



Education for an accounting profession

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Abstract

Purpose – This paper seeks to present an invited response to a paper describing the historical relationship between the New Zealand Institute of Chartered Accountants (and its predecessor body) and the universities in New Zealand.

Design/methodology/approach – The paper is conceptual and takes the form of a commentary/review of the findings of the principal paper.

Findings – The paper adds to the description in the principal paper and presents additional factors that are necessary in assessing the relationship between the professional body and the university sector.

Originality/value – The paper extends the discussion in the principal paper with some reflection on the nature of professionalism and argues that a broader appreciation of professionalism is necessary to judge the effectiveness of the relationship in question.

Keywords Education, History, New Zealand, Universities, Professional associations

Paper type Viewpoint

As someone with a longstanding interest in accounting education, accounting history and issues of professionalism I was asked to read an earlier draft of Bernadette Devonport's (2009) paper, "An introduction to the interaction between the universities and the Institute of Chartered Accountants of New Zealand: 1910 to the present day". I found it be an excellent paper, most interesting and well presented. It deals with a subject with which I had been specifically concerned many years ago (Gaffikin, 1981) and, generally have been interested in ever since. However, although the paper did suggest areas in which there had been tensions in the relationship between the parties involved, it lacked a thoroughgoing critique in respect of how and why these tensions arose/existed. To be fair the author does state that the intention of the project was to be descriptive but states that this is because it is an historical analysis. While this raises historiographical questions, it is the critique of the tensions with which I am concerned here. At the core of any analysis or discussion are questions of professionalism which, at best, are all too often skimmed over or, at worst, ignored or presumed to be taken for granted.

The time frame for me to prepare some comments was extremely tight. Consequently, in what follows I have taken parts of some work which I prepared for another venue. I recently made presentations to audiences of accountants in Australia and Thailand involving much the same issues. Therefore, while it may at times seem that I am having a discussion parallel to Devonport's paper, I believe I am addressing the same issues, namely what does it mean to be a professional accountant and how have we gone about creating an environment which is conducive to producing – educating – future accountants?



Past involvement

A part of what Devonport discusses resonates well with me because of personal experience. As an academic in New Zealand I found it offensive to have my courses and examinations vetted by young accounting practitioners who had graduated only a few years earlier. While there was no personal antipathy I wondered how it would feel to a partner in one firm to have his or her work assessed by a senior in another firm. It was the principle and the seeming lack of trust that turned my attention to questioning the meaning of professionalism. Most of the practitioner assessors merely had first degrees in accounting while many of the academics had second or third degrees. What then was the meaning of an accounting education? What qualified for expertise and specialisation? What prospects were there for disciplinary advance when fairly junior members of practices effectively “approved” what was taught in accounting programs, “judging” the competence of those who had chosen and qualified for an academic career? At the time I was unaware of the “history” of this practice and Devonport has described it well, making others aware of how such a situation arose. However, she does not seem to appreciate that the academics are also “professional accountants”; members of the same “professional” body to which the practitioners belong. I wrote of some of my frustrations (Gaffikin, 1981) and left New Zealand to pursue study and my career in Australia. I later became Chair of the education committee of the major Australian accounting body. In that role I had associations with the leaders of the New Zealand body’s educational committee and was encouraged by the very positive attitude they shared with the Australian bodies in promoting much more “rounded” university accounting education programs (much of which emanated from practitioners not academics!). In recent trips to New Zealand I have been very disappointed to observe what seems to be a complete reversal of this aim; emphasis is placed, by the New Zealand professional body, purely on technical competence and they are forcing universities to comply with this – the revenge of the bean counters? What is also disappointing for me is the apparent lack of resolve by academic leaders, allowing the professional body to “dictate” what passes as an accounting education such as rote learning of accounting regulations. I have observed what seems to me as senior academics ingratiating themselves to the professional body, rather than promoting the intellectual thrust of the discipline that would develop it for the broader societal needs of the twenty-first century. Accordingly, my comments are directed to attempting to define what is a professional accountant – no doubt many may disagree. My intention is to demonstrate the importance of cooperation, rather than suspicion and ignorance, of the needs and efforts of the various sections of what should be the profession of accounting. I do not seek to be offensive to colleagues but to attempt to provide a critique of what I perceive to be the issues facing the discipline of accounting and stress that the way forward is through cooperation of all those who see it as aiding in the solutions of immense societal problems.

Crisis

I think most people would agree that the world is currently in a state of economic crisis. This is certainly so in the Western world and the consequences of a dramatic loss of faith in traditional institutions and ideologies in the West has had a trickle down effect on most parts of the world often with devastating results. This is being referred to as a global financial crisis (GFC). If we add to these economic and business difficulties the

impact of potential ecological disaster, such as that referred to as global warming, we certainly are faced with critical global consequences. This is manifest in many forms. Already this century, not even a decade old, there have been many spectacular corporate collapses and financial scandals in many parts of the world. We have witnessed the almost unbelievable bankruptcy of some of the largest corporations and financial firms that we traditionally believed were permanent pillars of the world's economic affairs. We have also witnessed the breakdown of international trade relationships. There are questions of serious eco-efficiency such as the immense pressure on the scarce sources of energy and how they are being consumed. There are questions of eco-justice such as rising food prices associated with food shortages and the associated increasing levels of poverty in many parts of the world. There has been an increase in global terrorism and militant minority movements threatening world security.

It seems obvious to me that if we are to meet these many challenges we need to find alternative, innovative ways of analysing the problems. This is not only true at the broader national and international levels, but also at the level of everyday business practice. While certainly not causing the GFC, accountants have participated in some of the contributing factors, explicitly or implicitly. It would be fair to say that there are accountants who have not acted in a truly professionally responsible manner.

Professionalism

There are certain responsibilities that accrue to those who would claim the status of professional in any society. That is, the social sanction of the title professional implies certain obligations to that society. In the many societies with which I am familiar, there are two major divisions of what is referred to as the accounting profession – the practitioner and the academic arms. Serving both the divisions are the professional accounting bodies.

There has been an uneasy relationship between the three sections and I believe this has in many ways hindered the development of the profession, as well as having not enhanced its reputation. While there is begrudging respect afforded accountants because of the power they wield through their specialist knowledge, we are very often derided with pejorative titles such as the bean counters – implying those without any soul or humanity and only concerned with the raw numbers, ignoring their broader implications. As an accountant I believe if we are to earn the title of professionals we need to be seen as making a much greater contribution to society generally. This can only be achieved through the cooperation of the various divisions in which the discipline is practised.

The practitioners

There is a vast range of accounting interests in the practitioner category so any comments I make are very broad generalisations. Traditionally, practitioners have been classified as public accountants, private accountants or public sector accountants but, with the increasing complexity of business and commercial organisations, in recent times these boundaries have become increasingly blurred. Even among public accountants there are those associated with large, often multinational, accounting firms, and those in small firms each with very different specific interests – financial advisers, financial statement preparers, taxation advisers or auditors. However, from

an academic perspective, generally, practitioners have seemed to be suspicious of anything academic. Obviously not all practitioners feel this way and some have been heavily involved with academe. However, a large block of conservative, traditional practitioners believe that academics are too far removed from the harsh world of economic reality with which the practitioners are involved. Thus, they argue, academics all too often cannot contribute to the everyday world of the practice of accounting.

Throughout the history of accounting, those in practice have argued that they exist as neutral actors to objectively represent economic reality for decision makers. However, if this is so (and the literature for many years has suggested it is) then many accountants have for too long suffered from a false consciousness, unaware that the reality represented in their work has been shaped by political, regulatory and social as well as economic forces – there is no objective economic reality. Perhaps some practitioners are well aware of this but there does not seem to be any public acknowledgment of it. Undoubtedly, most practitioners are well aware of the need to work with many other groups but they also need to be more aware of the how these other groups shape accounting. Accounting has changed in response to demands placed upon accountants by their clients. Whereas this is probably quite natural, often the response has been at the cost of the integrity of the discipline. From their more distant perspective, academics may be able to see this more clearly, yet have often been denied a voice in developing the practice of accounting. I do not concur with Devonport's suggestion that accounting research has been central in shaping accounting education.

Generally, practitioners seem to have been loath to want to change – to move from their comfort zones – and have been slow to recognise the problems raised by broader social concerns in areas associated with ethics, environmental degradation, globalisation, increasing business complexity and some other factors. Interestingly, as Devonport has pointed out, the New Zealand Institute of Chartered Accountants (NZICA) has been mildly criticised by international peer bodies for not including more elements of ethics and communication skills in their education programs. Of course, like most people, practitioner accountants do not really appreciate criticism and, again, this is understandable if the criticism is purely negative. However, in the past, they have often aggressively marginalised critics who have had the betterment of the profession as a primary concern. These include scholars such as Ray Chambers in Australia or, more particularly, Abe Briloff in the USA, a practitioner, who examined the financial statements of public companies and severely criticised firms that he believed had engaged in abusive accounting practices. This, in the USA, resulted in not only more rigorous accounting standards but also led the chief financial correspondent of *The New York Times*, in a speech to the American Accounting Association in 2006, to suggest that had there been more Abe Briloffs there would have been fewer corporate accounting meltdowns (Granoff and Zeff, 2008).

The academics

In academe there is also a vast range of accounting interests, so comments are again generalisations. In the past academics acted largely as teachers. However, in more recent times academic accountants in many countries do not have to only teach, they are required by their institutions to be involved in research. Actually, the prospect of

engaging in research has been a reason why many people – but certainly not all – have taken on an academic career. However, accounting has increasingly had to conform to overall university policies and practices and in Western universities since the second half of the 20th century these have had a strong bias towards the sciences. Starting in the early 1970s there was a shift in the interest of accounting researchers away from what were traditionally perceived as the problems of accounting and accountants. The research focus was narrowed to only those aspects that could be observed in financial securities markets. As it grew, the focus was narrowed even further and the concerns researchers addressed were methodological rather than substantive issues. Trivial problems were being addressed by increasingly sophisticated mathematical and statistical analytical techniques in the researchers' misguided belief that they were engaging in truly scientific research. In the misapprehension of what this entails, research models and methods of economics and finance were being applied in accounting. As Granoff and Zeff (2008) have observed, "interesting and researchable questions in accounting are essentially being ignored". This is somewhat ironic in that while government policies in many countries (certainly in Australia) towards research have been directed to encouraging and funding specific industry relevant research (itself a bit short sighted) much accounting research has been a little too esoteric and removed from the problems of the industry to be so regarded. Consequently, it is little wonder that the practitioner community became increasingly disenchanting with academe and while this was mainly evident in the United States, this research approach spread to other parts of the world, including Europe and Australasia. Initially supported by some large business interests, this new research movement was promoted and driven by ideologues of large, well endowed conservative US business schools with the lesser schools following like well trained sheep. This "hierarchy" was reinforced by the capture of academic accounting journal editorial policies – the gatekeepers to accounting knowledge. An unfortunate legacy of this was that new accounting academics in these leading US schools, although well versed in neo-classical economic theories and sophisticated mathematical analytical techniques, could not teach much accounting beyond introductory courses!

Fortunately, there has also been a growing disenchantment with this approach in many accounting schools with the result that there has been an increase in interest in addressing issues in which accounting was seen to be intricately involved or where it was felt it should be involved. There is at last evidence – the GFC – that the market cannot solve all economic let alone other societal problems the ideologues claimed. There has been a growing awareness of the importance of accounting in an increasingly wide sphere of human activities – recognition of alternative approaches to accounting, which acknowledge more than simply the purely technical economic considerations. That is, recognising the social and human aspects of accounting practice. Unfortunately, although these accounting academics are concerned with the practical realities of the "everyday accountant", the non-academic arms of the discipline have often viewed this work as being equally removed from everyday practice – but this is changing!

The professional bodies

Intuitively it would seem that a professional body should exist to serve the interests of its members and this is probably what accounting professional bodies would claim is

their paramount concern. In fact, they have generally done this well. Where there is a single accounting body – for example, in countries such as New Zealand and Thailand – it has been easier to observe how they operate. In Australia, the two (traditional) main accounting bodies have worked hard to protect the interests of their members through the setting up of research bodies designed to determine standards of best practice with which their members could not only comply, but with which they were seen to be complying. Until recently the bodies have sought to undertake their responsibilities through a regime of self-regulation and compliance with relevant laws. However, in Australia the State has taken over this responsibility. The previous right of the professional bodies for self-regulation has been removed. There are many reasons for this but they probably include the inability of the professional bodies to present a unified front and the pressure from and the lobbying power of many non-accounting business interests.

The determination of the interests of any group is a process of interpretation subject to the many political forces and interests that any institution faces. In Australia, despite attempts to rationally combine the two main professional bodies, the interests of a minority prevailed and such moves failed. A consequence has been rather than working to promote the discipline as a profession and support its members, the bodies have been driven to compete with each other, wasting energy and resources. In areas where the two bodies once cooperated there is now suspicion and disunity. This has been disappointing and it is frustrating to note that the profession cannot always present a single front on many issues of public policy concern.

In Australia, there are other, less obvious, consequences of the competition between the various professional bodies, some of which have affected education and membership. Size seems to matter - witness the actions of some professional bodies in the UK which have set out on a campaign of global professional colonisation that matches the political colonisation of a hundred years earlier. Rather than remaining committed to the domestic interests of their members, these bodies have embarked on large scale international expansion. All the Australian bodies are constantly seeking to increase membership. Perhaps I am too cynical but it certainly seems that a policy of growth (of membership) subsumes other matters leaving one to ponder how current members' interests are being served by the expansion of the organisation. Logically, the result would seem to be either a zero-sum game or a dilution of current members' benefits. However, more disturbing are the possible implications of changing membership entry standards of this push for larger membership. One of the professional accounting bodies, in its bid to gain new members, has argued that the once fiercely fought for accounting degree entry standard is no longer relevant as the substantive elements of an accounting education can be taught in a short post graduate conversion course. If this is possible it then raises questions about the worth of an academic discipline of accounting which is, to me at least, do accountants really want to be a profession or just a trade?

What is a profession?

Dr Simon Longstaff, Director of the St James Ethics Centre in Sydney, has said that, “professions do not have a right to exist. They are not the product of a law of nature. . . . Rather, the professions are a social artefact” (Longstaff, 1995).

In medieval Europe there were only three recognised professions – law, medicine and divinity – although officers of the army and navy believed they too belonged to professions. A typical dictionary definition is likely to suggest that a profession is an occupational group characterised by claims to a high level of technical competence or expertise, autonomy in recruitment and discipline and a commitment to public service[1]. There have been many lists of characteristics of a profession provided by different commentators and there is no agreement as to which are the definitive ones, but there are many more than what Devonport implies (or states). Six of the most commonly mentioned in these lists[2] are:

- (1) possession of a skill based on theoretical knowledge;
- (2) provision of training and an education;
- (3) testing of competence of members;
- (4) organisation;
- (5) adherence to a code of conduct; and
- (6) altruistic service.

It is interesting to note in all these discussions of professions that a commitment to public service and ethics is a dominant characteristic. In Thailand a Committee on Professional Ethics has a significant position in the organisation of the Thai Federation of Accounting Professions (FAP). Recently, amongst those interested in defining and working with professions in other parts of the world, the discussion has moved away from defining a profession to an interest in the *power* that professions have in societies. That is, the power of professionals to delimit and control their work. Traditionally, professionals have exercised a high degree of self-regulation free from external control. It has been argued that:

... professions are exclusive occupational groups which exercise jurisdiction over particular areas of work. This jurisdiction is held to rest on the control of a more-or-less abstract, esoteric and intellectual body of knowledge (Abbott in Kuper and Kuper, 2003, p. 677).

To some, the status of a profession is more a reflection of self-interest rather than public service. That is, maintaining control over entry in order to command high material rewards. But, Samuels argues that “the destructive consequences of untrammelled economic exploitation are held at bay by professionalism... where service rather than profit becomes the professional label” (Samuels, quoted by Longstaff, 1995, p. 3); is he right?

In Australia, ethics are at present the responsibility of an Accounting Professional & Ethical Standards Board Limited (APESB), and it is interesting to note that the first statement in its first section of its Code of Conduct states that:

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

What is the public interest?

Thus, societies tolerate such occupational grouping under the title of professions in the belief that the interests of the community will be promoted; in fact privileges are accorded professionals in return for social benefits. There is a social contract entered

into of the sort first conceived by the 17th century English philosopher Thomas Hobbes (see Russell, 1961, p. 535) and revived in the twentieth century in the work of the American philosopher John Rawls (1971). However, there are many problems in defining the public interest and all attempts will involve political considerations. Hobbes and his followers argued for strong governments capable of enforcing the social contract. However, today, we are not endeared to absolutist governments of the sort advocated by Hobbes or any other. In attempting to define the public interest, policy makers will have to balance community and individual interests.

At the core of capitalist societies is the ideology of individualism – the freedom to make (economic and other) choices. This individual freedom has to be balanced with some level of community or social responsibility. Many commentators (philosophers, sociologists, politicians and the like) argue that this balance is determined through reason, that is, rationally. Here is another problem – how do we define rationality? Generally speaking it will be defined by the powerful and represent the dominant societal ideology. To a great extent this power will be in the hands of those with specialist skills and knowledge – professionals! The process is somewhat circular. However, in recent years we have witnessed the growth in community (people) “power”. There have been community demands for greater attention to be paid to areas traditionally ignored by business interests, for example, ethical behaviour in business and an increased awareness of environmental considerations; to these can be added the detrimental effects of globalisation – the recognition of a need of eco-justice. However, this is a major contribution of Devonport’s historical analysis – the professional body has exerted tremendous power in defining accounting and consequently what should form part of a program of education of accountants.

I would argue that there are three major issues the discipline of accounting is facing today, that is, the effects of moves towards (economic) globalisation, the need for more ethical behaviour and inclusion of social and environmental implications in calculations and their subsequent reporting. The question then is: what is an appropriate professional response?

Skill based on theoretical knowledge

Returning to the list of characteristics of a profession, the first suggests that there be a conceptual basis for the knowledge base of the discipline. Most of the 20th century was taken up with attempts by the accounting profession, in the US and other parts of the world, to determine a conceptual basis for its practices – first the search for GAAP (generally accepted accounting principles) ending with attempts to formulate a (formal) Conceptual Framework. There are many disturbing aspects that are worth noting in this respect. The profession (internationally) has clearly failed to determine this conceptual basis – a theory or theories of accounting. We do not have a theory of accounting but a series of legally mandated regulations principally in the form of accounting standards (see Gaffikin, 2008). In Australia, the US and many other countries, once part of a regime of self regulation these standards are now imposed on the discipline by external regulators. I would argue that all three arms of the profession are responsible for this. There is no intellectual basis to the craft of accounting! As in most sections of Anglo-American societies, there is, in accounting, a suspicion of intellectuals. Generally, intellectuals may be described as persons, typically well-educated, who engage their intellect in work which they believe to be of

cultural importance. Specifically, intellectuals would be those associated with the propagation and advancement of knowledge as well as the articulation of the values of society. Therefore it would seem desirable to have intellectuals engaged in accounting.

Actually, the professional bodies do talk of the need to develop their intellectual capital. This has been defined as:

Intellectual capital is a combination of human capital – the brains, skills, insights, and potential of those in an organization – and structural capital—things like the capital wrapped up in customers, processes, databases, brands, and IT systems. It is the ability to transform knowledge and intangible assets into wealth creating resources, by multiplying human capital with structural capital (Edvinsson and Malone, quoted in Holman, 2005[3].

The term intellectual capital has become a fashionable topic in the management and (management) accounting literatures. However, it seems little more than a cynical capture of the word intellectual by neo-liberal oriented economic interests. It is neither concerned with furthering the interests of society nor a breadth of understanding of important cultural considerations. Rather, it refers to attempts to measure, using traditional economic measures, the worth of the mental contributions to the material well being of the organisation.

Professional bodies have used the term more broadly, but if they are intent on developing their intellectual capital then presumably they should encourage and collaborate with academics. Unfortunately, there have been instances of professional bodies actually coming out against academic interventions (in the UK – see Neu *et al.*, 2001, and probably elsewhere).

Unfortunately the lack of interest in an intellectual spirit is also manifest in academe. This is evident in a total lack of a breadth of interest where researchers have been content simply to latch on to theories in economics and finance ignoring the wider implications of accounting. In addition, there is a belief in many accounting circles that the study of theory is unimportant and this has been tacitly supported by the professional bodies where the subject has been dropped from accredited university accounting courses. In New Zealand, accounting theory is increasingly being excluded from accounting degree programs on the insistence of the NZICA; a clear indication of the anti-intellectualism that exists within that body – having graduates with the capacity to problem solve, think critically, conceptually and broadly is obviously seen as undesirable! Aristotle told us many years ago that theory is that from which practice proceeds. Hopefully we will more fully embrace this notion through cooperation and collaboration between the arms of the profession.

Provision of training and an education

The second listed characteristic defining a profession was the provision of training and an education. In the face of many serious difficulties, internationally, the profession has worked hard on this criterion in the list of professional characteristics. There are extensive effective training programs offered in many parts of the discipline internationally. Being well-educated usually means having a breadth of vision and interests – an intellectual perspective which, as indicated above, I believe is generally lacking in current accounting practice and academe. Some professional bodies have for some time been working hard to broaden the education base of potential members. In Australia, this has involved a requirement of generic skills in addition to the traditional concentration on the technical. As indicated earlier, at the turn of the century, the

Australian bodies were working with the New Zealand body on achieving this aim. However, surprisingly, this has since met with resistance from some educational providers and I have noted that NZICA has moved away from this requirement – backwards towards an insistence on greater technical competencies – rote learning (understanding?) of International Financial Reporting Standards (IFRS) and taxation regulations. In Australia, it is most disturbing to note that as a consequence of the reduction in government funding to universities, combined with a seemingly unsated demand for accounting graduates, that to overcome the shortfall in funding many university administrations have increased their use of accounting programs as their “cash cows”. This has been made possible by the enormous demand from international students to pursue accounting degrees and has led to some extremely dubious academic practices which hardly suggests maintaining an intellectual base for the profession – some practices are undertaken, out of necessity, purely for private economic reward and increasing membership lists.

Testing the competence of members

Devonport has indicated that despite the efforts of many, a university degree has never been a prerequisite for membership of NZICA. In Australia, in the past, the two traditional professional accounting bodies (CPA Australia and Institute of Chartered Accountants in Australia) have for some time had fairly rigorous programs for qualification for entry to their membership (despite some internecine rivalry over which was the more rigorous). In the 1960s these bodies fought for a university degree prerequisite for membership. The success of this venture greatly assisted the establishment of accounting as a university discipline. However, as indicated above, a recent policy change by one of these bodies has, in my mind, done a great disservice to accounting as an intellectual endeavour. I cannot conceive of a qualified profession that does not require a university degree despite the high level of technical skills that some non-graduates may possess. In the USA, to be a CPA requires university study amounting to 150 hours which is usually well beyond a first degree. In the UK there are many professional bodies and for some a university degree is not a necessity. They have argued, similar to the NZICA argument described by Devonport, that a rigorous system of professional qualifying examinations can in most cases be taken to represent the equivalent of a first degree.

The International Federation of Accountants (IFAC), the international professional association of national accounting bodies, has for some time required its members to have programs of mandatory continuing education. I know that the US and the Australian bodies comply with this well, but there are always issues surrounding the learning effectiveness of these programs.

Organisation

The fourth listed characteristic of a profession requires organisation. In countries like Thailand the organisation structure of FAP (Federation of Accounting Professions) clearly indicates that there has been much attention to this characteristic. Devonport has indicated the political strength of NZICA – it has been shown to be a strong and successful lobby group which suggests it has operated as a well organised entity. However, in countries where there are several professional bodies it could be argued that there is a lack of organisation. As

suggested earlier, in Australia, it is disappointing that there is no single front being provided and when matters of concern arise, each body seems to see it as a good public relations exercise to be seen in the media as the body representing accountants.

Adherence to a code of conduct

I have already referred to this fifth characteristic. In the literature, a code of conduct is the most consistently cited characteristic of a profession. For many years the accounting professional codes of ethics were quite inadequate, merely being statements of the principles members should comply with in respect of dealings with other members. However, considerable efforts have been made to broaden the scope to make the codes truly reflect the activities of members in respect of the expectations of society[4]. As mentioned above, this is no easy matter and it requires balancing the rights of individuals with those of the broader community. In the broader community, policies of public interest must determine those interests that serve to tolerate the rights of individuals against the overall interests of the community. The matter is made more complex with the growth of group interests – minority group interests – and the capacity of some groups to lobby policy makers. These problems are reflected in attempts to establish an accounting code of conduct. That is, a balance needs to be made between the interests of the clients, the accountant and the community (overall economic or social needs). This has raised a great many issues for the discipline and has been, for example, reflected in the debates on independence and the audit expectation gap as well as those in very many other areas. There is little doubt that, traditionally, accountants have sided with dominant business interests and there is a significant history of litigation against accounting firms that attest to that (let alone the demise of large accounting firms, notably Arthur Andersen).

As we move into an increasingly global economy (like it or not!) other questions are raised. What allegiances are there to transnational corporations which seek to avoid national responsibilities? What advice should be given to clients that seek to avoid taxation through the uses of international tax havens or, more cynically to those entities or individuals wishing to launder money (eg BCCI)? It may be interesting to note that KPMG has been the subject of what the US justice department has described as the “largest criminal tax case ever filed” (Sikka, 2008). Also interesting is that it has been reported that the big accounting firms are at the heart of a global tax avoidance industry (Sikka, 2008). And, in the UK, “Four current and former Ernst and Young partners are facing charges arising from alleged ‘tax fraud and conspiracy and related crimes’ arising out of schemes promoted by the firm” (Sikka, 2008). Recently, as one of the responses to the GFC, the G20 governments have called for action to eliminate tax havens. Transnational crime has become an important issue that law enforcers are finding increasingly difficult to combat and all too often there are suggestions of the involvement of accountants.

In considering what a code of conduct should include, there is also the question of the individual commitments of accountants – individual members of the profession. For example, an individual may see a commitment to a particular social philosophy (for example a religion, the gun lobby, a social lifestyle preference) as being above any commitment to the broader community.

Another dimension to the issue of a code of conduct is how the profession defines itself. Non-adherence to the code is one of the few areas in which a profession can sanction the activities of its members – professional disciplinary committees are kept busy! Through this process the profession can determine its boundaries – state which behaviour is acceptable and which is not. This is what the 20th century French philosopher, Michel Foucault, referred to as the discourse of power. That is, knowledge is power and the profession through its disciplinary actions uses this power to define the profession itself – hence the term discipline[5]. Obviously then, it is important to decide who serves in this capacity and the answer is inevitably those with the strongest interests in the profession. This was illustrated in the early history of accounting standard setting in the US where the big firms used their political power to determine which practices became part of the standards (see Zeff, 1971). In the contemporary scene the discourse of power is manifest in the debate between the International Accounting Standards Board and the Financial Accounting Standards Board of the USA over rules based versus principles based standards.

These are just some of the factors that need to be considered in determining an acceptable and effective professional code of practice. Obviously it is not an easy task; however, it is an essential one as societies have demanded more accountability from business.

Altruistic service

The sixth commonly listed characteristic of professionalism is altruistic service. There are probably many accountants who offer and provide their services to community and charitable groups. However, this is undertaken on an individual basis and traditionally, accountants, as a professional group, are not seen as those who often engage in altruistic activity. In the news we witness medical practitioners in war torn or devastated areas in the world providing their professional services, for example, as *Médicins Sans Frontières*. Lawyers engage in legal aid ventures; engineers build hospitals, schools, bridges and other similar structures in third world countries. Accountants never seem to figure in these “good news” stories. We do figure in many stories of corporate scandals and fraud and other cases of corruption! Altruistic activity is a matter of choice but we may be “missing in action” when it comes to this commonly cited criteria of professionalism – or at least be seen to be.

Shaping the future

It seems obvious to say that the education members of a profession receives shapes the direction of that profession. A major part of the education – though by no means the only part – is the formal program of education. Therefore, Devonport’s description of the history of the relationship of the New Zealand professional accounting body and the universities makes a valuable contribution to understanding how the profession of accounting has developed. Her general conclusion is that the accounting practitioners, through the auspices of the formal professional body, have exerted an undue influence on university accounting education programs. However, in recent years the universities have become a little more autonomous. My informal observations are that NZICA, through the accreditation of university still maintains a stranglehold on what constitutes a professional accounting education. While there are advantages in having a close relationship between the practitioners and the universities, the

downside is the imbalance created by the power exerted by the practitioners through the professional body. This imbalance is disadvantageous because it has the very likely potential to severely limit the development of the discipline. While undoubtedly there are very many important technical features necessary for an accounting education, the emphasis on these aspects limits the potential of a “good” rounded education. A professional education is continuous as the professional bodies have demonstrated in having their continuous education requirements. However, there are very necessary elements of a “good” education that I (along with many others) believe are necessary at a certain stage of the development of a professional. These include what many refer to as the lifelong skills, such as the capacity to think conceptually and critically, to be able to communicate effectively, to be aware of what constitutes ethical behaviour and generally think outside traditionally defined “boxes”. If those who have had (perhaps) limited exposure to these lifelong skills in their formal education continue to define the education programs of future professionals then there is a very real prospect of the stagnation of the profession.

The educational rhetoric of many accounting professional bodies (eg IFAC) has been that we need to instil in our new members the capacity for critical thinking. However, experience has shown that there are strict boundaries placed on the extent to which critical thinking is tolerated. Critical thinking has been very vaguely defined and it can mean something very different to many people – it is not restricted to negative carping. I think it is fair to say that critical thinking is encouraged in the belief that by challenging established norms new knowledge will emerge. There are many clichés that have been used to describe this process such as lateral thinking, creative problem solving or thinking outside the box etc. Unfortunately, the history of accounting seems to show that critical thinking is rarely tolerated; conformity and compliance are paramount – refer back to my earlier comments about how some of the leading critics such as Chambers or Briloff have been treated.

We live in difficult times; the world is in a state of crisis or if not that something very close to that. The history of humanity has shown that in such desperate periods it is the thinking outside the box that has saved us. For example, we emerged from the economic depression of the 1930s through radically new approaches to policy such as those built on Keynesian economics and Roosevelt’s New Deal. At the time both were roundly criticised by conservative vested (economic) interests. I infer from this that we need new “thinking” to help us solve the problems we now face. I am not for one minute suggesting that the responsibility is with accountants alone but if we are really professionals then we have a very real responsibility to contribute. This will involve the imaginative use of those skills and attributes which we are supposed to possess, that is, a high level of technical competence or expertise (according to the definition of a profession above).

As indicated above, I think it is obvious that the problems we now face include environmental issues, consideration of the effects of globalisation, ethical matters and scarcity and inefficient allocation of the world’s resources. A traditional accounting response I have noted coming from some of my colleagues and associates is that these are not really accounting matters as we only report on “economic facts”. Fortunately, many people in accounting have put that myopic thinking behind them and we have awakened to the fact that accountants can be involved in attempting to solve some of these urgent problems. Unfortunately, however, too many accountants continue to be

associated with the darker side of business practices. It is as if they believe their only responsibility is to follow slavishly the whims of their business masters rather than display the independence associated with true professionals and even claimed by accountants. If we are to be actively involved in helping solve some of the world's immediate problems then we have to engage in critical and creative thought and seek out innovative, effective approaches to the providing solutions rather than rely on measures which have probably caused some of these problems. An obvious and well cited example of traditional economic thinking for many years is the exclusion of certain items from costs as they were regarded as externalities. Consequently many real environmental and social costs were left to be paid by societies which were ill-equipped to even recognise them let alone have the willingness to take responsibility for them. Some accountants – academics and practitioners – recognised the existence of these costs many years ago but their contribution for too long was simply to describe how they were reported rather than how they could be avoided. These colleagues seemed to be boxed in to traditional thinking, content to rely on outdated economic theory and, perhaps, avoid offending their business masters. Fortunately, more recently, there has been an appreciation of the need for an interdisciplinary approach to the problem and a search for new indicators – those beyond traditional close-minded economic thinking.

Similarly, a new approach is needed to the institutions and organisations of business. If we look back to the responses to the questionable business practices of the 1920s that contributed significantly to the economic depression of the 1930s we will note that it is markedly different to that of the early twenty-first century. At the time, accountants sought to determine a more conceptually sound base for their practices – GAAP and regulation of practice. What we (our professional organisations) have done recently, is to attempt to protect ourselves by adopting the very form of organisation that has contributed to most of the current problems, that is, the corporation. One commentator has suggested that:

The twentieth century has been characterised by three developments of great political importance: the growth of democracy, the growth of corporate power, and the growth of corporate propaganda as a means of protecting corporate power against democracy (Carey, 1995, p. ix).

However, beyond that, the limited liability that incorporation offers provides a relatively safe haven from the consequences of irresponsible or dubious accounting practices. One could perhaps be excused for asking if assuming this “protection” is the response of a true profession.

Recent studies have shown the corporation to have perpetrated many of the ills the global community faces. Berle and Means (1932) raised questions about the consequences of the separation of ownership from control in corporations in the 1930s. More recently Bakan (2004) produced a damning indictment of how some corporations have acted. He wanted governments to be empowered with more effective schemes of regulation of corporations. However, corporate regulators continue to see the issues through the prism of corporate interests and governments continue to give prominence to corporate interests rather than those who are affected by the consequences of corporate activities. Again, this is not the fault of accountants but if we adopt the guise of the handmaidens of capitalism, that we seem to have been so keen to do, then we are complicit in the process – dare I mention Enron? Of course, many corporations are now larger than nation states so their

effect is felt globally and has impacted on world poverty and the lack of eco-justice. This then raises the question (mentioned above as a characteristic of a profession) of whether accounting professionals should be involved in altruistic service such as assisting in programs to alleviate world poverty? An education that concentrates on requiring them to know the technical intricacies of International Financial Reporting Standards is hardly likely to equip new accountants with the skills to be aware of these issues, let alone how they can contribute to their solution[6].

My comments have gone well beyond what Devonport was describing. My reasoning was that there are very many broader implications of a “professional education”. First and foremost one needs to know what it means to be a professional! There are very many other issues relevant to this discussion. Many of the issues I have raised probably seem quite remote from the world of many professional practitioners. However, as members of a professional body I believe it beholds on them to be involved. I am not totally unaware of the pressures of everyday practice but I invoke the sentiments of the poet John Donne – no man is an island. We are all involved. There is a *noblesse oblige* to the status of professional. My suggestions for moving forward as a true profession include that we work more co-operatively and recognise the expertise that each sector of professional accounting has to offer. I do not see this as solely an obligation of the practitioner sector but also the academic and the professional bodies as well. Academics have to produce a truly intellectual basis for the discipline. This will involve recognition of a broader range of research approaches and a deeper appreciation of the richness of our research past. The professional bodies have to develop and maintain the organisational structure that will facilitate the interaction and co-operation that will take accounting to the full status of a profession that we have so long tried to claim.

Notes

1. In Wikipedia, for example, the definition provided is: A profession is an occupation that requires extensive training and the study and mastery of specialized knowledge, and usually has a professional association, ethical code and process of certification or licensing (<http://en.wikipedia.org/wiki/Profession>).
2. Summarised in *The Social Science Encyclopedia*, 2nd ed. (edited by Kuper, A. and Kuper, J.), Routledge, London, 2003,
3. No page numbers given.
4. As indicated above, Devonport has noted that peer reviews of NZICA have suggested it strengthen its ethics component.
5. One of the significant conclusions drawn by Devonport is the power wielded by NZICA (and its previous incarnation as the Society) in defining itself. Her analysis demonstrates that this has been achieved through its education “policies”. This is a classic example of what Foucault (1979) has termed disciplinary power!
6. It is interesting to note that a statement by PWC that it would require any graduate it would employ to know IFRS resulted in subscribers to the web list Accounting Education using Computers and Multimedia – academic accountants – to describe this as an insult to academe and was undue interference by practitioners in trying to influence university education programs (July 2009 AECM).

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