

**RESEARCH ON PROFESSIONAL
RESPONSIBILITY AND ETHICS IN
ACCOUNTING**

RESEARCH ON PROFESSIONAL RESPONSIBILITY AND ETHICS IN ACCOUNTING

Series Editor: Charles Richard Baker

Recent Volumes:

Volumes 1–5: Series Editor: Lawrence Ponemon

Volumes 6–8: Series Editor: Bill N. Schwartz

Volumes 9–21: Series Editor: Cynthia Jeffrey

Volumes 22–23: Charles Richard Baker

RESEARCH ON PROFESSIONAL RESPONSIBILITY AND
ETHICS IN ACCOUNTING VOLUME 24

**RESEARCH ON
PROFESSIONAL
RESPONSIBILITY AND
ETHICS IN ACCOUNTING**

EDITED BY

CHARLES RICHARD BAKER

Adelphi University, USA



United Kingdom – North America – Japan
India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2021

Editorial matter and selection copyright © 2021 Charles Richard Baker.
Published under exclusive licence by Emerald Publishing Limited.
Individual chapters copyright © 2021 Emerald Publishing Limited.

Reprints and permissions service

Contact: permissions@emeraldinsight.com

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-83753-229-2 (Print)
ISBN: 978-1-83753-228-5 (Online)
ISBN: 978-1-83753-230-8 (Epub)

ISSN: 1574-0765 (Series)



ISOQAR certified
Management System,
awarded to Emerald
for adherence to
Environmental
standard
ISO 14001:2004.

Certificate Number 1985
ISO 14001



INVESTOR IN PEOPLE

DESCRIPTION

Research on Professional Responsibility and Ethics in Accounting is devoted to publishing research and cases that focus on the professional responsibilities of accountants and how they deal with the ethical issues they face. The series features articles on a broad range of important and timely topics, including professionalism, social responsibility, corporate responsibility, ethical judgments, and accountability. The professional responsibilities of accountants are broad-based; they must serve clients and user groups whose needs, incentives, and goals may be in conflict. Further, accountants must interpret and apply codes of conduct, accounting and auditing principles, and securities regulations. Compliance with professional guidelines is judgment-based, and characteristics of the individual, the culture, and situation affect how these guidelines are interpreted and applied, as well as when they might be violated. Interactions between accountants, regulators, standard setters, and industries also have ethical components. Research into the nature of these interactions, resulting dilemmas, and how and why accountants resolve them is the focus of this journal.

This page intentionally left blank

CONTENTS

<i>About the Editor</i>	<i>ix</i>
<i>List of Contributors</i>	<i>x</i>
Chapter 1 Assessing the Impact of Values Change Using Giving Voice to Values <i>Tara J. Shawver and William F. Miller</i>	<i>1</i>
Chapter 2 Integrating Giving Voice to Values into an Accounting Ethics Course – Promoting Ethical Behavior of Future Accounting Professionals <i>Patrick Kelly</i>	<i>19</i>
Chapter 3 Advancing Practical Wisdom in Ethics as an Essential Soft Skill Developed Through Experiential Learning <i>Marty Stuebs, William Miller and Steven Mintz</i>	<i>37</i>
Chapter 4 The Influence of Corporate Social Responsibility on Firm Buybacks <i>Lois S. Mahoney, Daniel R. Brickner and William LaGore</i>	<i>55</i>
Chapter 5 Stuck between a Rock and a Hard Place: The Whistleblower’s Dilemma <i>Robert L. Braun, Dann G. Fisher, Amy Hageman, Shawn Mauldin and Michael K. Shaub</i>	<i>73</i>
Chapter 6 Financial Reporting Malpractice and Repelling Employees <i>Eko Widodo Lo, Djoko Susanto and Adi Masli</i>	<i>103</i>
Chapter 7 Playing Follow-the-Leader Misstating Financial Statements: Impact on CEO Compensation and Cost of Capital <i>Justin Wood and Lawrence Murphy Smith</i>	<i>119</i>

Chapter 8 A Predictive Classification Approach to Examining Components of Ethical and Transformational Leadership Contributing to Leader Effectiveness in the Accounting Profession	
<i>Mary Kay Copeland and David Smith</i>	147
Chapter 9 A Judaic Approach to Applying Materiality Concepts	
<i>Alan Reinstein, Eileen Z. Taylor and Cathleen L. Miller</i>	173
Chapter 10 The Ethics of Worker Classification in a Gig Economy	
<i>Carolyn Conn and Linda Campbell</i>	191
<i>Index</i>	207

ABOUT THE EDITOR

Charles Richard Baker is a Professor of Accounting at the Willumstad School of Business, Adelphi University, New York. His research interests are focused on the public accounting profession, in particular: ethical issues, independence, legal liability, the history of the accounting profession, and comparative systems of regulation. He has published over 120 academic and profession articles and he *is a Member of the editorial boards of seven academic and professional journals*. He received a PhD from the University of California, Los Angeles (UCLA), and he is a Certified Public Accountant (CPA) in New York State.

LIST OF CONTRIBUTORS

<i>Robert L. Braun</i>	Southeastern Louisiana University, USA
<i>Daniel R. Brickner</i>	Eastern Michigan University, USA
<i>Linda Campbell</i>	Texas State University, USA
<i>Carolyn Conn</i>	Texas State University, USA
<i>Mary Kay Copeland</i>	Palm Beach Atlantic University, USA
<i>Dann G. Fisher</i>	Kansas State University, USA
<i>Amy Hageman</i>	Kansas State University, USA
<i>Patrick Kelly</i>	Providence College, USA
<i>William LaGore</i>	Eastern Michigan University, USA
<i>Eko Widodo Lo</i>	STIE YKPN (YKPN School of Business), Indonesia
<i>Lois S. Mahoney</i>	Eastern Michigan University, USA
<i>Adi Masli</i>	University of Kansas, USA
<i>Shawn Mauldin</i>	Mississippi State University, USA
<i>Cathleen L. Miller</i>	University of Michigan – Flint, USA
<i>William F. Miller</i>	University of Wisconsin – Eau Claire
<i>Steven Mintz</i>	Cal Poly San Luis Obispo, USA
<i>Alan Reinstein</i>	Wayne State University, USA
<i>Michael K. Shaub</i>	Texas A & M University, USA
<i>Tara J. Shawver</i>	King's College, Wilkes-Barre PA, USA
<i>David Smith</i>	Palm Beach Atlantic University, USA
<i>L. Murphy Smith</i>	Texas A&M University-Corpus Christi, USA
<i>Marty Stuebs</i>	Baylor University, USA
<i>Djoko Susanto</i>	STIE YKPN (YKPN School of Business), Indonesia
<i>Eileen Z. Taylor</i>	North Carolina State University, USA
<i>Justin Wood</i>	Idaho State University, USA

CHAPTER 1

ASSESSING THE IMPACT OF VALUES CHANGE USING GIVING VOICE TO VALUES

Tara J. Shawver and William F. Miller

ABSTRACT

This chapter assesses the impact of values change on the likelihood of reporting concerns for a situation of fraudulent financial reporting after a Giving Voice to Values (GVV) ethics intervention. The GVV curriculum shifts focus away from why actions are unethical to how one may effectively voice their values to resolve ethical conflict. After implementing this program in advanced accounting courses and empirically assessing the impact of the ethics intervention, the authors find that students have a stronger sense of the importance of values prescribed in professional codes of conduct and are more likely to speak up and confront unethical actions by voicing their values. GVV has the potential to increase the number of accounting professionals who are willing to speak up and confront unethical practices. The authors' study appears to be the first to empirically test how a change in the perception of the importance of values impacts the likelihood to report concerns to members of the management hierarchy, filling an important gap in the literature.

Keywords: Giving voice to values; accounting ethics; voicing values; ethics action; code of conduct; fraud

INTRODUCTION

Increasing fraud losses and concerns that most workplace misconduct is never reported leave some questioning, whether ethics education could be more

Research on Professional Responsibility and Ethics in Accounting, Volume 24, 1–18

Copyright © 2021 by Emerald Publishing Limited

All rights of reproduction in any form reserved

ISSN: 1574-0765/doi:10.1108/S1574-07652023001

effective or should be doing more to deter misconduct. Many researchers have reported that most observations of workplace misconduct are never reported (e.g., Brown, 2008; Mazerolle & Cassimatis, 2009; Miceli & Near, 1992; Miceli, Near, & Dworkin, 2008; Miethe, 1999). Some have suggested that the blame for unethical behavior lies with those who are educated accounting professionals (Graham, 2012; Russell & Smith, 2003; Waddock, 2005) while others call for educational reform surrounding ethics coverage (Bedford et al., 1986; Blanthorne, Kovar, & Fisher, 2007; Langenderfer & Rockness, 1989; Miller & Becker, 2011). Furthermore, the overall coverage of ethics in the accounting curriculum has not changed much in decades and may be inadequate (Blanthorne et al., 2007; Cohen & Pant, 1989; Ghaffari, Kyriacou, & Brennan, 2008; McNair & Milam, 1993; Miller & Becker, 2011; Russell & Smith, 2003; Shawver & Miller, 2018).

When an ethics conflict is encountered and cannot be resolved, the AICPA code requires a member to report the issue to an “appropriate higher level of management within the organization.” Examples of appropriate reporting outlets include senior management, the audit committee, the board of directors, or the company’s owners (American Institute of CPAs (AICPA), 2015). If members still cannot resolve the issue to their satisfaction, they should consider resigning and consider whether they should report the issue to regulatory bodies or the company external auditors.

The Association to Advance Collegiate Schools of Business (AACSB, 2004, 2017) share concerns for adequate ethical coverage and asked member schools to renew and revitalize their commitment to ethics education. The AACSB (2004) states executives become moral managers by accepting their responsibility for acting as ethical role models, communicating about ethics and values on a regular basis, and by holding organization members accountable for ethical conduct. Further, the American Accounting Association (AAA) Pathways report suggests that students, faculty, and accounting professionals need a shared sense of why accounting is important and what it takes to successfully think, perform, and act with integrity (AAA, 2012).

Values are a personal characteristic that potentially influence the ethical decision-making process (Shafer, Morris, & Ketchand, 2001; Shawver & Clements, 2015; Weber, 1990). Although there are extensive studies that examine ethical decision-making processes, there are few studies that explore the impact of an individual’s values preferences on ethical decision-making in an accounting context, and none that explore how an ethics intervention impacts changes in perceived values and decisions to voice concerns for unethical behavior involving fraudulent financial reporting.

Gentile (2010) suggests that it is through practice of ethical problem resolution that the student builds the moral muscle necessary to act on their values when an ethical issue is encountered. Clarkeburn (2002) echoes these sentiments suggesting that a successful ethics program needs to provide opportunities for students to interact with moral problems. Waddock (2005) suggests that if we want accountants who are capable of acting with integrity, we must teach them to be mindful-aware of their belief systems, conscious of consequences, and capable

of thinking about the impact of their actions and decisions. [Shawver and Miller \(2019\)](#) suggest that if individuals speak up and attempt to resolve the issue internally by voicing their values using the GVV methodology effectively, it could prevent misconduct and large financial losses.

The purpose of this chapter is to assess the efficacy of the GVV curriculum through its integration into undergraduate advanced financial accounting courses at two different universities. GVV has the potential to increase the number of accounting professionals, who are willing to speak up and confront unethical practices. Our study appears to be the first to empirically test how a change in the perception of the importance of values impact the likelihood to report concerns to members of the management hierarchy filling an important gap in the literature. We start with a review of the literature related to the GVV offering and build to the development of our hypotheses. This section is followed by a discussion of the study methodology and the measurement instrument. We then conclude with a discussion of our results, conclusions, and suggestions for further research.

LITERATURE REVIEW

Values Preferences and Ethical Decision-making Studies

There are few studies that have explored the impact of values preferences on ethical decision-making in an accounting context. [Brief, Dukerich, Brown, and Brett \(1996\)](#) explored the impact of values for groups of MBA students, general managers, top executives, and controllers on fraudulent financial reporting decisions. They observed almost half or more make fraudulent financial reporting decisions and the personal values of a comfortable life, pleasure, and self-respect were weak and inconsistently related to fraudulent financial reporting for these groups of individuals. [Shafer et al. \(2001\)](#) found that personal values have little influence on auditor judgment to concede to client pressure to manipulate the financial statements. [Weber \(1990\)](#) suggests that values may impact responses to ethical dilemmas, and a majority of managers in that study exhibited a personal value orientation instead of social orientation and preferred competence value orientation instead of a moral instrumental value orientation. [Shawver and Clements \(2015\)](#) found that values' preferences did not impact ethical evaluations or ethical intentions for asset misappropriation, corruption, and accounting fraud in a sample of accounting professionals; but did find some support that competence values affect moral judgment to avoid unethical actions. In a follow-up study examining whistleblowing intentions, [Shawver and Clements \(2019\)](#) found that competence values have an impact on moral judgment and the belief that the whistle should be blown for unethical conduct; however, these values were not significant for whistleblowing intentions. Given these findings, [Shawver and Clements \(2019\)](#) suggest that future research is necessary to determine which values would impact a willingness to whistleblow when necessary suggesting future research could explore specific values mentioned in the AICPA or Institute of Management Accountants (IMA)

codes of conduct or determine whether Continuing Professional Education (CPE) or ethics education could increase the perceived importance of these values when making whistleblowing decisions (Shawver & Clements, 2019).

Giving Voice to Values Curriculum

The Giving Voice to Values (GVV) curriculum has been piloted in over 1,055 schools, companies, and other organizations on all seven continents, the offers practical exercises, cases, modules, scripts, and teaching plans for handling a wide range of ethical conflicts in the workplace. The main idea behind GVV is that awareness of ethical issues and knowing what is right may not result in ethical action since little time is spent in school on developing skills to respond to ethical conflict. GVV was designed to address this issue by developing the skills necessary to respond to ethical dilemmas by effectively voicing one's values. The GVV program is built on several foundational assumptions including that individuals want to voice and act upon their values. Voicing one's values leads to better decisions and although an individual may not be successful in resolving the conflict, voicing one's values is still worth doing.

Gentile (2010) incorporated these assumptions into the provided curricular framework within seven topical areas: (1) *Values* – individuals should appeal to the short list of widely shared values of honesty, respect, responsibility, fairness, and compassion; (2) *Choice* – individuals have the ability to choose to voice their values; (3) *Normality* – individuals should approach values' conflicts calmly and competently; (4) *Purpose* – individuals should define their personal and professional purpose; (5) *Self-Knowledge, Self-Image, and Alignment* – individuals should voice their values in a way that is consistent with who they are; (6) *Voice* – is developed over time; and (7) *Reasons and Rationalizations* – individuals should anticipate common reasons and justifications they might use to convince themselves to ignore unethical behavior or that they might be given for unethical behaviors and be able to identify counterarguments (Gentile, 2010).

The five common types of reasons and rationalizations that accounting professional faces are: Standard Practice; Locus of Loyalty; Locus of Responsibility; Materiality; and, it's a One-Time Request. Once individuals recognize these common reasons and rationalizations, they can begin to create counterarguments to voice their values enabling ethical action. The materials include *levers* that students use to when creating powerful and persuasive responses to anticipated reasons and rationalizations. Common levers include asking for help, finding allies, considering short and long-term consequences, and finding solutions rather than complaining. Furthermore, the individual needs to understand the organizational hierarchy, sources of formal and informal power, what individual or group has the authority to solve their problem (Gentile, Lawrence, & Melnyk, 2015).

This reflective approach asks students to script out responses as to how they would voice their values based on their expectations of what will happen if they raise the issue with their supervisor (who is the cause of concern in most cases

of this nature). Students must decide which levers to use how to seek advice and guidance, identify who else to involve, and decide in advance who else to report the issue to should they not resolve the issue with their supervisor. The assigned role-plays require the students to satisfactorily resolve the ethical issue. While GVV was not designed specifically for accounting professionals, the structure covered in the GVV framework can be applied to the AICPA's section 2.130.020 code of professional conduct and IMA's code of conduct.

GVV Implementation Literature

Many educators have implemented the GVV program; however, a majority of the research testing its efficacy is descriptive in nature. Based on anecdotal evidence, [Chappell, Webb, and Edwards \(2011\)](#) suggest that GVV raised the awareness of ethical issues and the capacity to act ethically for their students. [Ingols \(2011\)](#) identified improvements to students' ability to identify values' conflicts and develop realistic action plans. [Cote, Goodstein, and Latham \(2011\)](#) suggest GVV is effective in increasing undergraduate students' inclusion of others in case analysis. [Mintz and Morris \(2013\)](#) believe that GVV is effective in strengthening professional accounting values ([Mintz & Morris, 2013](#)). [Lynch, Hart, and Costa \(2014\)](#) integrated the GVV framework into an existing written case analysis. [Arce and Gentile \(2015\)](#) discussed benefits of integrating GVV into an undergraduate economics course. [Cote and Latham \(2016\)](#) found that student perceptions of their abilities improved after implementing GVV using a peer-to-peer teaching approach, where upper division Beta Alpha Psi accounting honor society members mentored students with faculty supervision.

There are few empirical studies that assess the impact of implementing the GVV curriculum. Many researchers have called for pre- and post-intervention studies to test the efficacy of GVV ([Edwards & Kirkham 2013](#); [Mintz, 2016](#)). [Christensen, Cote, and Latham \(2016\)](#) found a much higher level of unethical behavior in a group of students that received traditional ethics training than in a group of students that received GVV training, suggesting that GVV training can positively impact a persons' propensity to act in an honest manner. [Shawver and Miller \(2018\)](#) found that students are more likely to speak up and confront unethical actions by voicing their values to internal management, the CFO, and company hotlines after completing a GVV ethics module.

[Gentile \(2010\)](#) identifies that reliance upon some form of the support system enables individuals to speak up. These support systems may include family, friends, and others in organizations, where individuals work including the managerial hierarchy. Using a pre/post-test methodology, we test which professional values change impacts the likelihood of confronting concerns related to accounting fraud to individuals within the management hierarchy as a result of completing the GVV module through the following hypotheses:

H1. Students who develop a stronger appreciation for accounting professional values are more likely to discuss concerns with the controller after completing a GVV module in their advanced financial accounting course.

H2. Students who develop a stronger appreciation for accounting professional values are more likely to report concerns to an internal manager after completing a GVV module in their advanced financial accounting course.

H3. Students who develop a stronger appreciation for accounting professional values are more likely to report concerns to the CFO after completing a GVV module in their advanced financial accounting course.

H4. Students who develop a stronger appreciation for accounting professional values are more likely to report concerns to external audit after completing a GVV module in their advanced financial accounting course.

H5. Students who develop a stronger appreciation for accounting professional values are more likely to report concerns to an anonymous hotline after completing a GVV module in their advanced financial accounting course.

METHODOLOGY

Implementing the GVV Curriculum

The GVV curriculum was implemented as a module in advanced financial accounting courses from two different educational institutions. Both institutions are AACSB accredited. One institution is a mid-sized, public university, while the other is a smaller private college. Both courses cover the same material and both professors have experience teaching accounting ethics, agreed as to the amount of time they would devote to the ethics module and the way in which they would assess the material. A course timeline summarizing the main parts of the study and GVV curriculum materials is summarized in [Table 1](#).

The GVV curriculum of teaching and learning materials is available online.¹ Educators have a choice on how to implement these materials as a module in their classes. Our module covered approximately three weeks of class time. In week 10, each instructor lectured about the key components of the GVV program and provided documents from the GVV curriculum to each student. Each student completed an individual reflection using “A Tale of Two Stories.” Students are asked to recall a time in their work experience when their values conflicted with what they were expected to do when they spoke up and acted to resolve the conflict.

Table 1. Course Timeline.

Week	Experimental Group	Control Group
Week 0	Pre-Semester Survey	Pre-Semester Survey
Week 10	Lecture/GVV Materials, In-Class: Individual Reflection 1 “A Tale of Two Stories”	
Week 11	In-Class: Individual Reflection 2 “Billing Bind” Individual Assignments: Four Cases where students answer questions individually	
Week 11/12	Team Assignment: Role-Play	
Week 15/16	Post-Semester Survey	Post-Semester Survey

Then students are asked to recall a situation when there was a value conflict and they did not speak up. Students were encouraged to share their reflection and personal experiences with the class. These reflections highlight motivations that encourage one to speak up and what may have better enabled someone to speak up during an ethical conflict. After this discussion, each student was asked to read “A Billing Bind” (Gentile, 2010), a case where an accounting intern is asked to overbill clients, and respond to the following questions:

- What are the main arguments, *reasons and rationalizations*, you need to address?
- What’s at *stake* for the key parties, including those who disagree with you? What’s at *stake* for you?
- What *levers* can you use to influence those who disagree with you?
- What is your most *powerful and persuasive response* to the reasons and rationalizations you need to address?
- To whom should the argument be made? When and in what context?

After discussion of the above questions and responses, students then created teams and each team was randomly assigned one of the following cases to present:

1. *Jeff Sallett – from the top, sort of* – a case involving pressure from senior executives in a major industrial products firm to inappropriately record restructuring charges.
2. *Student privileges with strings attached* – a case involving an intern at a consulting firm who is pressured to share his university password to enable the firm to access proprietary databases from the school library.
3. *The New Associate* – a case involving a senior-level accountant in a CPA firm who violates professional standards.
4. *The part-time job with a full-time challenge* – a case involving a co-worker in a car parts store who adjusts invoices and inventory reports to steal cash while working as a night manager.
5. *Really eye opening* – a case involving improper travel expense accounting.
6. *Didn’t hear it from me* – a case involving rumors about an office closure and insider trading.
7. *Just get it done* – a supervisor sets unreasonable deadlines that lead to inferior manufacturing issues.
8. *It’s the way we do things* – an employee is offered a kickback for business and avoiding the competitive bidding process.

Prior to each team presentation, each student was first required to complete an individual written case analysis/reflection. Cases 1–4 were used in half of the sections while cases 5–8 were used in the other half. To ensure that no differences were attributable among the sections from which cases they were assigned, we examine the change scores for all variables under study and found no significant differences based on the section the student was assigned to or the cases included in the module. Presentation of the cases occurs during weeks 11 and 12. This individual case analysis assignment ensures that all students have read,

understood, and have reflected upon each case prior to each team presenting their scripted role-play. Students answered the following questions:

1. What would motivate you to speak up and act or to stay silent?
2. What are the arguments you would try to counter?
3. What would you do and who would you talk to?
4. What do you hope will happen and what will you do if it does not?

During weeks 11 and 12, teams were required to complete their team assignment provided and create a scripted role-play to respond to their ethical dilemma. Each team acted out their role-play in class receiving graded feedback from their instructor and from their peers. Students answered questions about each role-play and provided confidential feedback by answering the following questions online:

1. What is your immediate response to the team's strategy and script?
2. If you were the target of this response, how do you think you would react?
3. Can you offer suggestions to the team to improve this response?

After students answered these questions, they completed the online grading and we discussed each role-play in class. Instructors encouraged the free exchange of ideas among the class with a focus on identifying ways to improve voicing one's values and encouraging ethical action.

The Measurement Instrument

Participants were asked to complete two surveys: one at the beginning of the semester and one at the end of the semester. The pre- and post-survey instruments were approved by the Institutional Review Board (IRB) at each institution and were completed online. Students were instructed to answer questions honestly and not to collaborate in their online responses to the survey. Extra credit amounting to less than 1% of the total course available points was offered to students who successfully completed both the pre- and post-survey instruments. The students were asked to use the last four digits of their social security number on both the pre- and post-tests to enable the researchers to match the pre- and post-survey responses yet maintain the students' anonymity.

Five hundred seventy-nine senior accounting students were invited to participate in this study. Incomplete surveys (119) and those that failed validity checks (72) were eliminated from the study, leaving a matched-pairs sample of 388 students. The sample of participants includes 180 females and 208 males. The age range of participants is 19–52 with an average age of 22.34 years. Most of the participants have little professional experience with an average of just under one year of professional experience.

RESULTS AND DISCUSSION

To assess the impact of the GVV module, we analyzed the changes in values for those identified in either the AICPA code of conduct, the IMA code of conduct,