each individual to come to their own conclusions.

6.7.5 Ethics can give several answers

Many people want there to be a single right answer to ethical questions. They find moral ambiguity hard to live with because they genuinely want to do the 'right' thing, and even if they can't work out what that right thing is, they like the idea that 'somewhere' there is one right answer.

But often there isn't one right answer - there may be several right answers, or just some least worst answers - and the individual must choose between them.

For others moral ambiguity is difficult because it forces them to take responsibility for their own choices and actions, rather than falling back on convenient rules and customs.

6.8 ETHICS AND PEOPLE

At the heart of ethics is a concern about something or someone other than ourselves and our own desires and self-interest.

Ethics is concerned with other people's interests, with the interests of society, with God's interests, with "ultimate goods", and so on.

So when a person 'thinks ethically' they are giving at least some thought to something beyond themselves.

6.8.1 Ethics as source of group strength

One problem with ethics is the way it's often used as a weapon.

If a group believes that a particular activity is "wrong" it can then use morality as the justification for attacking those who practice that activity.

When people do this, they often see those who they regard as immoral as in some way less human or deserving of respect than themselves; sometimes with tragic consequences.

6.8.2 Good people as well as good actions

Ethics is not only about the morality of particular courses of action, but it's also about the goodness of individuals and what it means to live a good life.

Virtue Ethics is particularly concerned with the moral character of human beings.

6.8.3 Searching for the source of right and wrong

At times in the past some people thought that ethical problems could be solved in one of two ways:

- by discovering what God wanted people to do
- by thinking rigorously about moral principles and problems

If a person did this properly they would be led to the right conclusion.

But now even philosophers are less sure that it's possible to devise a satisfactory and complete theory of ethics - at least not one that leads to conclusions.

Modern thinkers often teach that ethics leads people not to conclusions but to 'decisions'.

In this view, the role of ethics is limited to clarifying 'what's at stake' in particular ethical problems.

Philosophy can help identify the range of ethical methods, conversations and value systems that can be applied to a particular problem. But after these things have been made clear, each person must make their own individual decision as to what to do, and then react appropriately to the consequences.

6.8.4 Are ethical statements objectively true?

Do ethical statements provide information about anything other than human opinions and attitudes?

- Ethical realists think that human beings *discover* ethical truths that already have an independent existence.
- Ethical non-realists think that human beings *invent* ethical truths.

The problem for ethical realists is that people follow many different ethical codes and moral beliefs. So if there are real ethical truths out there (wherever!) then human beings don't seem to be very good at discovering them.

One form of ethical realism teaches that ethical properties exist independently of human beings, and that ethical statements give knowledge about the objective world.

To put it another way; the ethical properties of the world and the things in it exist and remain the same, regardless of what people think or feel - or whether people think or feel about them at all.

6.9 FOUR ETHICAL 'ISMS'

When a person says "murder is bad" what are they doing?

That's the sort of question that only a philosopher would ask, but it's actually a very useful way of getting a clear idea of what's going on when people talk about moral issues.

The different 'isms' regard the person uttering the statement as doing different things.

We can show some of the different things I might be doing when I say 'murder is bad' by rewriting that statement to show what I really mean:

- I might be making a statement about an ethical fact
 - "It is wrong to murder"
 - This is moral realism
- I might be making a statement about my own feelings
 - "I disapprove of murder"
 - This is subjectivism
- I might be expressing my feelings
 - "Down with murder"
 - This is emotivism
- I might be giving an instruction or a prohibition

- "Don't murder people"
- This is prescriptivism

6.9.1 Moral realism

Moral realism is based on the idea that there are real objective moral facts or truths in the universe. Moral statements provide factual information about those truths.

6.9.2 Subjectivism

Subjectivism teaches that moral judgments are nothing more than statements of a person's feelings or attitudes, and that ethical statements do not contain factual truths about goodness or badness.

In more detail: subjectivists say that moral statements are *statements about the feelings, attitudes and emotions* that that particular person or group has about a particular issue.

If a person says something is good or bad they are telling us about the positive or negative feelings that they have about that something.

So if someone says 'murder is wrong' they are telling us that they disapprove of murder.

These statements are true if the person does hold the appropriate attitude or have the appropriate feelings. They are false if the person doesn't.

6.9.3 Emotivism

Emotivism is the view that moral claims are no more than expressions of approval or disapproval.

This sounds like subjectivism, but in emotivism a moral statement doesn't *provide information about the speaker's feelings* about the topic but *expresses those feelings*.

When an emotivist says "murder is wrong" it's like saying "down with murder" or "murder, yecch!" or just saying "murder" while pulling a horrified face, or making a thumbs-down gesture at the same time as saying "murder is wrong".

So when someone makes a moral judgement they *show* their feelings about something. Some theorists also suggest that in expressing a feeling the person *gives an instruction* to others about how to act towards the subject matter.

6.9.4 Prescriptivism

Prescriptivists think that ethical statements are instructions or recommendations.

So if I say something is good, I'm recommending you to do it, and if I say something is bad, I'm telling you not to do it.

There is almost always a prescriptive element in any real-world ethical statement: any ethical statement can be reworked (with a bit of effort) into a statement with an 'ought' in it. For example: "lying is wrong" can be rewritten as "people ought not to tell lies".

Where does ethics come from?

Philosophers have several answers to this question:

- God and religion
- Human conscience and intuition
- a rational moral cost-benefit analysis of actions and their effects

- the example of good human beings
- a desire for the best for people in each unique situation
- political power

6.10 GOD-BASED ETHICS - SUPERNATURALISM

Supernaturalism makes ethics inseparable from religion. It teaches that the only source of moral rules is God.

So, something is good because God says it is, and the way to lead a good life is to do what God wants.

Intuitionism

Intuitionists think that good and bad are real objective properties that can't be broken down into component parts. Something is good because it's good; its goodness doesn't need justifying or proving.

Intuitionists think that goodness or badness can be detected by adults - they say that human beings have an intuitive moral sense that enables them to detect real moral truths.

They think that basic moral truths of what is good and bad are self-evident to a person who directs their mind towards moral issues.

So good things are the things that a sensible person realises are good if they spend some time pondering the subject.

Don't get confused. For the intuitionist:

- moral truths are not discovered by rational argument

- moral truths are not discovered by having a hunch
- moral truths are not discovered by having a feeling

It's more a sort of moral 'aha' moment - a realisation of the truth.

Consequentialism

This is the ethical theory that most non-religious people think they use every day. It bases morality on the consequences of human actions and not on the actions themselves.

Consequentialism teaches that people should do whatever produces the greatest amount of good consequences.

One famous way of putting this is 'the greatest good for the greatest number of people'.

The most common forms of consequentialism are the various versions of utilitarianism, which favour actions that produce the greatest amount of happiness.

Despite its obvious common-sense appeal, consequentialism turns out to be a complicated theory, and doesn't provide a complete solution to all ethical problems.

Two problems with consequentialism are:

- it can lead to the conclusion that some quite dreadful acts are good
- predicting and evaluating the consequences of actions is often very difficult

Non-consequentialism or deontological ethics

Non-consequentialism is concerned with the actions themselves and not with the consequences. It's the theory that people are using when they refer to "the principle of the thing".

It teaches that some acts are right or wrong in themselves, whatever the consequences, and people should act accordingly.

Virtue ethics

Virtue ethics looks at virtue or moral character, rather than at ethical duties and rules, or the consequences of actions - indeed some philosophers of this school deny that there can be such things as universal ethical rules.

Virtue ethics is particularly concerned with the way individuals live their lives, and less concerned in assessing particular actions.

It develops the idea of good actions by looking at the way virtuous people express their inner goodness in the things that they do.

To put it very simply, virtue ethics teaches that an action is right if and only if it is an action that a virtuous person would do in the same circumstances, and that a virtuous person is someone who has a particularly good character.

Situation ethics

Situation ethics rejects prescriptive rules and argues that individual ethical decisions should be made according to the unique situation.

Rather than following rules the decision maker should follow a desire to seek the best for the people involved. There are no moral rules or rights - each case is unique and deserves a unique solution.

Ethics and ideology

Some philosophers teach that ethics is the codification of political ideology, and that the function of ethics is to state, enforce and preserve particular political beliefs.

They usually go on to say that ethics is used by the dominant political elite as a tool to control everyone else.

More cynical writers suggest that power elites enforce an ethical code on other people that helps them control those people, but do not apply this code to their own behaviour.

6.11 ARE THERE UNIVERSAL MORAL RULES?

One of the big questions in moral philosophy is whether or not there are unchanging moral rules that apply in all cultures and at all times.

6.11.1 Moral absolutism

Some people think there are such universal rules that apply to everyone. This sort of thinking is called moral absolutism.

Moral absolutism argues that there are some moral rules that are always true, that these rules can be discovered and that these rules apply to everyone.

Immoral acts - acts that break these moral rules - are wrong in themselves, regardless of the circumstances or the consequences of those acts.

Absolutism takes a universal view of humanity - there is one set of rules for everyone - which enables the drafting of universal rules - such as the Declaration of Human Rights.

Religious views of ethics tend to be absolutist.

Why people disagree with moral absolutism:

- Many of us feel that the consequences of an act or the circumstances surrounding it are relevant to whether that act is good or bad
- Absolutism doesn't fit with respect for diversity and tradition

6.11.2 Moral relativism

Moral relativists say that if you look at different cultures or different periods in history you'll find that they have different moral rules.

Therefore it makes sense to say that "good" refers to the things that a particular group of people approve of.

Moral relativists think that that's just fine, and dispute the idea that there are some objective and discoverable 'super-rules' that all cultures ought to obey. They believe that relativism respects the diversity of human societies and responds to the different circumstances surrounding human acts.

Why people disagree with moral relativism:

- Many of us feel that moral rules have more to them than the general agreement of a group of people - that morality is more than a super-charged form of etiquette
- Many of us think we can be good without conforming to all the rules of society
- Moral relativism has a problem with arguing against the majority view: if most people in a society agree with particular rules, that's the end of the matter. Many of the improvements in the world have come about because people opposed the prevailing ethical view - moral relativists are forced to regard such people as behaving "badly"

- Any choice of social grouping as the foundation of ethics is bound to be arbitrary
- Moral relativism doesn't provide any way to deal with moral differences between societies

6.11.3 Moral somewhere-in-between-ism

Most non-philosophers think that both of the above theories have some good points and think that

- there are a few absolute ethical rules
- but a lot of ethical rules depend on the culture
- **Religion and Ethics home**
- **Religions**

Around the BBC

- **Science - Social responsibility test**
- **Radio 4 - Moral Maze**
- **Radio Ulster - Everyday Ethics**

Elsewhere on the web

- **Stanford Encyclopedia of Philosophy**
- **Internet Encyclopedia of Philosophy**

IFAC CODE OF ETHICS OF A PROFESSIONAL ACCOUNTANT

A professional accountant is required to comply with the following fundamental principles: (a)

Integrity A professional accountant should be straightforward and honest in all professional and business relationships.

(b) Objectivity

A professional accountant should not allow bias, conflict of interest or undue influence of others to override professional or business judgments.

(c) Professional Competence and Due Care A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques. A professional accountant should act diligently and in accordance with applicable technical and professional standards when providing professional services.*

(d) Confidentiality A professional accountant should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of the professional accountant or third parties.

(e) Professional Behaviour A professional accountant should comply with relevant laws and regulations and should avoid any action that discredits the profession.

MODULE 7

7.0 DECISION MAKING

7.1 LEARNING OUTCOME

On successful completion of this module you should be able to understand:

- Decision Making process
- Ethics and the individual professional accountant:
- Whistle blowing,
- Conflicts of interest,
- Ethical dilemmas and their resolution
- Ethical threats and safeguards
- Consequences of unethical behaviour: to the individual, the professional and to society at large

7.2 INTRODUCTION

Decision-making is an integral part of modern management. Essentially, Rational or sound decision making is taken as primary function of management. Every manager takes hundreds and hundreds of decisions subconsciously or consciously making it as the key component in the role of a manager. Decisions play important roles as they determine both organizational and managerial activities. A decision can be defined as a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives or goals. Decision making process is continuous and indispensable component of managing any organization or business activities. Decisions are made to sustain the activities of all business activities and organizational functioning.

Decisions are made at every level of management to ensure organizational or business goals are achieved. Further, the decisions make up one of core functional values that every organization adopts and implements to ensure optimum growth and drivability in terms of services and or products offered.

7.2.1 Definition and meaning of decision-making

A decision is the selection of a course of action (or decision) out of many available alternatives. The marketing manager may be arrived to a particular decision by analyzing, evaluating and carefully planning. The decision making is the basic and fundamental key of all managerial activities. It is the study of identifying and choosing best possible choice (or option) based on the values and preferences of the business organization.

Decision-making is “act or process of deciding something especially with a group of people.” The project will require some difficult decision-making. All members of the organization have a role in decision-making. often used before another noun. The company's decision-making process. Webster online Dictionary.

The thought process of selecting a logical choice from the available options. When trying to make a good decision, a person must weight the positives and negatives of each option, and consider all the alternatives. For effective decision making, a person must be able to forecast the outcome of each option as well, and based on all these items, determine which option is the best for that particular situation.

According to the Oxford Advanced Learner's Dictionary the term decision making means - the process of deciding about something important, especially in a group of people or in an organization.

7.2.2 The Six C's of Decision Making:

1. Construct. Construct a clear picture of precisely what must be decided
2. Compile. Compile a list of requirements that must be met.
3. Collect. Collect information on alternatives that meet the requirements.
4. Compare. Compare alternatives that meet the requirements.
5. Consider. Consider the "what might go wrong" factor with each alternative.
6. Commit. Commit to a decision and follow through with it.

7.2.3 Types of Decisions

1. Basic Decision or Strategic Decisions:

- All basic decision is strategic decisions involving large range commitments and large investments.
- Slight or small mistakes in these decisions would seriously injure the entire organizations.

2. Administrative Decisions:

- Herbert Simon had classified all decisions in two classes;
- Programmed decision: It involves organizations which an develop specific process for handling these decisions. standing operating procedures and policies.

- Non – Programmed Decisions: They relate to general problem-solving process. They involve judgment, intuition and creativity.

3. Organizational or Personal Decisions:

- Organizational decisions reflect company policy. They can be delegated or transferred to others.
- While personal decisions refer to those made by a manager as an individual and these can't be delegated.

4. Policy of Decisions:

- Policy decisions are taken by the top, management. The declaration of bonus in a company is a policy matter which is to be decided by the top management, while calculation and distribution of bonus is an operating decision which is taken at the lower levels.

5. Individual & Group Decisions:

- The decisions taken by an individual in the organization are known as individual decisions.
- Group decisions refer to the decisions which are taken by a group of organizational members (board of directors, committee of experts)

6. Routine Decisions:

- The type of decisions made when problems are relatively well defined and common & when established rules, policies and procedures can be used to solve them.

7. Adaptive Decisions: Adaptive Decisions

- The type of decisions made when problems and alternative solutions are somewhat unusual and only partially understood.

7.2.4 Characteristics of Decision-Making Process

From the various definitions above, the following characteristics can be listed:

- From various courses of action, it is a process of choosing a particular course of action.
- It is a human process which involves the application intellectual abilities.
- It is a rational process which is proceeded by deliberation and reasoning.
It may also be called as end process.
- It is always related to situation in which a manager may take one decision in a particular set of circumstances and another in a different set of circumstances.
- This involves certain specific purpose in which these may just be decisions not to decide.
- It is a process of making a choice from alternative course of action.
- Decision is the end process preceded by deliberation and reasoning.
- Decision-making is a focal point at which plans, policies, and objectives are translated into concrete actions.
- Rationality is another characteristic of decision-making. The human brain with its ability to learn to remember and to relate many complex factors makes this rationality possible.

- Decision-making involves commitment. The management is committed to decision for two reasons. Firstly it leads to the stability of the concern and secondly, every decision taken becomes part of the expectations of the people involved in the organization.
- The purpose of decision-making is to select the best alternative, which can significantly contribute towards organizational aims.

7.2.5. Principles of Decision Making

- Principle of autonomy
- Principle of beneficence
- Principle of paternalism
- Principle of utility
- Principle of justice

7.2.6. Techniques or Basis For Decision Making

- i. Intuition: Decision making by intuition is characterized by inner feeling of the person. He takes a decision as per the dictates of his conscious
- ii. Facts: It is considered to be the best basis of decisions making. Such decisions will be sound and proper
- iii. Experience: Past experience of a person becomes a good basis for taking decisions. When a similar situation arises, the manager can rely on his past decisions and takes similar decisions.
- iv. Operations research: It helps managers by providing scientific basis for solving organized problems involving interaction of components of the organization.

- v. Values: Being confused and unclear about one's values may affect decision-making ability. Overcoming a lack of self-awareness through values clarification decreases confusion.
- vi. Individual Preference: Overcoming this area of vulnerability, involves self-awareness, honesty and risk taking.

7.2.7 Process of Decision Making:

A manager should follow the series of systematically related steps while making decision. These steps are as follows:

a. Investigate the Situation: A detailed investigation/analysis of the problem is made on three aspects: define problem, identification of objectives and diagnosis. First step in decision process is determining the precise problem to be solved. Time and effort should be expended only in gathering data and information that is relevant to an identification of the real problem. Defining the problem in terms of the organizational objectives that are being blocked helps to avoid confusing symptoms and problems.

Once the problem has been defined, the next step is to decide what would constitute an effective solution. As part of this process, managers should begin to determine which parts of the problem they must solve and which they should solve. Most problems consist of several elements and a manager is unlikely to find one solution that will work for all of them. When managers have found a satisfactory solution, they must determine the actions that will achieve it. But first, they must obtain a solid understanding of all the sources of the problem so they can formulate hypotheses about the causes.

b. Develop Alternatives: The search for alternatives forces the manager to see things from many viewpoints, to study cases from their proper perspectives and to unearth the troubled spots of the problem. To be more meaningful, only viable and realistic alternatives should be included in the listing.

Brainstorming may be effective at this stage. This is a group approach to developing creating potential solutions to management problems several persons with a similar interest sit down at one place and give concentrated thought to what might be done. The objective is to generate as many ideas as possible. Criticism must be prohibited. The leader must keep the discussion moving by asking questions and making statements, which refocus attention on the problem at hand without proper guidance, discussion can degenerate into an aimless bull session.

c. Evaluate Alternatives and Select the Best One: The third step in decision making is that of analyzing and evaluating each alternative in terms of its possible consequences and since managers can never be sure of the actual outcome of each alternative, uncertainty always exists, consequently, this step is a real challenge requiring managers to call on present knowledge, past experience, foresight and scientific acumen.

For the proper analysis of alternatives, Peter Drucker has suggested the following four criteria:

- i. **Risk:** Every solution naturally carries a risk element. The risk of each course of action must be weighed against the possible gains from its selection.
- ii. **Economy of efforts:** That line of action will be selected which gives the greatest results with the least effort, and obtaining the needed change with the least necessary disturbance of the organization.

- iii. **Timing:** If the situation has great urgency, the preferable course of action is one that dramatizes the decision and serves notice on the organization that something important is happening. If, on the other hand, long, consistent effort is needed, a slow start that gathers momentum may be preferable.
- iv. **Limitations of resources:** This is also known as the “**principle of limiting factor**” which is the essence of decision making. The key to decision making is to solve the problem posed by alternatives, if possible, by seeking out and solving for the limiting, or strategic, or critical, factor. The most important resources, whose limitations have to be considered, are the human beings who will carry out the decision.

d. Implement and Monitor the Decision: Once the best available alternative has been selected, managers are ready to make plans to cope with the requirements and problems that may be encountered in putting it into effect. Implementing a decision involves more than giving appropriate orders. Resources must be acquired and allocated as necessary. Managers set up budgets and schedules for the actions they have decided upon. This allows them to measure progress in specific terms, next, they assign responsibility for the specific tasks involved.

They also setup a procedure for progress reports and prepare to make connections if new problem should arise. Budget, schedules and progress report are all essential to performing the management functions of control.

Potential risks and uncertainties that have been identified during the earlier evaluation of alternatives stage must also be kept in mind. There is a natural human tendency to forget possible risks and uncertainties once a decision is made. Managers can counteract this failing by

consciously taking extra time to re-examine their decision at this point and to develop detailed plans for dealing with these risks and uncertainties.

After managers have taken whatever steps are possible to deal with potential adverse consequences, actual implementation can begin. Ultimately, a decision (or a solution) is no better than the actions taken to make it a reality.

A frequent error of managers is to assume that once they make a decision, action on it will automatically follow. If the decision is a good one but subordinates are unwilling or unable to carry it out, then that decision will not be effective.

Action taken to implement a decision must be monitored. Are things working according to plan? What is happening in the internal and external environments as a result of the decision? Are subordinates performing according to expectations? What is the competition doing in response? Decision-making is a continual process for managers—a continual challenge.

7.2.8 Factors Influencing Decision Making

The following are factors that affect decision making

1. Time Pressures: An important influence on the quality of decisions is how much time the decision maker has in which to make the decisions. Unfortunately, managers must make most of their decisions in time frames established by others. Lack of time can force a manager to decide without gathering important facts or exploring possible solutions thoroughly.

2. Manager's Values: Manager's values have a significant influence on the quality of decisions. Values are the likes, dislikes, should, ought, judgments and prejudices that determine how we shall act. The value orientations of management underlie much of their behaviour. The

decisions managers make in identifying their mission, objectives and strategies, and how managers interpret society's expectations also reflect their values.

Some specific influences which have value on the decision-making process are:

- i. Value judgments are necessary in the development of objectives and the assignment of priorities.
- ii. In developing alternatives, it is necessary to make value judgments about the various possibilities and
- iii. In selecting an alternative, value judgments will be reflected in the alternative chosen.

3. Organizational Policy:

Decisions are limited by the policies that higher managers develop to guide the actions of the organization. Decisions that clearly violated policies will be rejected automatically. Some managers argue, of course to change the policy to fit the decision if the decision seems sound.

This is good thinking, except that policies cannot be changed overnight. It is usually an easier and more practical course to alter the proposed decision.

4. Other Factors:

The decision-making process is not only influenced by the above-stated factors but a host of others too.

7.2.9 Rationality in Decision Making

The concept of rationality is very important in decision-making. Rationality implies the capacity for objective and intelligent action. A decision is said to be rational if appropriate means are chosen to achieve desired ends. According to Steiner, **"a rational business decision is one**

which effectively and efficiently assures the achievement of aims for which the means are selected.”

Rationality in decision-making implies that the decision maker tries to maximise the values in a situation by choosing the most suitable course of action for achieving the goal. Rationality refers to the selection of preferred behaviour alternatives in terms of values whereby the consequences of behaviour can be evaluated.

The end- means or value system approach to rationality is faced with certain problem. Firstly, the end to be attained is often incompletely or incorrectly stated. Secondly, in actual practice means cannot be separated completely from ends. Thirdly, the means ends terminology obscures the role of the time- element in decision-making.

Simon has identified six-description models of rationality of choice behaviour. A decision is personally rational if it is oriented to the individual’s goals. It is organizationally rational if it is oriented to the organization’s goals. It is consciously rational to the degree that the adjustment of means to ends is a conscious process.

It is deliberately brought about. It is objectively rational if in-fact it is the correct behaviour for maximizing given values in a given situation. It is subjectively rational if it maximizes attainment relative to the actual knowledge of the subject.

The classical economic approach to decision making stresses that management decisions should be rational. This approach is based upon two fundamental assumptions. Firstly, the managers seek to maximize expected utility or profits above all else.

Secondly, human beings are completely rational i.e., they are aware of all possible decision alternatives, have complete knowledge of all consequences associated with each alternative, and process all the information required to be evaluated various alternatives.

Simon has criticized the economic model of decision-making behaviour as developed by classical economists. It is not always possible to choose a best course of action for achieving the optimum solution to a problem. Environmental constraints and human limitations do not permit fully rational or optimum decisions. In practice, people are not completely rational and do not always seek optimal solutions.

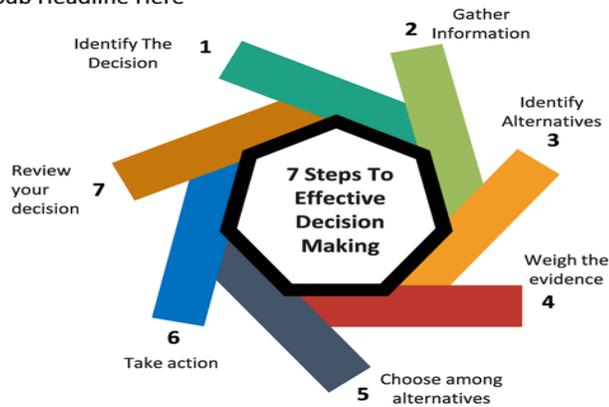
Therefore, economic man model is. Hypothetical. Managers want 'satisfying' or "**good enough**" or "**reasonably good**" solutions rather than optimum solutions. Simon has given an administrative man model of decision-making behaviour, which is more realistic. This model does not assume perfect knowledge on the part of decision makers.

As they seek satisfying rather than maximizing, choice is possible without determining all possible alternatives. Complete rationality is not always possible and therefore, what is called for is "bounded rationality". Instead of ideal or perfect or optimum decisions, satisfactory decisions are taken in practice.

Human beings are not always rational in the decision making process. They take into consideration on only a limited number of factors and a limited range of consequences.

7 STAGES OF DECISION MAKING

Enter Your Sub Headline Here



7.2.9 Characteristics/ Nature of Decision-Making

The process of decision making is to recognize and define the nature of a decision situation and select the best possible alternative from among the available alternatives and put it into practice. Usually, a decision is expressed as a policy or as a rule or as an order or as a directive of the business enterprise. The elements of decision making can be expressed as follows:

Selective Process: Decision making is the selective process in which the best possible alternative is chosen out of many alternatives available. The best choice can be made only by evaluation of alternatives. If there is only one way of doing a particular act, there is no need of taking selective decision.

Human and rational process: The decision-making is a human and rational process that involves the application of intellectual abilities like deep thinking and foreseeing things.

Dynamic Process: The decision-making is a dynamic process. It involves time dimension and time lag. Depending upon the situation, a particular problem may have different decisions at different time intervals.

Continuous Process: Decision making is a continuous process which goes on through the life of an organization. It is a process of taking a decision, implementing it, following the variations and taking the actions to remove these variations. In other words, it is a never ending activity in business management.

Environment: There must be healthy atmosphere to achieve the corporate goals of the business enterprise. Thus, to implement the decisions regarding to it, the proper communication between the employee and employer is necessary.

Goal oriented process: Decision-making aims at providing a solution to a given problem before a business enterprise. It is a goal-oriented process and provides solutions to problems faced by a business unit.

Effective communication: After a particular decision has been taken by the marketing manager, it should be communicated to his sub-ordinates in time in a gracious language, so that the quick implementation of task takes place. Thus, implementation of decisions can be ensured only when these are timely, clearly and properly communicated.

Timing: For effective decision making, timing plays an important role. If the marketing manager takes decisions at right time and sets deadline for it to complete the task, then it be helpful in achieving the pre-determined goals of the business enterprise.

Pervasive process: Decision-making process is pervasive in nature. It means managers working at all levels have to take decisions on matters within their jurisdiction.

Psychological Factors: The decisions must be taken after a careful consideration of the psychological factors, situation and information. The habits, temperament, social environment, domestic life, personal likings and disliking of the marketing manager have impact on the decisions taken by them. Thus, experts and specialists must be consulted before making a particular decision, if necessary.

Decision-event chains

The previous example, though involving only a single stage of decision, illustrates the elementary principles on which larger, more complex decision trees are built. Let us take a slightly more complicated situation:

You are trying to decide whether to approve a development budget for an improved product. You are urged to do so on the grounds that the development, if successful, will give you a competitive edge, but if you do not develop the product, your competitor may—and may seriously damage your market share. You sketch out a decision tree that looks something like the one in Exhibit II.

EXHIBIT II. Decision Tree with Chains of Actions and Events

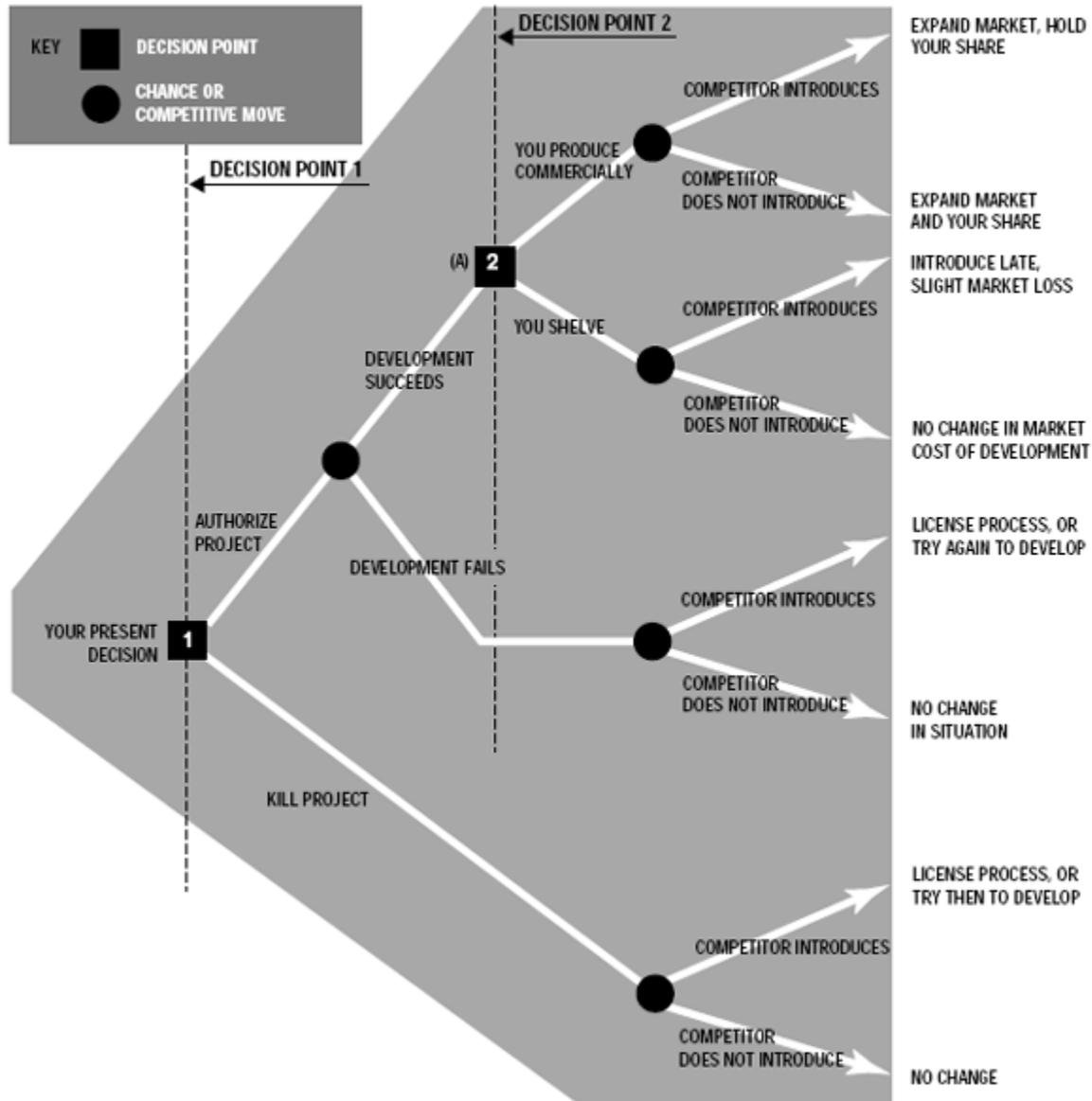


Exhibit II. Decision Tree with Chains of Actions and Events

Your initial decision is shown at the left. Following a decision to proceed with the project, if development is successful, is a second stage of decision at Point A. Assuming no important change in the situation between now and the time of Point A, you decide now what alternatives will be important to you at that time. At the right of the tree are the outcomes of different

sequences of decisions and events. These outcomes, too, are based on your present information. In effect you say, "If what I know now is true then, this is what will happen."

Of course, you do not try to identify all the events that can happen or all the decisions you will have to make on a subject under analysis. In the decision tree you lay out only those decisions and events or results that are important to you and have consequences you wish to compare.

7.3 WHISTLE BLOWING

Bisi, (2019) said Whistle-blowing is generally defined as the disclosure by members of an organisation (former or current) of illegal, immoral or illegitimate practices under the control of their employers, to persons or organisations that may be able to effect action. It is Breaking the Silence - "Whistle Blowing is the instance of reporting improper activities to an appropriate person."

Whistle blowing means calling attention to wrongdoing that is occurring within an organization to the public or to those in positions of authority. One who discloses information about misconduct in their workplace that they feel violates the law or endangers the welfare of others. One who speaks out, typically to expose corruption or dangers to the public or environment. Whistleblowers can be employees, suppliers, contractors, clients or any individual

The Nolan Committee on Standards in Public Life defines whistleblowing as "raising concerns about misconduct within an organization or within an independent structure associated with it"

Near, Rehg, Van Scotter and Miceli refer to whistleblowing as "an act of disclosure by members of an organization of illegal and immoral acts perpetrated by the organization and organization members to persons or organizations that may bring about a change"

According to them, internal whistleblowing involves the disclosure of information to a source within an organization, while external whistleblowing implies reporting information outside an organization, such as to the media or regulators.

Regardless of their slight differences, these definitions are simple and they clearly convey the same meaning regarding the concept or practice. Thus, on the basis of the concern and scope of this study, all the above definitions offered in an attempt to explain the meaning of whistleblowing can rightly be said to be quite tenable and apt in understanding the subject matter being examined in this study. As an upshot, the working definition employed in this study summarizes the definitions given above as “the act of raising the “red flag” or exposing corruption acts in public and private sector organizations in public interest”.

7.3.1 Forms of Whistle Blowing

1)Internal whistle blowing

2)External Whistle blowing

3)Open whistle blowing

4)Anonymous whistle blowing

7.3.2 Motives of Whistle Blowing

To Enforce Ethical Conduct: Whistle Blowing is done to make the person or organization realize and adopt ethical behaviour.

To Highlight the Dangers: One of the reasons behind whistle blowing is to point out the possible dangers from the use of a product or technology.

To Highlight Threat to Public: Disclosure is also made to point out the danger to life and property due to a defective product or technique.

To Motivate Towards Morality: One of the motives of whistle blowing is to inspire the managers or government officials to adopt moral values and ethical practices.

7.3.3 Moral Justification for Whistle Blowing

When whistle blowing is based on an appropriate motive or utmost good faith.

When the whistle blower has exhausted all internal channels.

When the whistle blower's belief regarding the inappropriate conduct is based on reasonable evidence.

When the whistle blower's action has some chance of exposing and/or avoiding the moral violation.

When the whistle blower's action is commensurate with responsibility for avoiding and/or exposing moral

7.3.4 When is whistle blowing morally unjustified?

Breach of trust: When the disclosure amounts to breach of trust on the part of the person making the disclosure.

Internal Channels not used: When the person making the disclosure has not tried internal channels to prevent or stop the wrongdoing or misconduct.

Insufficient Evidence: When there is lack of clear and substantiated evidence that the organization is doing something wrong which cause serious harm to the other parties.

Little Chance Of success: Whistle blowing is not justified in case it is uncertain that it will prevent the wrong.

7.3.5 Advantages of Whistle Blowing

- An insider has first-hand information compare to an external investigative agency. He may, therefore, be able to supply clinching evidence for pinning down the guilty.
- An insider may give early warning signals which may help abort corruption.
- Protecting whistle blower may deter corrupt behaviour by others.
- Making whistle blowing official and acceptable would obviate anonymous petitioning and unauthorized leaks
- it helps the government in fighting corruption and recovering looted public resources.

7.3.6 Stages of Whistleblowing

In its definition of “whistleblowing”, the popular global corruption monitoring institution Transparency International (TI) also vividly recognizes the “other side” of the whistleblowing culture. In its quite unique conception, the Transparency International describes whistleblowing as a four-stage process:

1. A triggering event occurs, involving questionable, unethical or illegal activities, which leads an employee to consider “blowing the whistle”.
2. The employee engages in decision-making, assessing the activity and whether it involves wrongdoing, gathering additional information and discussing the situation with others.
3. The employee exercises voice by blowing the whistle; alternatively, the employee could exit the organization or remain silent out of loyalty or neglect.
4. Organization members react to and possibly retaliate against the whistleblower⁴⁴. Consolidating the point in the fourth stage of TI’s definition, undeniably, “there have been reports of people who have blown the whistle on their employers and consequently have faced hardship even as far as unfair dismissal, purposeful deterred progress, legal action, and even emotional and physical torture”.

7.3.7 Problems of Whistle Blowing IN Nigeria

The consequences of the current unsatisfactory state of affairs, that is, the unwarranted abuses and maltreatments of whistleblowers, for the war against corruption in Nigeria are huge and not far-fetched. Notably, the following implications are quite noticeable:

A. Absence of comprehensive whistleblowers’ protection law The demonstrable ugly fate suffered by whistleblowers in Nigeria basically sends signals within and outside the country about the sheer absence or lack of a comprehensive and effective legislation, enacted by the National Assembly of the country for ensuring the protection of patriots who act in public spirit to expose unethical misconducts at their workplaces. This can be taken to mean that Africa’s largest country Nigeria is merely paying lip service with regard to her signatory and ratification of many of the international conventions and instruments in the field of anti-corruption. These

include but are not limited to the United Nations Convention against Corruption (UNCAC), which Nigeria ratified on 14 December 2004, and the African Union Convention on Prevention and Combating Corruption (AUCPCC). Article 33 of the UNCAC encourages countries signatory to incorporate provisions for protection of whistleblowers and their families from any unwarranted treatment, in their domestic legislations. Similarly, in view of the Article 5(5) of the AUCPCC, State Parties undertake to adopt legislative and other measures to protect informants and witnesses, as well as their identities in corruption and related offences. However, Nigeria is still struggling with the problem of promulgating a known whistleblower protection law⁶⁷. By implication, Nigeria seems to be reluctant in embracing holistically, globally accepted international best practices and legal instruments for fighting corruption and illegal practices. Yet, Nigerian Federal Government hopes to win the war against corruption in the country.

B. Discouragement to whistleblowers The nonexistence of effective and known whistleblower protection legislation, coupled with the already “hostile” whistleblowing atmosphere in Nigeria discourages employees in both private and public sectors from coming forward to report genuine instances of corruption and unethical misconducts in their organizations. This, by extension, undermines the expected role of the citizens in the ongoing anti-graft war in the country.

C. Loss of confidence in governments’ inability to protect Given the level of insecurity and threats to life and loss of means of livelihood by sincere whistleblowers, who regard it a voluntary civil obligation to expose corrupt acts in the interest of the public, it becomes clear that Nigerian government currently lacks the capacity, legally and otherwise, to protect citizens

who risk their lives for the good of the country. This state of affairs in turn creates loss of confidence and faith in government and further leaves adverse consequences for the relationship between the government and the citizens.

D. Lack of political will to combat corruption Although Nigeria, especially under the present Buhari administration, can be said to be observably working assiduously to win the fight against corruption, not having a functional whistleblowers' protection law, shows a lack of sincerity and genuine will to address the issue of corruption in the country. Whistleblowing has recently become an integral part of anticorruption frameworks in most countries. This is due to realization that the masses of the citizenry have important role to play in national anti-corruption campaigns, precisely as informants. Therefore, not considering the protection of whistleblowers a critical factor in winning the anti-graft war in Nigeria shows lack of seriousness on the part of the government, and this could make the situation worse off.

E. Nigerian government's indifference to good governance The fight against corruption is directly located at the heart of the popular "good governance for development strategy" advocated by the international community. Without a model law to regulate whistleblowing activities and associated issues, it can be rightly affirmed that Nigeria is yet to show any serious sign of preparedness to allow the culture of good governance to take root within the polity.

According to Shaibu, one of Nigeria's key anti-corruption agencies, the Independent Corrupt Practices and Other Related Offences Commission (ICPC) has before it volumes of petitions filed by civil servants who claim to have been victimized and denied their due entitlements for reporting corrupt practices perpetrated in their offices⁵⁴. To lend credence, the travail of a particular undisclosed Nigerian civil servant is captured as follows: ...recently, a staff of the

Federal Ministry of Defence sought the assistance of ICPC against alleged victimization for exposing corrupt acts perpetrated by an officer of the Federal Civil Service Commission (FCSC). The staff who also alleged that his service file with FCSC was missing said that his travails began in 2013 when he took his file to the Commission for regularization and promotion. He alleged that the file was unattended to and had even disappeared from records office of FCSC, adding that he had been named an “enemy of the civil service” and disqualified from the 2015 promotion exercise because ICPC was prosecuting the indicted staff of FCSC in an Abuja High Court.

In another instance, the Ministry of Foreign Affairs unlawfully suspended a director from work for exposing a financial fraud of N70.6 million in the Directorate of Technical Cooperation in Africa (DTCA). Succinctly narrating the ordeal, the amount mentioned was withdrawn and mismanaged by some officials of the top echelon of the Directorate for Technical Cooperation in Africa. The money was drawn from the Nigerian Technical Cooperation Fund domiciled with the African Development Bank (AfDB) and jointly managed for the Nigerian Federal Government by the AfDB and DTCA. The officials withdrew the money under the guise of celebrating the 10th anniversary of the Nigerian Technical Cooperation Fund (NTCF), which was allocated \$36,852.00, and supervision of various projects being executed from the Trust Fund across Africa. Another sum totalling N800,000.00 was also allocated for the sensitization seminar to be organized by SERVICOM in the Directorate and the sales of board government vehicles. When the whistleblower, Mr. Ntia Thompson, an Assistant Director in DTCA got clues about the diversion of the fund, he immediately reported the matter to the Economic and Financial Crimes Commission (EFCC) and the Inspector General of Police, seeking for necessary protection

Apart from that, the IGP to whom the man whistleblower had sought protection reported to the DTCA that the man was not under any serious threat and should not be afforded any protection. Arising from the police report, the DTCA on December 19, 2016 formally suspended Mr. Thompson from work and asked him to surrender all property in his disposal to the agency with immediate effect. The suspension letter with ref. No. DTCA/P.082 Vol. 1 was entitled, "Letter of suspension from duty" and signed by Sanda Isah, Head, Department of Administration/ Secretary SSAPDC58.

In August 2011, a staff of the National Women Development Centre, Abuja, who exposed the alleged embezzlement by some top members at the centre, of a whopping N300 million meant for poverty alleviation programme, was unlawfully dismissed from service. It was through the heart-felt intervention of some civil society organizations that he was reinstated to office.

This was before the period when Mrs. Fatima Bamidele, the Permanent Secretary of Ministry of Niger Delta, came under serious unwarranted threats for exposing corruption and mismanagement of public funds at the disposal of the Ministry. The life of Mrs. Bamidele was vehemently threatened for uncovering the fraud involving the sum of N803,000,000:00 by staff of the Ministry, which the EFCC since arraigned before a competent court of jurisdiction⁵⁹. Perhaps another popular whistleblowing case that has become part of Nigeria's history is the one involving the former governor of the Central Bank of Nigeria (CBN). When the illegally and unsystematically suspended former governor of the Central Bank of Nigeria (CBN), Sanusi Lamido Sausi, popularly dubbed the "best CBN governor" blew the whistle over an alleged monumental scandal that resulted in the disappearance of the sum of \$20,000,000,000.00 from the public treasury, it was already expected that Sanusi would be sacked, fired, removed or

suspended. Nigerians partly agreed that some kind of unimaginable consequences must befall the former CBN governor, as he had stepped on toes by disclosing the scandal. As analysed, \$20b, in literal terms, is equivalent to N3,200,000,000,000.00 (three trillion, two hundred billion) if \$1 is N160. Then, every Nigerian will get about N17,778.00 (seventeen thousand, seven hundred and seventy-eight) if Nigeria has a total population of 180,000,000. If the money was to be shared among the states, every state, including the Federal Capital Territory, Abuja, could get as much as N86,486,486,486.50 (eighty-six billion, four hundred and eighty-six million, four hundred and eighty-six thousand, four hundred and eighty-six naira, fifty kobo)⁶⁰. With this landmark disclosure by the former CBN governor, the public came to know about such a colossal case of corruption, but Sanusi was eventually suspended unconstitutionally⁶¹. The suspension is now a history, but nobody sought to protect Sanusi or to ensure his reinstatement in office. In another development, Onyejianya recalls that: ...there has been a media frenzy following the leak of the acquisition of the two armoured security vehicles by the Nigerian Civil Aviation Authority (NCAA) on behalf of the Ministry of Aviation by a public officer of the agency. Whilst little attention has been paid to the whistleblower involved, it is somewhat discouraging to find his name bandied about by the press rather than preserving his anonymity⁶². In a similar vein: It could be recalled that one Mr. Aaron Akase, a staff of Police Service Commission blew the whistle to reveal serious allegations of possible fraud in the Commission involving the Management...Mr. Akase was not only humiliated, he was also placed under indefinite suspension from work without salaries. He also faces threats to his life and family daily⁶³. Moreover, "in October 2006 a prominent case of whistleblowing in Nigeria involving Cadbury's Nigeria led to the discovery of deliberate financial overstatements which has gone undetected for several years following an audit ordered by the parent

company”Consequently, “Mr. Bunmi Oni, the Managing Director, and Mr. Ayo Akadiri, the Finance Director, were relieved of their duties following the scandal, and the Nigerian Stock Exchange Board also banned the two from running any public quoted company for life”65. Furthermore, Nigerian Tribune (online) observes that “a foremost causality is the suspension of former House of Representatives Appropriations Committee chairman who made shocking revelations on budget padding in the lower National legislative chambers”66. These few cases accurately depict the ugly face of the whistleblowing culture, and the accurate picture of the whistleblowing environment in Nigerian. At a time like this, when the international community has recognized whistleblowing as an indispensable tool in the global effort to exterminate the scourge of corruption and to curb its overwhelming effects on the

7.3.8 Creating A Whistle Blowing Culture

- Formulate a policy: A clear cut policy reflecting commitment to ethical conduct must be developed.
- Publicize the policy: The policy should be given wide publicity through memos, newsletters, annual reports, etc.
- Top management support: The top executives must fully support the culture of honesty, truth, openness.
- Investigating and follow-up: All the allegations must be promptly investigated and appropriate follow up must be taken.

7.3.9 Whistle Blower Policy

Whistle blower policy is a document that contains a company's commitment to whistle blowing. It provides guideline about the process and procedures to be followed by the whistle blowers, the protection available to them and the actions the company proposes to take on the disclosures made by whistle blowers.

Need of Whistle Blower Policy: Several corporate frauds have come to light through whistle blowing. Therefore, a formal policy on whistle blowing is useful mechanism for uncovering misbehaviour on the part of employees. It prevents blowing up of misdoings. It helps to reduce corporate loses due to theft, violations of rules and regulations and other unethical practices.

Contents of Whistle Blower Policy Coverage: A whistle Blower Policy covers individuals within the organization as well as outsiders who conduct business with it.

Process: The policy describes the steps which whistle blowers are expected to take in filling their claims. It may require whistle blower to direct their claims to a specified person.

Confidentiality: The identity of the whistle blower is kept secret. Confidentiality is essential so that whistle blower feel secure and comfortable.

Its applicability: Whistle Blower Policy applies to all the permanent employees of the company. This policy is formulated to provide opportunities to employees to access in good faith in case they observe improper practices in the company.

Thus, a good whistle blowing policy should encourage disclosure of concerns that could have a significant impact on the company. Such that it is differentiated from routine feedback and grievance channels available to employees. The whistleblowing policy could be linked to the company's code of conduct and cover serious code violation. The code of conduct should

provide examples of possible breaches of the code of conduct and guide employees on how they should evaluate whether an act (or inaction) constitutes code violation.

7.3.10 What are the values of whistleblowing?

Is Whistleblowing Valuable? • A Whistleblower program shows your commitment to develop a 'speak up' culture that values employees. The tone is set at the top – illegal behaviour and wrongdoing will not be tolerated. Whistleblowing Strengthens corporate governance by bringing transparency to the fore.

- 1. EFFECTIVE RISK MANAGEMENT** • The early reporting of inappropriate conduct including bullying in the workplace, fraud, corruption, bribery, work health and safety and sexual harassment can reduce & eliminate financial and reputation risk.
- 2. CURTAILING WORKPLACE BULLYING** • Employees are your greatest asset; however, employee misconduct can be our greatest liability. So Inappropriate workplace behaviour, and in particular bullying, is a growing concern in the workplace that WB can help curtail.
- 3. FRAUD DETECTION** • The 2014 Report to the Nation on Occupational Fraud and Abuse by the Association of Certified Fraud Examiners (ACFE) found typical organisations lose 5% of its annual revenue to fraud. • The median duration — the amount of time from when the fraud commenced until it was detected — for the fraud cases reported was 18 months. The ACFE concluded tip offs from employees being consistently and by far the most common detection method.
- 4. CORPORATE CULTURE** • The tone is set at the top. • Successful whistleblowing policies require leadership from the Board, CEO, audit committee, directors, officers and

management. • In a recent four year study by Griffith University into how organisations can help maintain their integrity and value their employees, the two key messages were: • An organisation can and should adopt a policy of ‘when in doubt report’ to encourage the reporting of wrongdoing. • Organisations need to improve their performance in supporting and protecting persons who come forward with reports of wrongdoing.

5. **GOOD CORPORATE GOVERNANCE** • Strengthen corporate governance by bringing transparency to the fore. • It’s important for us to have a sound corporate governance system supported by policies and procedures that comply with the Standards.
6. **COMPANY AND COMPANY OFFICERS PROTECTION** • Liability for failing to provide adequate protection to a company and its officers now extends beyond damage to brand and image to substantially increased penalties and fines to the company and to imprisonment and substantial fines for Directors, Officers and Managers.
7. **WORKPLACE SAFETY** • Occupational health and safety management for employees, customers, and visitors is covered by a myriad of laws and regulations. • The development and implementation of an appropriate occupational health and safety management framework includes effective reporting of concerns to the management along with an external facility to report concerns anonymously.
8. **SECURE COMPANY EQUIPMENT** • The most important asset to a Company are its people. • The second most important asset is its capital including equipment. Personal safety and protection of company equipment is of critical importance in any workplace for a company, employees, customers, and visitors.

7.3.11 Whistleblowing In Nigeria

At present, there is no specific legislation that directly deals with whistleblowing. While the civil society has been advocating for stronger whistleblower rights in Nigeria at least since 2001, there has not been any whistleblower protection law in Nigeria. As a result of this inaction, protections for employees and citizens who report crime, corruption and misconduct are virtually non-existent. The only relevant provision on the books relates to public officials who make disclosures under the Freedom of Information Act. Also, protection for the identification of whistleblowers can be found in S.39 (1) of the Economic Financial Crimes Commission (Establishment) Act 2004 and S.64 (1) Independent Corrupt Practices and Other Related Offences Act 2000. However, if the identify is for any reason compromised, there is no system in place which offer further protection.

Guidelines for whistle blowing for banks and other financial institutions in Nigeria. In 2012, the CBN issued Guidelines for banks and other financial institutions in Nigeria. The Guidelines were created to provide stakeholders and employees with the opportunity to report acts that may constitute a fraud, unlawful behaviour or a failure to comply with bank related directives. The aim of the Guidelines is therefore to encourage and further uphold good corporate governance practices and in doing so, also maintain consumer confidence. The Whistleblowing Guidelines also provide that the Board of Directors of banks and other financial institutions are required to implement a whistleblowing system and additionally, set up a policy for stakeholders and employees.

Section 4.0 of the Guidelines provides that the anonymity of the whistleblower needs to be ensured. This section also provides that ‘no bank, or financial institution shall subject a

whistleblower to dismissal, redundancy, termination, undue influence, duress, withholding of benefits, and any other act that may have a negative impact on the whistleblower. **Nigerian code of corporate governance 2018 – Principle 19: whistle blowing** requires the board to establish a whistle-blowing framework which encourages stakeholders to bring unethical conduct and violation of laws and regulations to the attention of an internal and/or external authority so that action can be taken to verify the allegation, apply appropriate sanctions or take remedial action to correct any harm done. It also, require that aAll disclosures resulting from whistleblowing are required to be treated in a confidential manner with the identity of the whistle-blower kept confidential. The board should ensure the effectiveness of the whistleblowing mechanism and continually affirm publicly, its support for and commitment to the Company's whistle-blower protection mechanism.

7.4 ETHICAL DILEMMA

Managers are put into test in a business setting when they faced with the challenge of resolving an ethical dilemma. Often ethical dilemma situations do not fall within the ambit of procedures or the official code of conduct and this is when the managers feel the heat. The problem with ethical decision making is that a decision in itself cannot be taken in a vacuum; one single decision affects lots of other decisions and the key is to strike a balance to ensure a win-win situation is arrived upon.

Ethical dilemma is a situation in which a difficult choice has to be made between two courses of action, either of which entails transgressing a moral principle. Ethical dilemmas, also known as a moral dilemmas, are situations in which there is a choice to be made between two options, neither of which resolves the situation in an ethically acceptable fashion. In such cases, societal

and personal ethical guidelines can provide no satisfactory outcome for the chooser. Ethical Dilemma is a problem in the decision-making process between two possible but unacceptable options from an ethical perspective.

According to Wikipedia, "An ethical dilemma or ethical paradox is a decision-making problem between two possible moral imperatives, neither of which is unambiguously acceptable or preferable. The complexity arises out of the situational conflict in which obeying would result in transgressing another. Sometimes called ethical paradoxes in moral philosophy, ethical dilemmas may be invoked to refute an ethical system or moral code, or to improve it so as to resolve the paradox."

An ethical dilemma (ethical paradox or moral dilemma) is a problem in the decision-making process between two possible options, neither of which is absolutely acceptable from an ethical perspective. Although we face many ethical and moral problems in our life, most of them come with relatively straightforward solutions.

For instance, where one *is faced with an ethical dilemma: leave his post to help save his father's life, or follow his sense of duty'*

Ethical dilemmas are extremely complicated challenges that cannot be easily solved. Therefore, the ability to find the optimal solution in such situations is critical to everyone. Every person may encounter an ethical dilemma in almost every aspect of their life, including personal, social, and professional.

Ethical dilemmas assume that the chooser will abide by societal norms, such as codes of law or religious teachings, in order to make the choice ethically impossible.

The biggest challenge of an ethical dilemma is that it does not offer an obvious solution that would comply with ethical norms. Throughout the history of humanity, people have faced such dilemmas, and philosophers aimed and worked to find solutions to them.

7.4.1 Ethical Dilemma Situations

Personal Friendships

Michael had several friends including Roger and Daniel. Roger has recently met and started dating a wonderful lady named Phyllis. He is convinced this is a long term relationship. Unknown to Roger, Michael observed them at a restaurant several days ago and realized Phyllis is the wife of his other friend Daniel. Michael is deciding whether to tell Roger that Phyllis is married when he receives a call from Daniel. Daniel suspects his wife is having an affair and since they and Michael share many friends and contacts, he asks if Michael has heard anything regarding an affair. To whom does Michael owe greater friendship to in this situation? No matter who he tells, he is going to end up hurting one, if not both friends. Does he remain silent and hope his knowledge is never discovered?

Societal Dilemmas

A pregnant woman leading a group of people out of a cave on a coast is stuck in the mouth of that cave. In a short time high tide will be upon them, and unless she is unstuck, they will all be drowned except the woman, whose head is out of the cave. Fortunately, (or unfortunately,) someone has with him a stick of dynamite. There seems no way to get the pregnant woman loose without using the dynamite which will inevitably kill her; but if they do not use it everyone will drown. What should they do?

The mood at Baileyville High School is tense with anticipation. For the first time in many, many years, the varsity basketball team has made it to the state semifinals. The community is excited too, and everyone is making plans to attend the big event next Saturday night. Jeff, the varsity coach, has been waiting for years to field such a team. Speed, teamwork, balance: they've got it all. Only one more week to practice, he tells his team, and not a rule can be broken. Everyone must be at practice each night at the regularly scheduled time: No Exceptions. Brad and Mike are two of the team's starters. From their perspective, they're indispensable to the team, the guys who will bring victory to Baileyville. They decide-why, no one will ever know-to show up an hour late to the next day's practice.

Jeff is furious. They have deliberately disobeyed his orders. The rule says they should be suspended for one full week. If he follows the rule, Brad and Mike will not play in the semifinals. But the whole team is depending on them. What should he do?

Information Access

Tony, a data analyst for a major casino, is working after normal business hours to finish an important project. He realizes that he is missing data that had been sent to his coworker Robert. Tony had inadvertently observed Robert typing his password several days ago and decides to log into Robert's computer and resend the data to himself. Upon doing so, Tony sees an open email regarding gambling bets Robert placed over the last several days with a local sports book. All employees of the casino are forbidden to engage in gambling activities to avoid any hint of conflict of interest.

Tony knows he should report this but would have to admit to violating the company's information technology regulations by logging into Robert's computer. If he warns Robert to

stop his betting, he would also have to reveal the source of his information. What does Tony do in this situation?

Professional Life Versus Family Life

Alan works in the claims department of a major hospital. Paperwork on a recent admission shows that a traumatic mugging caused the patient to require an adjustment in the medication she is prescribed to control anxiety and mood swings. Alan is struck by the patient's unusual last name and upon checking her employment information realizes she is one of his daughter's grade school teachers.

Alan's daughter seems very happy in her school and he cannot violate patient confidentiality by informing the school of a teacher's mental illness but he is not comfortable with a potentially unstable person in a position of influence and supervision over his eight year old daughter. Can Alan reconcile these issues in an ethical manner?

Mr. Smith, an employee at a large manufacturing company, confides to the nurse that he is HIV positive. The nurse has previous knowledge of a relationship between Mr. Smith and Miss. Jones, who is also an employee. The nurse provides client education materials and discusses available treatments, the importance of preventing the spread of the virus, and disclosure of the positive result to his partner or partners. Mr. Smith refuses to disclose the information to his partner, stating he is unprepared to discuss it with her at this time.

A few hours later, Miss. Jones enters the health office. She states she is concerned about Mr. Smith's recent uncommunicative behaviour. She verbalizes suspicions Mr. Smith may have been unfaithful and may be HIV positive. She tells the nurse she is aware of her partner's recent visit to the health office and asks pointblank what Mr. Smith said. The nurse is under the moral

obligation to maintain client confidentiality. On the other hand, it is right to protect the health and safety of the other employee and tell the truth. Both choices are right, and in conflict with each other. This is an example of a right versus right dilemma involving truth and loyalty

7.5 NINE CHECKPOINTS FOR ETHICAL DECISION MAKING

Edgar (2002) suggested the following nine checkpoints for decision making in a situation of dilemma:

Awareness: Recognize the Moral Issue: Ethical dilemma analysis begins with knowing a conflict of core values exists. Using the example of the HIV positive employee, the nurse must first be aware of the moral responsibility to maintain confidentiality of the individual and the conflicting moral responsibility to the employee's intimate contact, also a client (beneficence).

Actor: Whose Dilemma is This?: In the above example, there are two conflicting moral values. The nurse has responsibility to both clients. The nurse is the actor or the owner of the dilemma. If the employee had confided to the nurse in the presence of the medical director, the actors would be both the medical director and the nurse.

Facts: Gather All Relevant Details: Analysis cannot be performed until after all the facts have been gathered. Skillful assessment and interviewing by the nurse should result in the information necessary for critical deliberation. Collecting and examining all the details may reveal a different scenario than originally determined. Two core values may not actually be in conflict. The facts might reveal that both of them are HIV positive and Mr. Smith may actually have contracted the virus from Miss. Jones. His reasons for not disclosing his diagnosis at this time might be to protect his partner from guilt and remorse. In this case, the perceived dilemma may not exist. It is vital to understand all the facts.

Right Versus Wrong: Is it a Moral Temptation or an Ethical Dilemma?: The occupational and environmental health nurse must establish that what appears to be an ethical dilemma is not simply a matter of right and wrong. If the nurse/actor in this example happens to be homophobic, the nurse may be tempted to breach confidentiality under the guise of protecting the other client. This is a most important step in which the nurse must maintain objectivity in analysis. Five tests distinguish wrongdoing from an ethical dilemma.

- a. The legal test. Does the choice or action violate any laws? The nurse is instructed by the medical director to pour 10 tablets of oxycodone (Percocet) from a stock bottle, label the bottle, and dispense to an employee. Unless the nurse is also a registered pharmacist, this action is illegal. The nurse is not facing a right versus right dilemma, but right versus wrong.
- b. The front page test. How will the actor feel if the choice or action becomes common knowledge in the community? The friend of an occupational and environmental health nurse has applied for a position where the nurse works and has been hired. During the preplacement physical, the friend confides she has smoked marijuana at a party a few days before. She asks the nurse to substitute a vial of urine she has carried in rather than the required onsite collected specimen. Obviously, this does not pass either the legal test or the front page test. Most actors would be appalled if this behaviour was announced in their local newspaper, or became common knowledge in their company.
- c. *The gut feeling test.* Does the choice or action intuitively feel "wrong?" An occupational and environmental health nurse is preparing for a first deposition in a workers' compensation case. The attorney reviews the file and a list of prepared questions. The nurse notes that the attorney has provided carefully worded answers, based on the

chart notes. The attorney instructs the nurse to memorize the answers and repeat them in the deposition under oath. The nurse feels that while these answers are technically true, they do not accurately portray the facts of the case. Although not actually instructed to lie under oath, the nurse is uncomfortable about delivering the memorized testimony.

- d. *The role model test.* Would a respected mentor approve of the choice or action? Using the example of the nurse preparing for the deposition, imagine what the reaction of the nurse's parents, children, or spiritual advisor would be to the inaccurate testimony. Would they approve or disapprove?
- e. *The professional standards test.* Does the choice or action violate any part of the Professional Code of Ethics? The nurse needs to review the state specific nurse practice act and the Code of Ethics. Do any or all of the examples above violate any of the guidelines in either of these documents?

Right Versus Right: Determine the Core Values and the Dilemma Paradigm: After gathering the facts, if two core values are indeed in conflict, the nurse needs to categorize the dilemma into one of four following paradigms for analysis:

- a. *Truth versus loyalty.* Personal honesty or truthfulness in conflict with responsibility to relationships, promise keeping, fidelity.
- b. *Justice versus mercy.* Fairness, equality in conflict with empathy, understanding, compassion.
- c. *Individual versus community.* Autonomy, individual rights in conflict with the rights of the larger community.

d. *Short term versus long term.* The immediate needs of the present in conflict with responsibility to the future.

In the example of the HIV positive employee, truth versus loyalty fits best. It is right in the interest of truth to tell Miss. Jones what Mr. Smith has disclosed because this truth may protect him from contracting a terminal illness. On the other hand, it is right to be loyal to Mr. Smith and to protect the client's privacy because the nurse is bound by ethical principles of maintaining confidential medical information.

Resolution: Apply the Dilemma across the Three Resolution Principle: The occupational and environmental health nurse does not have to have a deep understanding of philosophy to use the Ethical Fitness" model because the process is based on three organized decision making principles:

- Ends based principle is also known as utilitarianism, consequentialism, or the teleological principle, from the Greek word teleos, meaning "end" or "issue." An ends based approach to an ethical dilemma examines the end result of the decision. The question to be asked is, "Which choice would create the greatest good for the greatest number of people?" Maintaining confidentiality (loyalty) to Mr. Smith and adhering to the Professional Code of Ethics is certainly best for Mr. Smith. However, Miss. Jones, and any other present or future intimate partners of Mr. Smith, is more likely to obtain the greatest good by knowing the truth.
- Rules based principle, also known as the deontological principle, from the Greek word deon meaning "duty" or "obligation," dictates the behaviour regardless of consequences. Regardless of the consequences to Miss. Jones and any other partners,

under rules-based thinking, the duty to maintain confidentiality prohibits the nurse from disclosing any health care information to Miss. Jones or others.

- Care based principle is the Golden Rule: Do unto others as you would have done unto you. The care-based philosophy guides the nurse to determine the most compassionate course. Most likely, the most compassionate choice is how the nurse wants to be treated. The nurse who personally wants to know the truth under similar circumstances would probably lean toward disclosure. This leads to the next checkpoint.

Trilemma: Is There a Third Alternative? At this stage of the dilemma resolution model, the nurse seeks a totally different option. Some examples of trilemma resolution might be counseling both employees separately, encouraging them to open dialogue about their relationship, referring them for specialized client education and counseling, including HIV testing, and encouraging them to communicate directly rather than confiding in others. The trilemma option seeks a win-win approach to resolving the dilemma.

Decision: Make the Decision: As soon as all options have been considered, a choice must be made. Often the moment of choice arrives and the actor procrastinates about making the decision. Choosing not to decide, however, also constitutes a decision.

Reflection: Revisit the Decision Later: After a period of time, the nurse needs to mentally replay the dilemma scenario. In reflecting on the resolution of the dilemma, the nurse should ask:

- If presented with the same set of circumstances, would I make the same decision again?
- Can I live with the decision I made?

- Was my decision made based on facts and analyzed using the appropriate dilemma paradigm and resolution principle?

Reflection is not only valuable to assess the decision after the fact, it is an important tool in preparing for the next ethical dilemma. Regular reflection on personal core values is essential to maintain ethical fitness. To maintain this state of personal ethical fitness, the occupational and environmental health nurse prepares to make tough choices.

7.6 ETHICAL THREATS AND SAFEGUARDS

In evaluating compliance with the fundamental principles, a professional accountant may be required to resolve a conflict in the application of fundamental principles.

When initiating either a formal or informal conflict resolution process, a professional accountant should consider the following, either individually or together with others, as part of the resolution process:

- (a) Relevant facts;
- (b) Ethical issues involved;
- (c) Fundamental principles related to the matter in question;
- (d) Established internal procedures; and
- (e) Alternative courses of action.

Having considered these issues, a professional accountant should determine the appropriate course of action that is consistent with the fundamental principles identified. The professional accountant should also weigh the consequences of each possible course of action. If the matter

remains unresolved, the professional accountant should consult with other appropriate persons within the firm* or employing organization for help in obtaining resolution.

Where a matter involves a conflict with, or within, an organization, a professional accountant should also consider consulting with those charged with governance of the organization, such as the board of directors or the audit committee.

It may be in the best interests of the professional accountant to document the substance of the issue and details of any discussions held or decisions taken, concerning that issue. If a significant conflict cannot be resolved, a professional accountant may wish to obtain professional advice from the relevant professional body or legal advisors, and thereby matter remains unresolved, the professional accountant should consult with other appropriate persons within the firm* or employing organization for help in obtaining resolution.

Where a matter involves a conflict with, or within, an organization, a professional accountant should also consider consulting with those charged with governance of the organization, such as the board of directors or the audit committee.

It may be in the best interests of the professional accountant to document the substance of the issue and details of any discussions held or decisions taken, concerning that issue.

If a significant conflict cannot be resolved, a professional accountant may wish to obtain professional advice from the relevant professional body or legal advisors, and thereby obtain guidance on ethical issues without breaching confidentiality. For example, a professional accountant may have encountered a fraud, the reporting of which could breach the professional accountant's responsibility to respect confidentiality. The professional accountant should consider obtaining legal advice to determine whether there is a requirement to report.

If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, a professional accountant should, where possible, refuse to remain associated with the matter creating the conflict. The professional accountant may determine that, in the circumstances, it is appropriate to withdraw from the engagement team* or specific assignment, or to resign altogether from the engagement of the firm or employee organization.

7.7 CONSEQUENCES OF UNETHICAL BEHAVIOUR

Unethical behaviour is an action that falls outside of what is considered morally right or proper for a person, a profession or an industry. Individuals can behave unethically, as can businesses, professionals and politicians. Unethical accounting practices motivated by bonus incentives, pressure to obtain financing or a desire to appear successful are not always illegal, but they almost always have an adverse effect on your business. The common theme of these practices is that they sacrifice the short-term gain of apparent financial viability for long-term negative consequences.

7.7.1 Unethical Behaviour Among Individuals

- Lying to your spouse about how much money you spent.
- Lying to your parents about where you were for the evening.
- Stealing money from the petty cash drawer at work.
- Lying on your resume in order to get a job.
- Talking about a friend behind his back.
- Taking credit for work you did not do.
- Cheating on a school paper by copying it off the Internet.
- Using your position of power at work to sexually harass someone.

- Selling a house and not disclosing known defects to the buyers.
- Selling a car and lying about the vehicle's accident history.

7.7.2 Unethical Behaviour Among Businesses

- Dumping pollutants into the water supply rather than cleaning up the pollution properly.
- Releasing toxins into the air in levels above what is permitted by the Environmental Protection Agency.
- Coercing an injured worker not to report a work injury to workers' compensation by threatening him with the loss of a job or benefits.
- Refusing to give an employee a final paycheque for hours worked after the employee leaves the company.
- Not paying an employee for all of the hours worked.
- Incorrectly classifying an employee as an independent contractor and not as an employee in order to reduce payroll taxes and avoid purchasing unemployment and workers' compensation insurance.
- Engaging in price fixing to force smaller competitors out of business.
- Using bait and switch or false advertising tactics to lure customers in or convince them to buy a product.
- Rolling back the odometer on a vehicle that is for sale.
- Refusing to honour a warranty claim on a defective product.

7.7.3 Unethical Behaviour by Professionals

- Auditor who audits the accounts he/she prepared
- Failure to report material misstatement discovered by an auditor
- A dentist performs unnecessary procedures on a patient in order to receive the insurance payment.
- Using a patient as a teaching tool for students for long periods of time without the permission of the patient or patient's family.
- A lawyer will not return money or provide a which was being held for a client.
- A lawyer represents parties on both sides of a legal transaction.

7.7.4 Unethical Behaviour Among Politicians and the Government

- Using the Internal Revenue Service (IRS) to target groups that you do not like by auditing those groups or refusing to give them tax exempt status.
- Obtaining private tax information about your political opponents from the Internal Revenue Service and using that information in a campaign.
- Knowingly telling lies about your own political position or about the political position of your opponent just to get elected.
- Accepting excess campaign contributions that violate campaign finance laws.
- Using money that was donated to your campaign for personal, non-approved expenses.
- Using your position of power to coerce lobbyists into buying expensive gifts for you and for your wife.
- Using your position of power to close traffic lanes in order to intentionally create a traffic jam that affects residents of a city because residents in that city are not likely to vote for you in an election.

7.7.5 To the individual

Unethical behavior at work could have personal consequences. For a start, you could get fired. Some unethical actions are also illegal, and you could be arrested. If employee theft is widespread or significant, you could lose your job because your employer goes under. “Human Resource Executive Online” reports 30 percent of small businesses fail because of employee theft. If you know someone is behaving unethically, it could make you feel angry, and if you personally are doing something unethical, it could make you feel anxious or guilty and increase your stress level.

Employee Relations Are Affected: When a manager or head of a business exhibits a lack of ethical behavior, he faces losing the respect of his employees. It is difficult to have a successful business without well-respected leaders. A lack of ethical behavior can also cause tension among employees, with some employees resenting those who do not play by the rules and still manage to get ahead. Unethical behavior in the workplace also has the potential to lead to a lack of trust among employees, which is detrimental to a business that relies on collaboration and a sense of community.

7.7.6 Impact on Employee Performance:

A lack of ethics has a negative effect on employee performance. In some cases, employees are so concerned with getting ahead and making money that they ignore procedures and protocol. This can lead to additional paperwork and careless errors that result in the task having to be completed again. Additionally, employees who feel acting ethically and following the rules will not get them ahead in the business sometimes feel a lack of motivation, which often leads to a decrease in performance.

7.7.7 To Organisation

Civil and Criminal Penalties: If company management is unethical to the point of financial fraud, the company could be subject to civil and criminal penalties. For publicly traded companies, the Sarbanes-Oxley Act prescribes fines and prison time for knowingly falsifying financial information. Further, investors of the company may be able to successfully sue the company and its owners for civil damages to cover their losses. Small-business owners should exercise caution, as not understanding accounting practices and standards is not a defence for fraudulent reporting. If a reasonable person believes a manager should have known about fraud in the business, this may be enough to allow the jury to side with the plaintiff.

Loss of Reputation: If you operate your small business in an unethical manner, word will eventually get out. This is especially true for small businesses in tight-knit communities. In general, customers would rather shop at businesses that operate ethically, take care of their employees and support their communities. If your company does not operate ethically, this can affect the willingness of customers and suppliers to conduct business with you. Over time, this may destroy your business.

Loss of Human Capital: Many good employees do not want to work for a company that is unethical. Accounting professional standards require that accounting work is performed ethically and with integrity. If you pressure company accountants to behave unethically, these accountants can't uphold the standards of their profession, and they might risk loss of their license or credentials. Reputable accountants will not work for an employer who expects unethical behaviour.

Hidden liabilities: If a firm cuts corners in terms of quality control, there will be future costs in terms of satisfying warranties and perhaps the undermining of the value of goodwill. If suppliers are treated unethically and unfairly, they may in the longer-term refuse to supply or make the supply more expensive. Alternatively, they may consolidate activities by mergers so as to increase their bargaining power. Once again, the value of intangibles of the purchaser may be undermined.

7.7.8 To the professional

Tarnished Image and Reputation of the Accounting Profession. Since the collapse of Enron, and other iconic corporate scandals at Tyco International, WorldCom, AIG, Arthur Andersen, the Nigerian banking sector reorganization and a host of others, the accounting profession has been under tremendous scrutiny by the governments, regulatory authorities, shareholders, and stakeholders. Not a surprise given the unintended consequences of unethical conducts by corporate leaders and their professional accountants. There is a critical and important correlation between ethical stewardship and trust. Given the recent numerous corporate scandals, there exist a gap of trust between stakeholders and the accounting profession. The tarnished image undermines stakeholders' commitment, prevents wealth creation and increases transaction costs for the global organization.

MODULE 8

8.0 ENTERPRISE GOVERNANCE AND SOCIAL ISSUES

8.1 LEARNING OUTCOME

At the end of this module, readers are expected to understand and apply the following:

Ethics in relation to business and good governance

Ethics and the profession

Ethics and Corporate Social responsibility

8.2 INTRODUCTION

Every organization, as they grow has many stakeholders like shareholders, employees, customers, vendors, community, etc. For survival and growth, they have to rely upon healthy relations with all these stockholders. Hence organizations need to provide good returns for shareholders but also good jobs for employees, reliable products for consumers, responsible relations with the community and a clean environment.

Business ethics is the application of general ethical principles to business dilemmas and encompasses a broader range of issues and concerns than laws do, as everything that is legal is not ethical. Ethics involves learning what is right or wrong, and then doing the right thing but "the right thing" is not nearly as straightforward.

Business Ethics purposes is to give people the tools for dealing with moral complexity in business. Business decisions have an ethical component and the ethical implications must be weighed before acting so as to ensure it is the best interest of all.

Corporate governance is concerned with the ownership, control and accountability of companies, and how the corporate pursuit of economic objectives relates to a number of wider ethical and societal considerations. It is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders.

Good Corporate Governance is key to Growing Profits and Reputation. It represents the relationship among stakeholders that is used to determine and control the strategic direction and performance of organizations. Accountability is a key element as well as requirement for corporate governance, fortifying the latter in such a way that it provides a transparent template for governing critical decisions, procedures, and activities. Thus, corporate governance deals with the questions of who benefits from corporate decisions/senior management actions? and Who should benefit from corporate decisions/senior management actions?

8.3 ETHICS IN RELATION TO BUSINESS AND GOOD GOVERNANCE

The word 'Corporate Governance' (CG) has become a buzzword these days due to various corporate failures world over in recent past. The Corporate Governance represents the value framework, the ethical framework and the moral framework under which business decisions are taken. In other words, when investment takes place across national borders, the investors want to be sure that not only their capital handled effectively and adds to the creation of

wealth, but the business decisions are also taken in a manner which is not illegal or does not involve moral hazards (S.k verma & Suman gupta, 2004). The Corporate Governance basically denoted the rule of law, transparency, accountability and protection of public interest in the management of a company's affairs in the prevailing global and competitive market milieu. It called for an enlightened investing community and strict regulatory regimes to protect the rights of the investors and companies to improve productivity and profitability without recourse to any means which would offend the moral, ethical and regulatory framework of business.

8.4 CHARACTERISTICS OF GOOD CORPORATE GOVERNANCE

Good Corporate Governance is a formal system of Accountability and Control of ethical and socially responsible decisions and use of resources. The following are the chief characteristics of Good Corporate Governance:

1. it should be Participatory
2. it should be Consensus Oriented
3. it should be Accountable
4. it should be Transparent
5. it should be Responsive
6. it should be Effective and Efficient
7. it should be Equitable and Inclusive and
8. it should Follows the Rule of Law.

8.5 PRINCIPLES OF CORPORATE GOVERNANCE

- i. **Rights and equitable treatment of shareholders:** Organizations should respect the rights of shareholders and help shareholders to exercise those rights. They can help shareholders exercise their rights by effectively communicating information that is understandable and accessible and encouraging shareholders to participate in general meetings.
- ii. **Interests of other stakeholders:** Organizations should recognize that they have legal and other obligations to all legitimate stakeholders.
- iii. **Role and responsibilities of the board:** The board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance. It needs to be of sufficient size and have an appropriate level of commitment to fulfill its responsibilities and duties. There are issues about the appropriate mix of executive and non-executive directors.
- iv. **Integrity and ethical behaviour:** Ethical and responsible decision making is not only important for public relations, but it is also a necessary element in risk management and avoiding lawsuits. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making. It is important to understand, though, that reliance by a company on the integrity and ethics of individuals is bound to eventual failure. Because of this, many organizations establish Compliance and Ethics Programs to minimize the risk that the firm steps outside of ethical and legal boundaries.

- v. **Disclosure and transparency:** Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide shareholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.

8.6 CHALLENGES OF CORPORATE GOVERNANCE

Corporate governance challenges can be classified into three basic issues:

- **Ethical issues:** This is concerned with the problem with fraud, which is becoming wide spread in capital economies. Corporation often fraudulent means to achieve their goals. They form cartels to exert tremendous pressure on the government to formulate public policy. Which may sometime go against the interests of individuals and society at large? At times corporation may resort to unethical means like bribes, giving gift to potential customers and lobbying under the cover of public relations in order to achieve their goal of maximizing long term owner value.
- **Efficiency issues:** These are concerned with the performance management. Management with responsible for ensuring reasonable return on investment made by shareholders. In developed countries, individuals usually invest money through mutual, retirement, and tax fund in India. However, small shareholders are still an important source of capital for corporation is mutual funds industry is still emerging. This issues relating to efficiency relating to management is of concerned to shareholders as there is no control mechanism through which they can control the activities of the management, whose efficiency is detrimental for return on their investments.

- **Accountability issues:** The management of corporation is accountable to its various stakeholders. This is emerging out of the stakeholders need for transparency of management in the conduct of business. Since the activities of a corporation influence the workers, customer and society at large, some of the accountability issues are concerned with the social responsibility that a corporation must shoulder.

8.7 BUSINESS ETHICS

Business ethics also referred to as corporate ethics is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations. Business ethics entails the study of the ethical dimensions of organizational economic activity on the systematic, organizational and intra-organizational levels (Rossouw, 2010). Business ethics focuses on what is good and right in a particular economic activity, where an organisation engages in a moral analysis and assessment of such economic activities and practices.

Business ethics has both normative and descriptive dimensions. As a corporate practice and a career specialization, the field is primarily normative. Academics attempting to understand business behavior employ descriptive methods. The range and quantity of business ethical issues reflects the interaction of profit-maximizing behavior with non-economic concerns. Interest in business ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia. For example, today most major corporations promote their commitment to non-economic values under headings such as ethics codes and social responsibility charters. Adam Smith said, "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public,

or in some contrivance to raise prices.” Governments use laws and regulations to point business behavior in what they perceive to be beneficial directions. Ethics implicitly regulates areas and details of behavior that lie beyond governmental control. The emergence of large corporations with limited relationships and sensitivity to the communities in which they operate accelerated the development of formal ethics regimes.

8.8 BENEFITS OF GOOD BUSINESS ETHICS

Good business ethics brings much goodwill to a company that will in the long run translate into tangible benefits. Goodwill is that intangible asset that a company has earned over her period of operation as a result of being perceived by business associates and other third parties as being transparent, reliable, straightforward, trustworthy and so on.

Some of the tangible benefits that accrue a company for operating on an ethically sound business values are:

Profitability: The first direct dividend of ethical business operation is profitability. A company that is based on sound business value is more likely to be profitable than a company operating on corrupt practices.

Going Concern Assured: Being profitable will ensure that the company be around for at least the next twelve months. It is the desire of every business entity to be around for a longer time. Ethical business practice is the way to go if you and your business truly value going concern.

Sustainability: Without sustainability, investments in business will simply not yield fruit. And without running your business on sound ethical values, sustainability will not be achieved in businesses and investments.

Competitive Advantage: Quality save money is a popular belief in accounting, business and investment. You will save the cost of reworking defects borne out of using poor equipment and employment of sharp practices. Again, this will give you and you investment (business) easy access to the heart of the general public if you build your business on ethical values and principles.

8.9 FACTORS INFLUENCING BUSINESS ETHICS:

- Formal and informal policies and rules
- Norms for acceptable behaviour
- Financial reward system
- Hiring practices
- Applications of legal behaviour
- Degree to which professionalism is emphasized
- The company's decision-making processes
- Developing Moral Judgment - Someone has said "Being Good is a Good Business"
- Fairness and honesty
- Conflict of interest
- Communications - False and misleading advertising and deceptive personal-selling tactics anger customers and may cause a business to fail
- Business relationships –
- Fairness and honesty - The heart of business ethics.
- Conflict of interest - Occurs when a person must choose whether to advance their own personal interest or those of others

8.10 ETHICAL CORPORATE BEHAVIOUR

Organizational ethics is used to consider the issues of morality and rationality in organizations.

Organizational ethics is completely different from management ethics. Management ethics focuses on the ethical quality of the decisions and actions taken by managers of an organization. Thus, management ethics deals with the individuals in the organization and organizational ethics deals with all the activities of an organization. Therefore, organizational ethics is collective in scope. Organizational ethical issues can be handled at three levels. These levels are:

- **Corporate mission:** Corporate mission refers to the objectives of an organization that are used to define its ethical responsibilities. Corporate mission also reflects the ambitions and expectations of the employees. Employees should be integrated in a good manner to achieve the corporate mission.
- **Constituency relations:** Constituency relations define the responsibilities of the elements of an organization. The elements of an organization may be employees, customers, suppliers, shareholders and the general public. These responsibilities must be handled properly to manage the ethical conduct of business.
- **Policies and practices:** Organizational ethics can also be used to evaluate the policies and practices of the organizations. Public commitment to ethical principles can give way to business and administrative practices. Organizational ethics also depends on the type of the organization.

Organizations can be classified by considering their economic and ethical concerns.

Organizations can be classified into four types. These are:

- **Exploitative:** Organizations with low economic and ethical concerns are called exploitative organizations. These organizations utilize child labour and use rivers for dumping wastes to maximize their profits.
- **Manipulative:** Organizations with high economic performance concerns and low ethical concerns are called manipulative organizations. These organizations use tax laws, labour laws and union leaders to maximize profit.
- **Holistic:** Organizations with high ethical concerns and low economic concerns are called holistic organizations. These organizations spend their money in social and environmental purposes.
- **Balanced:** Balanced organizations have high ethical and economic concerns. These types of organizations gain profit as well as work for social and environmental purposes.

8.11 DEVELOPMENT OF ETHICAL CORPORATE BEHAVIOUR

The approaches to business ethics can be classified into the following areas:

- Identifying practical issues and assigning responsibilities
- Analysing existing practices and framing a code of conduct
- Raising fundamental philosophical problems

1. Identifying Practical Issues and Assigning Responsibilities This approach explores various kinds of ethical issues that can arise in business and society. Business activities should be conducted in such a way that they do not cause any harm to the society. The various ethical issues that can arise in business and society are:

- Employee rights
- Ethical business conducts

- Environmental protection
- Child labour in business
- Discrepancies in the wages of women employees
- Bonded labour
- Exploitation of unorganized labour
- Minimum wages
- Obligations of large and multinational corporations

2. Analysing Existing Practices and Framing a Code of Conduct: This approach deals with the subject of public policy and with the identification of unethical practices. There are various areas of conduct that require some amount of government regulation. Such areas include product liability, worker rights, environmental problems, white-collar crimes and child labour. This approach also deals with the ethical guidelines that provide benchmarking for the decision-making process.

Benchmarking is one of the trends or perspectives that can be used by the management for the purpose of organizational development. Benchmarking can be defined as a process of comparing the works and service methods against the best practices and best outcomes. Benchmarking acts as a powerful agent for change and motivation that helps in organizational development. Benchmarking basically focuses on identifying changes that can result in higher-quality output by incorporating different organizational behaviour techniques. The process of benchmarking involves looking both inside and outside the organization for identifying the methods that can be used for organizational development. Benchmarking facilitates organizational development by identifying

improvement strategies. It enables the organization to learn from other organizations. It also helps in the relocation of resources that speed up organizational development. Benchmarking is also used to train and develop human resources to ensure efficient performance that is comparable to the performance of competitors.

The following is the sequence of steps involved in an effective benchmarking process:

- Determine the key performance areas that need to be benchmarked. These include products and services, customers, business processes in all departments and organizations, business culture and calibre and training of employees.
- Identify the most relevant competitors and best organization in the relevant industry.
- Set the key standards and variables that need to be measured.
- Measure the standard variables regularly and objectively.
- Develop an action plan to gain or maintain superiority over competitors.
- Specify programmes and actions to implement the action plan and monitor the ongoing performance of the organization.

3. **Fundamental Philosophical Problems:** Under this approach, business ethics can be defined as an attempt to keep ethical obligations. This approach deals with the relationship of the individual and the society and it is used to identify the area of development of the society and its culture. It also focuses on the differences between personal morality and social morality. The main aim of this approach is to identify and define business values.

A business value refers to a set of beliefs pursued by an organization. Business values like 'customer satisfaction', 'enthusiastic teamwork' and 'state-of-the-art provision for

production' are some of the commonly pursued values by several organizations. When such values are pursued effectively and with zeal by executing them in the daily activities of the management and the employees of the organization, they are believed to pay back in manifold returns and success. Pursuing business values plays a vital role in the growth and survival tactics of an organization.

In general, the most common values that facilitate in improving profits and the image of the organization are as follows:

- *Persistent progress*: It refers to an eagerness and enthusiasm on the part of the organization to keep its functioning as an ever efficient and up-to-date working endeavour towards progress.
- *Customer satisfaction*: It refers to making the customers feel important and responding to their needs, interests and, if need be, providing solutions to their problems in case of any documentation processes regarding the purchase of the organization's product.
- *Personnel development*: When it comes to development, organizations can benefit more by developing the skills of their employees. Besides considering the satisfaction of its customers and management, it should also take into account the satisfaction of its employees, which in turn can yield sincere work performance from the employees.
- *Innovation*: It refers to the enthusiasm to take on new challenges and responsibilities on the part of the employees and a desire to diversify and try out new ventures on the part of the organization.

- *Optimal use of resources*: It refers to making sincere efforts to enhance overall business performance by maximum utilization of the organization's current resources.

8.12 ETHICAL ISSUES IN ORGANIZATIONS

There exist many different ethical issues in the organization or at the workplace. Some of them are:

Identifying the conflict issues in the organization and trying to avoid them

- Deciding different methods to motivate employees
- Managing fairness in employee performance appraisals
- Protecting secret information of the organization
- Identifying the areas of interest of customers, employees, suppliers, owners and the staff
- Taking action against the reports of complaints in the organization
- Handling different problems of employees
- Taking corrective action against employees

8.13 GUIDELINES FOR MANAGING ETHICS IN ORGANIZATIONS

Some guidelines for managing the ethics in organizations are: • Identify ethics management as a process: Ethics management is used to provide operating values and associated behaviour. Ethics programmes are process-oriented because the operating values are determined by ongoing reflection. The deliverables of the ethics programmes, such as codes, policies and

procedures, budget times and meeting minutes, are not produced directly. However, these deliverables are produced by the process of reflection and dialogue.

- *Use ethics programmes to manage behaviour in organizations:* The ethical values provided by the ethical programmes can be used to direct behaviour in the workplace. Therefore, ethical management practices, in addition to ethical values, should also generate deliverables. These deliverables can be used to transform ethical values into behaviour.
- *Avoid ethical dilemma:* The codes of ethics and the codes of conduct can be used to minimize the occurrences of ethical dilemma.
- *Combine ethics management with other management practices:* Ethical management should be integrated with other management practices. While developing strategic planning, ethical values of the organization should be considered. While developing personnel policies, determine the ethical values that are most effective for the environment of the organization and then implement policies to produce these kinds of behaviour.
- *Develop ethics management programmes using cross-functional teams:* The employees of the organization should be included in the development and implementation of the ethics management programmes.
- *Value maintenance:* Ethics management programmes may increase the ethics of people in the beginning because of the sensitivity of people on their occurrence. However, people should remain ethical on the implementation of these ethics management programmes.

8.14 ROLES AND RESPONSIBILITIES IN ETHICS MANAGEMENT

Each individual in the organization should be provided a specific role in managing ethics in the organization. However, the role assigned to each individual depends on the size and nature of the organization. The roles can also be full-time or part-time. The following responsibilities can be assigned in ethics management:

- The chief executive officer of the organization must support the ethics management programme.
- A committee or group should be developed in the organization to control the development and operation of the ethics management programme.
- A committee or group should be developed which should be responsible for training the employees on the policies and procedures of the ethics management programme and should resolve any ethical dilemmas that may arise. This committee can contain senior officers.
- A person in the organization should be designated as ombudsperson who has the responsibility of investigating or resolving complaints from the employees of the organization against the ethics management programme.
- Each person of the organization is responsible for the implementation of the ethics management programme.

8.15 ETHICS AND THE PROFESSION: SOCIAL RESPONSIBILITY

Social Responsibility of Business

Social responsibility of business involves the consideration of general public interest by businessmen while taking business decisions and actions. According to Bowen, social

responsibility refers to the 'obligations of businessmen to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society'. This entails that businessmen should perform their operations with due consideration to the aspirations of society. They should fulfil the demands of those who have a claim on the operations of business. They must measure the consequences of their decisions and courses of action on the society and ascertain that no undue harm is done to the interests of the society.

The concept of social responsibility has emerged due to several economic, social, political and legal influences. These forces, which have obliged, persuaded and helped businessmen to become aware of their responsibility to society, are as follows:

- i. Public opinion: Public interference with the help of the government has instilled a fear in the heart of businessmen. The threat of public regulation and public ownership has compelled them to acknowledge the fact that responsible behaviour is essential on their part for survival in the private sector.
- ii. Trade union movement: The recent development of socialism that boosted the strength of labour unions has forced businessmen to give a fair share to workers. Human relations and labour legislation have facilitated trade unions to increase their influence.
- iii. Consumerism: Consumer organizations have encouraged awareness about consumer rights. Consequently, businesses have become more responsive to consumer needs and stress the dictum of 'consumer is the king'. Businessmen can no longer adopt the approach of 'let the buyer beware'

- iv. Education: Extensive education has made businessmen conscious about the quality of life, moral values and social standards. Liberal business leaders have been pressing the business community to acknowledge its social obligations.
- v. Public relations: Modern businessmen are aware that a good public image contributes to their growth. There is a greater alertness in their hearts that business is a construction of society and hence, it should consider and react positively to the expectations of society.
- vi. Managerial revolution: Separation of ownership from control in large corporations has resulted in professionalism in management. A professional manager is fairly aware of the society's expectations and attempts to meet the demands of all social components, like customers, employees, shareholders and the government, in a well-adjusted manner.

The case of social responsibility has been subject of controversy since long. There have been arguments both in favour and against it. The main points that support the assumption of social responsibility by business enterprise are as follows:

- i. Long-term self-interest of business: As stated earlier, a good public image is bound to give better returns to a business enterprise. Businessmen can benefit in the long run by providing for the welfare of the society through education and better living conditions. This will result in better employees in business and enlightened customers in society who will benefit through their increased purchasing power.
- ii. Ascertainment of law and order: Social responsibility on the part of business can avoid unrest in society. If the society feels that it is not getting its appropriate share in

business, it is bound to create disorder by adopting anti-social and illegal activities and rebellions. Pursuing the doctrine of social responsibility can help business organizations prevent social chaos.

- iii. Maintenance of free enterprise: Government or public regulation can hinder the development of business by decreasing the flexibility of decision-making and the freedom of choice and action. Therefore, the voluntary assumption of social responsibilities is essential for the growth of a business organization.
- iv. Creation of society: Business is a part of society and survives on the demands of the society. Therefore, it should be responsive to social expectations and welfare. The right of the business to grow goes hand in hand with its awareness of social responsibility and welfare. It is the duty of the business enterprise to contribute in some way to the well-being of its society.
- v. Moral justification: Enlightened businessmen have now become more aware about their moral duty to serve the society. Business has the resources and power to solve social problems. Therefore, its power should be balanced with social responsibility.
- vi. Profitable environment: To ensure a profitable environment in the society in which it operates, business needs to meet the challenges of social evils. Active interference on the part of businessmen in solving these challenges can convert them to opportunities, which in turn will ascertain not just the existence, but also the benefits of the organization.
- vii. System interdependence: Business system and social dependence are interrelated and thus affect each other.

The arguments against social responsibility on the part of business enterprise are as follows:

- i. Dilution of profit maximization: Economic value is the main criterion by which the success of a business should be estimated. According to Milton Friedman, 'Few trends could so thoroughly undermine the very foundation of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for shareholders as possible. This is a fundamentally subversive doctrine. Management's spending for society is hypocrisy. Only people can have responsibilities not corporations.'
- ii. Loss of incentive: The motivation to utilize resources effectively is decreased when social responsibility is considered important. It is the profit motive principally that encourages optimum use of resources and manpower to run the business with enthusiasm.
- iii. Lack of standard: Besides the effort motive, profit serves as a standard to measure the performance of business. A business organization goes off course as it loses the guiding measure that depicts the efficiency of its performance and thus hinders decision-making.
- iv. Business is an objective venture: The emotional insights and experience essential to tackle social problems are lacking in the temperament of businessmen. They cannot determine what is in public interest. The solutions to social problems should be expected from specialized social agencies and not from businessmen.
- v. Undue use of power: If business organizations are involved in social institutions they are likely to dominate the decisions of these institutions for their own interests. They can use their financial power to take decisions concerning the functioning of these institutions. This may further lead to increased social detriment.

- vi. Market mechanism gets distorted: The principle of social responsibility is based on the assumption that market mechanism is not the appropriate way to allocate scarce resources to alternative uses and so it should be replaced by political mechanism. If the market price of a product contains the cost of social actions, it does not actually represent the relative cost of producing it and thus the market mechanism gets distorted.

8.16 MANAGERIAL SKILLS IN CORPORATE GOVERNANCE

A manager must possess certain skills in order to translate knowledge into performance. It is the level of competency that allows for performance to be superior in the field in which the employees have the required skill. All managers need to possess technical, interpersonal, conceptual, diagnostic, communicational and political skills. The technical and diagnostic skills refer to the knowledge and ability of understanding the processes involved and scientifically analysing problems and opportunities. These human skills are the most important assets of any successful manager.

It is the manager's job to achieve the organizational objectives through proper utilization of its human and material resources. However, since the material resources such as equipment, capital, facilities and information can only be used by humans, the human resources are the most valuable assets of any organization. Accordingly, a manager must be highly skilled in the art of optimally utilizing the human resources. The various skills that the managers must possess are:

Technical skills: Technical skills basically involve the use of knowledge, methods and techniques in performing a job effectively. Technical skills are specialized knowledge and expertise, which

is utilized in dealing with day-to-day problems and activities. For example, engineers, accountants, computer programmers and systems analysts, all have technical skills in their areas and these skills are acquired through education and training. These skills are highly necessary at the lower level of management and as one moves to higher levels of management, the relative importance of technical skills usually diminishes. This is so because unlike the first-level supervisors, managers at higher levels have less direct contact with technical operating problems and activities at the lower levels of an organization.

Human skills: Human skill is the ability to work with other people in a cooperative manner. It involves understanding, patience, trust and genuine involvement in interpersonal relationships. These are interpersonal skills and are necessary at all levels of management. People with good interactive human skills build trust and cooperation as they motivate and lead and thus become successful managers. This skill is gaining more importance as the workplace is becoming more and more ethnically diversified and the manager has to be aware and become adaptive to cultural differences. Furthermore, since businesses are becoming more and more multinational and global, managers are required to learn new ways of dealing with people in different countries with different cultures and value systems.

Conceptual skills: Conceptual skill is the ability to view the organization as a whole and as a total entity as well as a system comprising of various parts and subsystems integrated into a single unit. This skill is especially crucial for top-level executives who must keep the whole system under focus. They must understand the complexities of the overall organization, including how each unit of the organization contributes towards the overall success of the entire organization. This skill generally depends upon an organized thinking process which deals

with the understanding of various functions of an organization, their interdependence and the relationship of the organization with the outside environment in terms of threats and opportunities.

Diagnostic skills: Diagnostic skill refers to a manager's analytical ability where a manager can logically and objectively investigate and analyse a problem or an opportunity and use scientific approaches to arrive at a feasible and optimal solution. It is important however, that a manager gets to the root cause of the problem so that the solution is real and a permanent one rather than simply a short-term or a cosmetic one. This skill overlaps with other skills because a manager may need to use technical, human, conceptual or political skills to solve the problem that has been diagnosed.

Communicational skills: Communicational skills are an important component of interpersonal skills and are basic to all other skills and these are important and necessary at all levels of management. A manager's best ideas will have little impact if they cannot be communicated effectively. Good communication is the foundation of sound management. Proper communication eliminates delays, misunderstanding, confusion, distortions and conflicts and improves coordination and control. All the four communicational skills, namely writing, reading, listening and non-verbal gestures are important ingredients of successful leadership.

Political skills: Political skill can be described as the ability to get your own way without seeming to be selfish or self-oriented. It is the ability to get your share of power and authority and use it without the fear of losing it. It is the most complex of skills in the sense that it is required to establish the right connections and impressing the right people and then skillfully using these connections to your own advantage. Political skill is most important at the middle

management level because middle managers always aspire to reach the top levels of management and right connections help in such aspirations.

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