

**ETHICAL LEADERSHIP IN THE ACCOUNTING PROFESSION: A SPECIAL DUTY**

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LEADERSHIP AND TRAINING

We accept this thesis as conforming  
to the required standard

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## ABSTRACT

This paper represents an action research project aimed at understanding the demands placed on members of the Certified General Accountants of Ontario (CGA Ontario) in regard to ethical leadership. The study asked members for their views and priorities on leadership and ethics in an attempt to determine whether members felt adequately equipped to respond to the challenges facing the profession.

The report concludes that members feel the need for leadership development as both a personal and professional priority. It also makes observations about ethics and the cultural implications of growing globalization and the resulting diversity issues as they relate to business ethics.

## DEDICATIONS

This paper is dedicated to those special people in my life who have encouraged me to question; to seek understanding; to see others as individuals; and to always strive to be more. I have been lucky to have many positive influences in my life; people who cared enough to challenge me to grow. I doubt that without their support, guidance and inspiration throughout my life I would have completed my Masters degree. They made me see not who I was but who I could be.

This paper is dedicated to my classmates. I came to the MALT program not knowing if I belonged. Through the caring, compassion and inspiration of others I learned what being a part of a community meant.

It is also dedicated to my wife, Wilma, who provides the strength and purpose in my life.

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## CHAPTER ONE - STUDY BACKGROUND

*The Problem/Opportunity*

The purpose of this study was to answer the question: what actions must the accounting profession take to enhance the leadership capabilities of its members?

The goal of this action research project was to understand the special duty that accountants have to the public with respect to these responsibilities. The project explored the demands on accountants to act as leaders and sought to determine, with their input, steps that the Certified General Accountants of Ontario could take to improve its members' ability to meet those demands.

Within this broad context, the study sought to understand what members saw as leadership in the profession; how members perceived its relevance to the broader community; and the extent to which there was congruity in defining underlying values upon which the profession's ethical framework is established.

Professional accountants are acutely aware of the perceptions of the public about the role accountants play in maintaining confidence in the Canadian economic model. With the many global public business failures over the last several years this responsibility has taken on increasing importance.

In 2002, the International Federation of Accountants (IFAC) sponsored a task force, chaired by John Crow, a former Governor of the Bank of Canada, with a mandate to "examine the loss of credibility in corporate financial reporting and disclosure, and to make recommendations as to how the situation could best be improved" (Crow, 2004, p. 65). This report took a broad view of the situation and identified issues in a variety of areas. The IFAC report suggested there was a global problem with respect to a lack of

confidence in financial reporting. While it was recognized that many organizations supported ethical standards and codes of conduct, Crow (2004) states that there was "ample room for increased use of best practices" (p. 67) in corporate management and governance.

In 2003, the California Society of Certified Public Accountants undertook a survey of their members to determine their views with regard to priorities for the profession. In an article in *Accounting Today*, Susan Waters (2003), the CEO of the California Society of CPAs, spoke about leadership and how the perceptions of her members have shifted over the last two years. In 2001, a survey of 28,000 members revealed that continuing professional education was their most important issue. In 2003, a dramatic shift occurred. Credibility (26%) and ethics (22%) replaced continuing professional education as the first and second most important issues.

Within this context of global problems, confusing governance models and misaligned expectations, this study intended to focus on understanding the ethical and leadership responsibilities of accountants with a view to recommending improvements in training and professional development that would assist them in responding to emerging challenges.

### *The Organization*

The Certified General Accountants Association of Ontario (CGA Ontario) comprises 15,000 members and 9,000 students. An elected board governs the provincial association with representatives from across the province. The provincial association works with the national association to deliver education programs to both students and members.



CGA Ontario has a “Code of Ethical Principles and Rules of Conduct” which articulates the ethical obligations of members as well as desirable character traits and values that guide the ethical behaviours of its members. This Code also calls for each member to assume personal responsibility for maintaining lifelong learning through an annual requirement for professional development.

This project conducted research with the members of CGA Ontario to gain a greater understanding of how they interpreted the responsibilities and obligations articulated in the Code. The researcher expected that many members believed that the status quo was sufficient and that members were meeting these obligations. At the outset, the researcher presumed that the vast majority of members acted in ethical and responsible ways, thus fulfilling the spirit and intent of the code. While it was expected that all members would likely agree on the need for high ethical standards, it was also expected that there would be less congruence on the interpretation of those standards or in the values underlying them. With an organization as large and diverse as CGA Ontario, it was expected it would likely be difficult to attain consensus on those underlying values.

In the final analysis, the researcher recognized that it would be difficult to effect radical change in an organization of this size and diversity. Accordingly, the researcher did not plan to recommend radical change. The researcher believes that a more effective approach was attempting to understand common member values through research and then, through the provision of appropriate professional development opportunities, gradually raise the importance of incorporating such values in day-to-day decision-making. The reader should note that the project did not propose to change values or impose another’s values on the membership. The purpose was simply to discover which

values members share in common and then reinforce those values with training.

In many ways, while this project focused on an organization, the topic of ethics and values was an individual issue for each member who participated in the research and subsequently pursues further professional development.

Delmarie Scherloski, Director, Member Services and Public Affairs at CGA Ontario, is the executive sponsor of this project. Ms. Scherloski is responsible for the ongoing professional development of the Association's 15,000 members. This includes monitoring development as well as creating the Professional Development catalogue for the organization. This department within the CGA Ontario received the report and recommendations and is responsible for making decisions on whether to implement the report recommendations.

## CHAPTER TWO – INFORMATION REVIEW

*Review of Organizational Documents*

CGA Ontario is a large and diverse organization. Its members are employed in all facets of accounting and in general management and leadership roles in many organizations. As stated earlier the Association includes 15,000 members and 9,000 students working in a broad cross section of the economy. In fact, CGA Ontario tracks employment of their members in 22 different categories.

CGA Ontario is an affiliate of CGA Canada operating in a self-regulating environment as a professional body. It was initially incorporated by Letters Patent in 1957 and subsequently governed by an act of the Ontario Legislature, the Certified General Accountants of Ontario Act, 1983.

CGA Canada is the national governing body for members across Canada and around the world. CGA Canada represents accountants and students around the world and has members in Canada, Bermuda, the People's Republic of China and other nations in the Caribbean.

The researcher has not included in this paper a discussion of the association organizational structure and governance model. The subject of the research is leadership among members within their professional lives rather than organizational leadership with the Association context.

### *Review of Supporting Literature*

The following section represents a review of relevant current thoughts on a variety of timely related topics. The researcher does not intend that this review be definitive. The purpose of this review is to provide context for the review of findings from this project.

This paper reviews the range and breadth of ethical models from teleological to deontological. It places Western ethics in the context of Aristotelian Virtue Theory and compares it with both Confucian and Islamic ethical paradigms. Our review includes an understanding of the various ethical perspectives, codes and approaches of various professions including the legal, medical, engineering and accounting professions.

It provides a brief review of the diverse corporate governance models around the world. Lastly, it places ethics within the context of leadership and values.

### *Ethical Behaviour*

#### *An Understanding of Ethical Models*

The study and application of ethics is about understanding which particular action represents doing the right thing. Yet, the search for doing the right thing is not a simple one. Inherent in a discussion of ethics is the concept of dilemma.

In his book, *How Good People Make Tough Choices*, Rushworth Kidder (2003) talks about ethical dilemma. "If we can call right-versus-right choices 'ethical dilemmas', we can reserve the phrase 'moral temptations' for the right-versus-wrong ones" (p. 17). Kidder's point is that the everyday challenge for people is not in choosing right from wrong but in choosing between multiple right answers.

Kidder (2003) places these decisions in context through three principles that he draws from "traditions of moral philosophy" (p. 23). He describes these three principles

as “ends-based thinking”, “rules-based thinking” and “care-based thinking”. (p. 23)

As explained by Kidder (2003), ends-based thinking represents the moral tradition of doing the greatest good for the greatest number. This is a relatively common view of ethical behaviour that is sometimes referred to as utilitarianism. Implicit in utilitarianism is the concept that one must assess the consequences of an act to determine the greatest good for the greatest number. This approach to ethics is referred to as “teleological” ethics. As defined in Funk & Wagnalls Dictionary (Landau, 1977, p. 695) the term teleological derives from the ancient Greek word 'telos' meaning end and 'logos' meaning discourse.

As Kidder (2003) explains, rules-based thinking is often associated with the German philosopher Immanuel Kant. “This principle is best known by what Kant somewhat obtusely called ‘the categorical imperative’” (p. 24). This philosophical approach holds that there is an underlying universal right. According to Kidder, Kant’s approach engenders the concept that one act in such a way that your action could become a universal standard that others ought to obey. As compared to teleological approaches, this deontological approach does not consider the consequences of one's action but is “based firmly on duty – on what we ought to do” (p. 24). According to *Encyclopaedia Britannica Premium Service* (2004), deontological ethical theories “place special emphasis on the relationship between duty and the morality of human actions” (para 1).

Kidder's (2003) view is that through consideration of our moral duty and careful analysis we can determine the right answer for most situations.

Kidder’s (2003) last principle is care-based thinking. He likens this to the Christian

golden rule 'do unto others as you would have them do unto you'. In recognizing care-based thinking as a valid ethical framework, Kidder is in conflict with many philosophers who believe that it is not a valid ethical model. Kidder argues that making decisions by placing ourselves in another's position and deciding how we would feel is "for many people the only rule of ethics they know" (p. 25).

These arguments and others may be perceived as merely the fodder for academic debate. They do, however, impact lives because each and every person makes decisions every day based on an internal system of understanding right from wrong. The challenge in the accounting profession, as in life, is to make decisions when there is no clear right answer or more likely when there are several right answers.

#### *Cultural and Social Implications of Ethics*

Before proceeding further the reader should understand that the intent of this paper is not to suggest that different cultures are more or less ethical. The foundation of ethics rests on the common shared values that form the basis of the culture. While many cultures share common values, such as cherishing human life, differences in values can lead to the different decisions when facing a dilemma leading to different perceptions about ethical behaviour. The intent of this review is to demonstrate that diversity means more than physical differences.

Perhaps not surprisingly, our Western societal concepts of ethical behaviour are based on our evolution as a society. In a paper published in *Issues in Accounting Education*, Mintz (1995) talks about our society's ethical framework and how it has evolved. "Ethical commitment refers to a strong desire to do this right thing" (p. 249). Mintz goes on to explain how our ethical framework defines the right thing. "Ethics refers

to standards of conduct that indicate how one ought to behave based on specific values and moral duties and virtues arising from principles about right and wrong” (p. 251).

When applied broadly across a cosmopolitan society it is implicit in Mintz's statement that the society agree on what is right.

Mintz (1995) makes a persuasive argument that our Western society's view of the right thing finds its basis in 'virtue theory'. Working backward from ethics to values, he arrives at the Aristotelian concept of virtue. This concept essentially holds that the goal of individuals is to live a life of virtue, the definition of which, over the centuries, has sparked much academic dialogue regarding morals and values. According to Mintz, virtue theory holds that “We transform our naturally given dispositions into virtues of character through the exercise of intelligence” (p. 252). In other words, people are disposed to certain characteristics but it takes rationale thought to act on those dispositions in a virtuous way.

In an article for *Accounting Education Journal*, Erwin Waldmann (2000) refers to Kohlberg's 1981 work, *'Stages of Moral Development'*. Kohlberg postulated a model in which individuals moved through six stages of moral development. Stages 1 and 2 represent a 'pre-moral level' where people follow rules to avoid punishment or when it is in their personal interest. Stages 3 and 4 represent the 'conventional level' where people act in accordance with interpersonal expectations and to fulfil the expectations of others. The last two stages, Stages 5 and 6 represent the 'post conventional level' moving from respecting a social contract and individual rights to the assumed attainment of a level of morality based on "Universal Ethical Principles".

Implicit in Kohlberg's model are the Aristotelian views of virtue and the concept of

the individual. In discussing different culture's ethical models Waldmann (2000) states, "The significance of this difference is important since Western ethics has individualism and the individual's rights at the centerpiece of its moral philosophy" (p. 27).

What is often missing from theories on ethics is the fact that Western society's view of what constitutes the right thing is often different from the views of other cultures. To place Western ethical perspective in context, one must contrast that perspective with an understanding that other societies have fundamentally different views.

Waldmann (2000) contrasts Western ethics as inheriting "Greek philosophy, the main tradition of which is rationalist and sees morality as dependent on reasoning and analysis" (p. 27) with "Confucian ethics, however, emphasizes relationships and obligations with a consequent sensitivity for emotions and feelings" (p.27). He further explains that, "Confucian philosophy is not based on a concept of justice as such, but rather on obligations" (p. 28). These mutual obligations are to and between others with whom you have a relationship. While Western society places individual rights at the centre, Asian society would place individual duty at the centre. The context of these obligations/duties forms what has been referred to as a collectivist framework.

The Confucian collectivist moral framework discussed above would at times offer different answers that some might view as at odds with the Western view. When placed in the context of an ethical dilemma, where a Canadian accountant may feel a strong sense of responsibility to a code of conduct, an Asian accountant operating in the Confucian model may feel a strong sense of loyalty to their employer. As we have already stated, this should not be interpreted as superior or inferior ethical behaviour. From an ethical perspective this is about two rights. Loyalty to an employer and responsibility to a code



are both desirable behaviours. A decision about which behaviour is ethical must be made within the context of society's expectations based on that society's common values.

Based on Waldman's (2000) explanation of Confucian ethics, a gift given to improve a relationship is no more a bribe than a Canadian business person taking their client to a hockey game.

Perhaps very relevant to today's world is an understanding of Islamic ethics. While there is not universal agreement on all aspects of theology between the Sunni and Shiite branches of Islam, both agree that Islamic ethics are inextricably tied to religion.

Early Islamic scholars fell into two dominant schools of thought with regard to ethics. The two schools of thought are Mu'tazilites and Ash'arites.

Mu'tazilites believed that, "Revelation could be supplemented by reason...because truth and falsehood, right and wrong, are objective categories independent of God's will" (Hashmi, 1998, p. 217). This concept was referred to as ethical objectivism.

Ash'arite theologians, "held that God's power could not be subject to any objective ethical values; rather, ethical value derived entirely from God's command" (Hashmi, 1998, p. 218). This ethical approach is referred to as ethical voluntarism.

According to Sohail Hashmi (1998) in an essay included in *International Society: Diverse Ethical Perspectives*, the Ash'arite philosophy is that, "Human beings could gain true knowledge of right and wrong only through strict adherence to God's will, as codified in the shari'a" (p.218). While the academic dialogue continues, the Ash'arite approach has been the dominant philosophy since the thirteenth century.

Although it may not be clear how the application of ethical voluntarism can be applied to the business world, it is clear that the ethical foundation of Islam is

significantly different from our Western society.

At its heart this is not an issue of religion. The Qur'an (Koran) provides guidance about good and evil as other holy books guide other religions. The difference between Islam and Western civilization therefore is not in the values of one religion versus another.

The difference is in the opposing beliefs that Hashmi (1998) refers to as "voluntarism" (p. 218) and the Western view referred to as "individualism" by Waldmann (2000).

This "ethical objectivist" (p. 217) or "human subjectivist" (p. 219) views described by Hashmi (1998) are both similar to Western individualism referred to by Waldmann (2000). There is a distinct difference between the Western individualistic approach where, within societal bounds, each person interprets right versus wrong and the voluntarism approach where the determination of right and wrong is determined by Shari'a or Islamic law rather than by a universal human belief.

This paper does not profess any in-depth understanding of Confucian philosophy or of Islam. The point of this dialogue is not to propose that any one culture possesses a superior ethical model. It is only to illustrate that as difficult as it is to understand right and wrong within one's own society, it is even more difficult to define moral behaviour in a diverse global context. While we often view diversity as a gender or racial issue, in fact diversity encompasses all aspects of humanity. Equally important in the consideration of diversity is an acceptance that different cultures have different philosophical bases.

### *Professional Ethics*

Most people, including accountants, would answer positively and with confidence if

asked whether they were ethical. Many would be less positive if asked whether they always did the right thing. Professional ethics represents a subset of one's personal ethical model. It refers to those underlying principles each person uses to resolve conflicts between duty and loyalty to an employer or client and self interest. In simple terms, it means that at times, one must make difficult decisions that could have negative personal, professional or business consequences because it is the right decision to make.

To put professional ethics for accountants in context, I want to explore the ethical responsibilities of accountants relative to professions such as lawyers, doctors and engineers. The following sections will look at how these professions differ from accountants in ethical perspective; how their models compare to Kidder's principles and how these ethical obligations are translated into 'Codes of Conduct'.

It is interesting that different professions see their obligations and duties differently. While lawyers and doctors see a primary obligation to their client or patient, engineers and accountants have a primary responsibility to the public. This would obviously impact their code and lead to different ethical perspectives.

### *The Medical Profession*

Most readers will be aware of the 'Hippocratic Oath', a code of ethics for physicians generally attributed to Hippocrates. The Hippocratic Oath administered to graduating students of the University of British Columbia is based on the 1948 Declaration of Geneva and was amended by the World Medical Association in 1983.

Rather than a simple statement of obligation to the patient, the Oath places the doctor within a relationship framework that includes the patient, the doctor and the profession. It makes the health of the patient the first concern and requires that the

practitioner maintain the utmost respect for human life. Additionally, it states that the doctor will give respect and gratitude to his or her teachers and that the doctor's colleagues will be their brothers. It places an obligation on the doctor to maintain the honour and noble traditions of the medical profession. From an ethical and moral value perspective, perhaps the second last line is the most important: "Even under threat I will not use my medical knowledge contrary to the laws of humanity "

(<http://www.familypractice.ubc.ca/undergraduate/hippocratic.html>).

While this code of conduct is replete with implied values, it sends a relatively clear message. The health of the patient comes first. The doctor must not use his or her knowledge contrary to the laws of humanity even under threat. They must maintain the utmost respect for human life.

Although to most Westerners the Hippocratic Oath makes a clear statement, ethical dilemma arises when one considers the implied morality. For example, what are the "laws of humanity" and should the doctor sacrifice confidentiality if it places the patient or other patients at risk? The code is clear if one assumes the underlying values associated with the individualistic Aristotelian concept of virtue. When considered in the context of obligation from a Confucian perspective it leaves one to wonder whether the Hippocratic Oath would be interpreted differently by a Confucian medical ethicist.

Perhaps as a more concrete example, an article in the December 2004 issue of *The Economist* talks about the birth rate of boys versus girls in China.

The sex ratio is also becoming increasingly skewed. Cultural bias in favour of males has produced an officially recorded ratio at birth of 118 boys to 100 girls, according to China's national census in 2000. The normal ratio is about 105 to 100. Some

female births (as well as some male births, though fewer) are not recorded, in order to avoid reprisals by zealous family-planning officials. But a large part of the distortion is caused by selective abortions. ("A Brother for Her", 2004, p.51)

While this practice may create an unhealthy situation in society from a Western perspective would a Confucian ethicist consider this gender selection as ethical because it reflects the needs or wishes of society and the need to produce a male child represents a family obligation?

### *The Legal Profession*

Although an uninformed cynic might question whether lawyers are in fact ethical, there is a long history of ethical consideration in the profession. Kidder (2003) refers to an article by John Fletcher Moulton, (a famous English jurist who passed away in 1921) published posthumously in *The Atlantic Monthly*, in 1924. This article titled, "Law and Manners" discussed three "domains of human action".

The first domain refers to "laws binding upon us which must be enforced" (Kidder, 2003, p. 66). This defines laws which are obeyed because of fear of the punishment or the consequences of disobedience. The third domain, at the opposite extreme is the domain of free choice. This domain includes those decisions which are not defined by an external agency.

Moulton stated that between these extremes lies a domain, "in which there rules neither positive law nor absolute freedom. In that domain there is no law which inexorably determines our course of action, and yet we feel that we are not free to choose" (Moulton as cited by Kidder, 2003, p. 66). Moulton is talking about ethics and those areas where we feel bound to obedience not by an external force but by our own beliefs

and values.

Nicholson and Webb (1999), in a paper published in the *International Journal of the Legal Profession*, review two books, one by Cranston and the other by Parker and Sampford, both published in Britain in 1995. They refer to these works as the first purely academic books on professional legal ethics ever published in Britain. Nicholson and Webb's review of these books serves as a forum for expressing the authors' agreement and disagreement with the works.

There are many commonalities between Nicholson and Webb's (1999) observations and those of Kidder, Waldmann and Mintz. Nicholson and Webb distinguish between "micro-ethics" (p. 122), which is concerned with the individual decisions a professional must make, and "macro-ethics" (p. 122), which concerns questions of "law, the legal system and access to justice" (p. 122).

One of the common concerns with professional ethics and codes of conduct is that they may create a situation where a professional absolves themselves of responsibility for an inherently wrong action by following the rules. This may be particularly relevant to the legal profession because its foundation is based on the rule of law. For this reason Nicholson makes a strong argument against detailed ethical codes.

Detailed ethical codes undermine ethical evaluation. They tend to replace ethical decision-making with mindless conformity to rules and inadvertently suggest that compliance with the code is sufficient moral behaviour because all possible ethical dilemmas have been considered by the experts. Rules-based ethics are likely to cocoon lawyers from constantly looking to their conscience and sense of right, from questioning the notions of justice and morality contained within law and the legal

system. (Nicholson, 1999, p.116)

Nicholson and Webb (1999) also raise the question of morality. They suggest that lawyers must approach their work from a different perspective than would a regular citizen. In “representing their clients zealously irrespective of consideration of morality, justice, and the impact on third parties, the general public or the environment” (p. 119) they must insulate themselves from ordinary morality. This insulation is what some perceive as unethical behaviour.

Given these perspectives, it is probably not surprising that this profession has a different view from other professions as to how to meet their ethical responsibilities. Obviously, it is not a simple issue. The *Rules of Professional Conduct of the Upper Canada Law Society* are more than 150 pages long.

#### *The Engineering Profession*

As compared to lawyers, the *Code of Ethics of the Professional Engineers of Ontario* is short and concise. Section 77 of Regulation 941 is the Code of Ethics of this professional body. This code includes only seven paragraphs.

Duties and obligations of professionals are dealt with in paragraphs one and two. This code requires that engineers act with fairness, fidelity, devotion, competence and that they maintain knowledge about developments in their area of specialty. It also requires that they have a duty to the public which should come before all else.

While the first paragraph of the Professional Engineers of Ontario Code of Ethics (2004) states that engineers must act with “fidelity to public needs” (Section 77 para. 1.i) and paragraph two states that the practitioner shall, “regard the practitioner’s duty to public welfare as paramount” (Section 77 para 2.i), as with most codes it relies heavily on

'noblesse oblige'. By noblesse oblige I mean that there is little concrete guidance and certainly not the stated underlying values necessary for the articulation of a coherent ethical model. The professional is expected to know what actions would be required in varied circumstances to meet these professional demands.

The point is not to question the ethics of engineers but rather to highlight that once again the professional organization assumes that members share common values; that members understand those values; that each member can articulate how to translate those values to decisions and further to interpret and apply these judgments consistently.

Paragraphs three through seven articulate responsibilities to other members and to the practitioner's employer and are mostly concerned with conflicts of interest between members and with other professionals. The intent, as with similar codes for accountants, is to ensure that the reputation of the profession is preserved. While this may seem self-serving, one must remember that the very nature of professional service requires trust between the client and the professional. Spurious damage to the profession must be prevented to maintain the public confidence.

#### *The Accounting Profession*

Schedule A to By-Law Four of CGA Ontario is titled, "*Code of Ethical Principles and Rules of Conduct*". This schedule is 10 pages long and details not only ethical obligations, but rules regarding membership, committees and other professional matters relating to the maintenance of standards relating to certification. The code has recently been amended (September 2004).

Unlike the other professional codes, the *CGA Code of Ethical Principles and Rules of Conduct* (2004) is explicit in defining character and values. The Code lists two primary



“elements of character” (p. 17) that are required of members. Members “must act with integrity and be trustworthy” (p. 17). The Code further explains that in order to achieve this stature, members must have certain characteristics. These include “honesty, prudence, competence, loyalty to the proper beneficiaries of their actions and objectivity” (p. 17).

Yukl (2002) believes that integrity and trustworthiness are personality traits. “The term trait refers to a variety of individual attributes, including aspects of personality, temperament, needs, motives and values. Personality traits are relatively stable dispositions to behave in a particular way” (p. 53). Yukl also talks about personal integrity. He states that, “Integrity is a primary determinant of interpersonal trust. Unless one is perceived to be trustworthy, it is difficult to retain the loyalty of followers or to obtain cooperation and support from peers and superiors” (p. 65).

Of the professions reviewed, the CGA Ontario code has arguably, done the best job of defining the common values underlying its ethical model. By viewing the CGA Ontario code in the context of personality traits; and if we accept that our value systems represent one of those traits, we provide context for members on how we want them to behave.

The objective of this project is to determine whether accountants understand and share a consistent interpretation of these characteristics and values.

In part, a question for this project is how members define and demonstrate honesty, prudence, competence and loyalty. For example, in a complex business world with several right answers it is difficult to adequately define honesty. Certainly, at a macro level, we can perhaps expect people to have a consistent view of honesty, though even that perception may be argued. But defining honesty at a micro level becomes more difficult. For example, how does one determine whether an action is honest or dishonest?

Does the definition of honesty require us to adopt Kidder's (2003) rules-based ethical framework or does it place these decision in Moulton's first domain?

Explicit in an accountant's vocabulary are words such as fairly and material which are difficult to interpret and which in some respects undermine the binary logic of honest versus dishonest. Imagine an auditor preparing to sign deliver and report for a review engagement where they must attest that these statements fairly represent the finances of the organization. We are trained to judge fairness based on generally accepted accounting procedures and concepts of materiality. One would argue that we are not trained to judge relative honesty.

How then does an accountant apply the values and characteristics articulated in the CGA code to a day-to-day reality which demands judgment rather than the simple application of rules?

#### *Governance Models – A Global Perspective*

In a paper published in *The Journal of American Academy of Business*, Dr. Malek Lashgari at the University of Hartford says that, "Corporate governance is concerned with managing the relationship among various corporate stakeholders" (2004, p.46). The role of the accountant within the governance structure is to portray the financial performance of the economic entity in a manner consistent with generally accepted accounting principles. The role of the auditor is to test the system of controls in place to ensure the economic entity applies those accounting principles. This dual role for the profession places accountants at the heart of the governance model.

The researcher believes that there is wide acceptance of this definition of corporate governance and the role of the accountant is clearly understood. What is less well

understood by non-professionals is that the Anglo-American model of corporate governance is not universally used. German and Japanese governance models, though having the same objective, operate in different ways.

#### *Anglo-American Governance*

The Anglo-American governance model developed as a result of cultural and societal differences. The United States system of governance evolved in a society based on individual freedoms and the concept of the Jeffersonian democracy. Thomas Fleming defines Jeffersonian democracy as "...not so much a political ideology as it is the general American habits of self-reliance and local self-governance, both formal and informal" (1995, p. 51).

This approach to self-reliance and mistrust of large institutions led to laws and regulations much different from other parts of the world. In America, commercial banks cannot hold major equity positions in publicly traded companies. "... the government by deliberately weakening commercial banks gave corporate managers excessive power" (Lashgari, 2004, p. 46). To offset this power and to create the trust necessary for capital markets to operate, required that managers would "need to get the agreement of numerous dispersed shareholders, and thereby act in the best interests of them all" (Lashgari, 2004, p.46). This approach to the modern concept of the firm has led to a governance approach which relies on a board of directors to monitor executive management. The extent to which this model is effective depends upon whether the board of directors is actively involved in monitoring management and whether the board is made up of independent directors. (i.e. non-management members)

*German and Japanese Governance*

German and Japanese capital markets evolved independent of America. Rather than designing governance systems that encouraged individual rights and numerous small shareholders these countries capital market systems evolved based on large institutional, individuals and family ownership.

"In Germany and Japan large percentages of shares of companies are held by banks, individuals, and other companies. Such a system is perceived as an effective way for monitoring and influencing the management, thus leading to better performance. This cross shareholding system is also believed to be a low cost and efficient financing alternative than capital markets" (Lashgari, 2004, p. 48).

In the Japanese system a group called the Presidents' Council meets to discuss important issues (Lashgari, 2004). This group is made up of banks, large shareholders, other investing firms as well as others that interact with management. This is a radically different approach than the United States where special treatment of large shareholders would be viewed suspiciously and as a contravention of Western ethical principles.

The German model also considers other stakeholders. It uses a two-tier system made up of a 'Supervisory Board' and a 'Management Board'. The Supervisory Board is appointed through a general meeting. The Supervisory Board is responsible for the supervision of the corporation and appointment of Management Board members but does not require the expertise necessary to make executive decisions. In many respects this Supervisory Board is intended to represent the broad base of shareholders. German Law requires that a certain proportion of members of the supervisory board be made up of representatives of employees. (Lutz, 2003)

The Management Board is responsible for overseeing the day-to-day operations of the company and one cannot be a member of both committees.

The implications of this two committee structure is interesting, With 50% of members of the Supervisory Committee comprised of employee representatives, this committee will likely have a much stronger social responsibility. Where U.S. corporations supposedly operate in the primary interests of the shareholders; German corporations would act in the primary interests of a broader range of stakeholders. This latter approach should overlap with shareholder interests but not always. Imagine the different perspectives in a situation where a corporation must decide to close a plant and lay-off a large number of employees. While some U.S based boards may care about their employees, they owe a responsibility to the shareholders. On the other hand the employee representatives on the German Supervisory Board would need to balance both employee interests and the greater good for the entire corporation. Would leaving this plant open put more employees at risk as profitability declines? Would closing this plant cause greater future harm to all stakeholders?

Again we have different cultural imperatives which influence the boundaries of Moulton's three domains referenced earlier. The German's by legislating corporate governance structures in this way have made a clear statement about the ethical responsibility of board members.

### *Values and Leadership*

The last subject the researcher wanted to explore in this literature review is the subject of leadership and the attendant value structures that guide and define leadership.

Leadership is not just about management. Leadership sets the tone for an

organization, a society or even a group of friends. Leaders define expectations and obligations, set an example for others and in many ways are the manifestation of our values. Leaders become leaders because followers see in them characteristics and traits which they admire and respect.

Accountants are leaders because others look to us for direction and purpose. As the primary profession charged with a key role in the maintenance of corporate governance, the credibility required for the functioning of our economy requires that accountants be perceived as leaders in our society. Without this credibility the stock market could not function because investors would be unable to rely on the financial statements and representations of organizations seeking investment capital. The expansion of our economy and the growth that has delivered quality of life in our society is based on the effective functioning of these capital markets. This link between credibility and leadership is found in values-based ethical behaviour. For that reason, accountants need to understand the responsibility of leadership.

While there have always been leaders and followers, the current view of this leadership relationship has significantly altered over the last few centuries. The industrial revolution created factories along with unskilled and semi-skilled labourers where before there were artisans. The modern factory organization was born less than three hundred years ago during the industrial revolution and in some ways perhaps as recently as the late nineteenth and early twentieth centuries when manufacturers moved to large scale assembly operations.

In many parts of the world the industrial revolution is just now occurring. The move to globalization will drive further change in this area. During this turbulence in the

industrial world our corporate governance structures have evolved. The Great Depression of the early twentieth century promoted rapid changes in governance models.

### *Inclusive Leadership*

One of the common current themes in literature about leadership approaches is the belief that leadership must become more inclusive. Good ideas and commitment are not the exclusive purview of management. John Kotter (1996), a Harvard professor and author of *Leading Change*, believes that it is imperative that we develop new performance feedback systems that elicit greater dialogue among the stakeholders. He explains that corporate cultures need to change dramatically by improving the quality of communication in the organization. Kotter believes that the pace of change in the new age will require a much more inclusive approach to leadership and communications. He goes on to say that, "Without sufficient empowerment, critical information about quality sits unused in workers' minds and energy to implement lies dormant" (p. 167). This is an important thought. He is suggesting that the employees, not their leaders, hold the answers to improving quality.

Dr. W. Edwards Deming was a famous statistician who is often credited with being the force behind Japan's improvements in quality and productivity in the latter half of the twentieth century. In a recent article in *Quality Progress*, a magazine published by the American Society for Quality, William Stimson (2005) wrote an article titled "A Deming Inspired Management Code of Ethics". In this article he refers to Deming's views on the role of the employee in the workplace. "Deming expressed his conviction in the goodness of human toil in his 14 points. The essence of the point can be condensed in three notions: employee skill, empowerment and the absence of fear" (p. 70). Stimson makes a strong

statement for inclusive leadership. "The crippling effect of disempowerment is left to the manager to appreciate or not. But fear is an ethical issue because it is a fundamental negative motivator, adverse to human health" (p. 72).

### *Shared Values*

Kotter (1996) also brings a perspective on the issue of shared values. Not unlike his peers and other researchers, Kotter believes that the shared goals and values of a group of people shape the behaviour of the group. He also explains that where shared values exist, they tend to drive consistent behaviours over time. He sees shared values as an important determinant of corporate culture and explains that they are intangible and difficult to change. In Kotter's discussion, values are not good or bad; they are determinants of reality. In effect, all companies have values inherent in their corporate cultures. He makes a persuasive argument that corporate culture is the result of actions, beliefs and shared values and that one cannot change culture easily. "Culture changes only after you have successfully altered people's actions, after the new behaviour produces some group benefit for a period of time and after the people see the connection between the new actions and the performance improvement" (p. 156).

This approach and inter-connection between values and behaviour led the researcher to ask certain questions in subsequent research. For example, by applying this approach to governance failures such as at Enron does it suggest that the majority of people at Enron, involved in what are now questionable behaviours, viewed these behaviours as acceptable and therefore ethical within that groups values framework? Effectively, was their ethical framework shifted by the shared goals and group values of the group around them? Does this then reinforce the need for strong ethical leadership



within those professional organizations that "police" governance structures?

### *Values-Based Leadership*

Gilbert Fairholm (1991) advocates a new approach to leadership based on values for similar reasons. In speaking about the "three profound new ideas in management today", he refers to "operational use of power", "the need to create and maintain a suitable cultural environment", and the need for "integrating leadership" (p. 3). Fairholm states that leadership is the most important of these three because the other two represent skills or tools that the effective leader uses.

Fairholm's (1991) work captures many of the same thoughts and approaches prevalent in other authors' work. He speaks of the implications of the global economy and the impact on cultural diversity. He recognizes the implications of increasing citizen activism and the demands on organizations, and takes the position that leaders in today's complex environments can no longer simply order people to obey.

Consistent with Kotter, Fairholm (1991) believes that shared common values define the leader. In his words, "There is an ethical connotation in values leadership. Values leaders articulate and confirm group values. They use these group values in focusing group effort toward acceptable and accepted goals using means consistent with the underlying values" (p. 104).

In another example, we see Robert Quinn discuss core values. Quinn sees a world where people share values for creating productive community. Quinn (2000) defines this community very broadly as follows:

Productive community is a synergistic community, made up of groups of people who are becoming more inner directed and other focused. In this community the

common good and the individual good greatly overlap. There is a clear purpose and structure. There is high cohesion and responsiveness. (p. 119)

In this short passage, Quinn (2000) integrates several concepts all related to values. He speaks of community, a concept that connotes commonality of purpose. He speaks directly of a common good, clearly a statement of about implied values. He also speaks more abstractly about being “inner directed and other focused” (p. 199). Quinn explains that an inner directed person is someone who “wants to be connected to reality” (p. 28). Inner directed and other focused people are those who do what they believe is right and act out of interest for others rather than from self-interest.

These concepts of value are clearly relevant to accountants as we seek to act ethically and for the public good.

Perhaps the antithesis of values-based leadership is contingency theory. James O’Toole (1996) expresses a concern over this approach, which suggests that effective leadership implies doing whatever is required in the circumstances. O’Toole rejects contingency theory because he believes that “People must always be treated with respect, no crisis justifies abusive behaviour. Simply put it does not all depend” (p. 105).

Max DePree, in his book, *Leadership is an Art* (1989) makes a profound statement regarding values-based leadership and common core values:

One needs to understand that what we believe precedes policy and practice. Here I am talking about both our corporate and personal values systems. It seems to me that our value system and world view should be as closely integrated into our work lives as they are integrated into our lives with our families, our churches, and our other activities and groups (p. 26)

DePree (1989) is talking about values and how they impact our lives. It is important to understand that we cannot separate our values from who we are and what we do. DePree, in this comment and through the entire book is telling us that trying to be someone else, to live another's values, will negatively affect those characteristics that differentiate good leadership.

Kouzes and Posner (1993) bring similar views to the argument in regard to the organizational benefit of values-based leadership. In their book, *Credibility*, they refer to research that quantifies and supports the view that an alignment of values between leaders and employees improves performance. Their study draws a direct correlation between corporate effectiveness and the congruency of the corporate and personal values of the employees.

Values-based leadership is a broad area of study. It argues for a different approach to the relationship between leaders and followers. As we have seen, it is based on good interpersonal communication, trust and credibility.

This review of leadership theories is clearly not exhaustive. In fact, it only scratches the surface. However, it represents a cursory summary of respected writers in this field, who include practising managers and academics. The breadth of the discussion occurring over the last 10 to 15 years suggests that values-based leadership represents a significant change in organizational leadership theory.

## CHAPTER THREE – RESEARCH METHODOLOGY

### *Research Methods*

“Community-based action research is a collaborative approach to inquiry or investigation that provides people with the means to take systematic action to resolve specific problems” (Stringer, 1999, p. 17).

This statement distinguishes action research from traditional research paradigms. Action research, by its very nature, is conducted in order to create a change. Stringer’s statement says that it is a collaborative approach. This implies that the researcher and the participants are both engaged in defining how the research will be conducted as well as the desired change. As a member of CGA Ontario the researcher is at once a member and a participant in the research and a beneficiary of the recommendations of this report.

### *Appropriateness of Action Research*

The objective of the project was to create a dialogue amongst accountants in CGA Ontario about common values in order to understand how they influence accountants’ behaviours and actions in the complicated arena of corporate governance.

The study presumed that the vast majority of members were ethical, honest and shared a sense of commitment. However, the researcher wanted to understand if there were underlying, shared values and if the creation of a forum to stimulate dialogue regarding the linkage between values, ethics and behaviour would improve accountants’ ability to apply professional judgment as well as its consistency. In part, the premise of the researcher’s work was that the ethical and leadership issues faced by members have become more complex as external market, regulatory and global economic forces imposed additional requirements on members.

In this context, action research was appropriate.

### *Qualitative versus Quantitative*

“In community-based action research the role of the researcher is not that of an expert who does research but that of a resource person” (Stringer, 1999, p. 25). Although Stringer accurately points out that an action researcher’s role is different from that of the classical objective researcher, it does not preclude action researchers from using objective quantitative analysis as a tool in the process. Palys (2003) says that “Qualitative advocates like Roberts and Jackson are equally justified in continuing to explore the benefits of qualitative inquiry. But their research, too, would gain much if they heeded their quantitative colleagues” (p. 21).

The nature of this project was best suited to qualitative research. After all, identifying and recommending “improvements” to leadership is not a hard science. However, we also needed to consider the persuasiveness of the report in the context of an association. The researcher believed that persuading this audience that a change was required necessitated some form of quantitative results.

### *Appreciative Inquiry*

‘Appreciative Inquiry’ (AI) is an approach to research that suggests focusing on the positive. AI researchers believe that behind every negative statement is a positive belief that has yet to be heard. Rather than draining energy through a focus on the negative statement, the researcher tries to draw out the positive energy through AI. These researchers believe that a person who complains about something only does it because they believe that something can be better. “Appreciative Inquiry is a practical philosophy of being in the world at a day-to-day level, and it is also a highly flexible process for

engaging people to build the kinds of organizations and world that they want to live in” (Watkins & Mohr, 2001, p. 58).

There is a long history of commitment to ethical behaviour within the profession. This project was not about building values into this organization. It was about re-energizing those values and realigning them with today’s realities.

In this context, the researcher wanted to recognize the depth and commitment of this professional organization of accountants to the community it serves. To that end the researcher intended to develop a survey which built on the positive rather than the negative.

#### *Research Plan*

The project plan was to use two forms of inquiry. At the outset the intent was to hold a Focus Group as well as to conduct an on-line survey of members. This plan was subsequently modified to rely on an on-line survey supported by relatively few interviews. The reasons for the modification to the research approach will be explained in the Study Conduct section of the report.

#### *Tools*

The project used two forms of inquiry. The first was an on-line survey conducted among members. The second were one-on-one interviews with individuals. The following section details the researcher's approach to those two research activities.

#### *On-line Survey*

The intent of this survey was twofold. Firstly, it tried to confirm whether or not the perception that action is required was valid. Secondly, it looked to identify relevant leadership issues for future interviews. The researcher believed that in order to be

persuasive the report would need to be based on data from a large number of survey participants.

Our association has 15,000 members in Ontario. Staff at the Association calculated that a sample of 755 participants would yield valid findings 95% of the time with 5% certainty.

As already stated, the survey of a large number of potential participants was intended to increase reliability and receptivity of the reader to the results. For example, if a large number of accountants highlighted ethics and values as important issues to them, it would offer a persuasive argument that would help with the implementation of the report's recommendations.

The survey included mainly closed-ended questions. With a broad, large -scale survey, it would not have been feasible to analyze the large amount of data that would result from open-ended questions. Most questions took the form of a list that would provide the researcher with structured answers (e.g. identify those issues that are important to you.)

While the order and wording of the questions were important, the entire survey built upon the research question.

The researcher used an external commercial survey tool that would allow him to gather large amounts of data and offer some degree of data analysis.

### *Interviews*

The intent of the interview was to explore issues surrounding research participants' perceptions about accountant's value systems. In that context, face-to-face interviews provided a unique opportunity to understand the underlying feelings and perspectives of

the interviewee. While this lacked the scientific and quantifiable results that might be persuasive, it none-the-less provided valuable information. “Qualitative researchers view the data-gathering process itself as informative, maintaining that one must be open to any new directions that may emerge in the context of the interview because of the unique perspective of the participant(s)” (Palys, 2003, p. 160).

The researcher expected that the results of the interviews would help clarify understanding of themes and areas of focus. However, asking all the right questions and understanding the nuances of the answers in an on-line survey would have been impossible. In an interview, the researcher could seek more context by asking, for example, ‘Can you explain what you mean?’

The researcher did not expect to have all the questions that might arise and anticipated that the interview process would be emergent. The researcher also expected to focus the interviews on a few themes that were identified in the on-line survey.

In conducting these interviews, the researcher needed to take care that his bias did not influence the direction of the discussion. Palys (2003) talks about “reactive bias” that arises from the “interactive nature” of the interview (p. 161). For example, even something as simple as nodding one’s head as a person responds to a question could lead an interviewee to believe this is the ‘right’ answer.

## *Procedures*

### *Survey Procedures*

The survey took place between November 26th and December 10th. The intent was to allow a relatively short period to ensure both timely completion and that events that may have occurred did not alter the perceptions of the participants. For example, a major



financial scandal exposed during the survey might have skewed later results.

The researcher recognized that there are inherent limitations to an on-line survey approach. "It is not a venue that can be presumed to give access to any sort of 'representative' sample of the citizenry beyond Internet users, who still tend to be male, middle class, with better than average education, and living in industrialized countries" (Palys, 2003, p. 171). The sample was planned to be representative of a statistically sound cross section of the Association's members. Since the audience was all accountants, it was assumed that the sample has some degree of representativeness in terms of the questions asked and it was assumed that all members would be relatively computer literate. Nonetheless, we needed to recognize that there were issues with regard to self-selection among those who chose to participate. For these reasons, the researcher needed to be careful about the application of the data collected.

Palys (2003) also strongly advises the use of a pilot survey. He explains that there are "always things you take for granted" and "there are always surprises" (p. 187).

This survey was piloted with five non-members to check both the technology and the questions. Although the pilot identified only minor grammatical issues, it missed a logic error that was brought to the researcher's attention by an early participant. This problem could have resulted in some members abandoning the survey. The survey was initiated on November 26th, 2004 and the first responses received November 29th, 2004. The researcher was contacted on the 29th and the survey was corrected by December 1st, 2004. A review of the detailed results showed that 10 participants did not continue past the point in the survey where an error occurred. Our analysis is therefore based on two calculations. Where we represent total respondents it includes only those respondents who

completed the survey. Where we represent a single question it includes the respondents for that question.

### *Interview Procedures*

“The biggest disadvantage of face-to-face interviews are their cost and the time required to complete a large scale interview study” (Palys, 2003, p. 159).

Interviewing research participants is a major undertaking. Because of the time investment of both the researcher and research participant the interview process needed to be carefully planned.

Questions need to be asked in an appropriate order as context is important.

“Responses to a question are influenced by the questions that surround that question, particularly those that immediately precede it” (Palys, 2003, p. 184).

The selected interview participants were made up of fellow accountants and associates of the researcher who were involved with or had an interest in the issues of leadership within the profession as well as the overall issue of the deterioration in confidence in the corporate governance process identified in our introduction.

Because the primary issue identified in the survey was leadership, the interview focused on a discussion surrounding leadership. What did the participant view as good leadership? How did they react to this leadership? How can we reinforce that behaviour? The interview sought to uncover whether the participant viewed leadership as a position or as a role. For example, did they think we are leaders because of the reliance that the public places on the work we do?

As discussed in the literature review of leadership, leadership is based on encouraging shared values between leaders and followers. For that reason the researcher

looked to understand interviewee's views on values and ethics. For example, are the values and ethics inherent and obvious in our profession or does the participant believe we need to provide training? Similarly do accountants possess a set of shared values?

Lastly, we wanted to understand how these people perceived the changes in the role of the accountant. Is the job becoming more difficult? Has the line between right and wrong become blurred?

### *Data Gathering Tools*

#### *On-Line Survey Tool*

As already indicated the research was conducted using an on-line survey tool. While both Royal Roads University and CGA Ontario have access to an on-line tool the researcher chose to acquire a license to 'Survey Monkey' to conduct the survey.

This tool allowed significant customization of the survey that included logic flow and the ability to both gather data as well as sophisticated reporting. Although CGA Ontario provided members' numbers and the tool was capable of tracking responses by both member number and by IP address, the researcher chose to collect data anonymously and once the survey was completed and hard-copies of the data were downloaded and stored the data was removed from the server.

#### *Interview Tools*

All interviews were recorded and transcribed by the researcher and the data was securely stored with other project material. The interviews were conducted in either a location of the interviewee's choice or over the telephone. Subsequent to the interviews the researcher used a tool called QDA Miner and WordStat to perform word repetition counts on the transcriptions. These word counts excluded the researcher's own comments

on the transcription to focus on the key words used by the respondents.

### *Information Analysis*

The researcher used simple statistical data to gain an empirical view of the results of the on-line survey. Data was analysed using spreadsheets to determine the frequency of given answers. This approach identified the key issues on which subsequent interviews focused.

While for example members identified leadership as an important issue, the researcher needed more data from the interviews to reach conclusions about what members meant by leadership. Stringer (1999) talks about analyzing the data in an action research project as “clarifying meaning” (p. 90). He goes on to describe four alternative approaches to analysis. These are interpretive questions, organizational review, concept mapping and problem analysis.

In our project the most difficult step in the research process was in trying to clarify meaning. In addition to analysing the inter-connectedness of responses in the on-line survey the researcher used interpretive question in the interviews to understand the meaning of on-line survey results.

In analysing the on-line survey some empirical answers were simply taken at face value. In other cases, inter-connections between questions required the researcher to consider one question in context with another. For example, respondents' answers to question 16 which questioned the respondents understanding of ethical issues needed to be considered in the context of the answers to question 22 and 24 where the survey offered the respondent the ability to select ethics as an important priority. The wide variety of responses to question 16 coupled with the strong views about respondents'

ethical capability suggest to the researcher that although members feel they are ethical and believe they can determine right from wrong these respondents, as a group, are none-the-less confused about what really constitutes ethical behaviour.

In analysing the interviews the researcher used several methods to draw themes from the interview data. As indicated above the researcher used QDA Miner and WordStat to perform a word repetition count to determine those key words used most frequently.

The researcher also used three less formal methods of qualitative analysis. These included unmarked text, pawing and cutting and sorting. Unmarked text refers to a method through which the researcher reads the text multiple times, each time looking for discernable themes. Pawing refers to the simply process of pawing through the data looking for similar ideas and terms. Lastly the researcher used a cutting and sorting approach in which key themes were highlighted and isolated on pieces of paper.

The researcher did not use the more formal techniques referred to by Stringer as organizational review, concept mapping and problem analysis. The researcher did not feel these approaches were best suited to understanding this particular situation. The project question involved individuals views rather than organizational context and sought to understand how to enhance a situation rather than analyse a problem from a cause and effect perspective.

Concept mapping may have been an alternative had the results been less clear. This approach is a process of trying to establish conceptual relationships between pieces of information. It is a "holistic" approach (Stringer, 1999, p. 98) that might appeal to systems thinkers who want to understand the data in the bigger picture. In this case, the

on-line results focused on a few key issues. The question was not, were these the issue, but what did the participants mean?

The project needed to use a combination of these approaches. In the researcher's view, as expected, the correct approach derived from the nature of the data collected.

The researcher also asked questions that would allow for analysis of different population segments. This was intended to allow the researcher to determine whether there has been any change in perceptions over the last several decades. The first analysis of this data from the on-line survey was relatively simple and concentrated on years since certification as the primary differentiator. Subsequent analysis of why these differences exist will require more complex analysis and in retrospect further study of this subject.

#### *Study Conduct*

As previously stated the major research effort was focused on an on-line survey of members of CGA Ontario.

This sponsoring organization provided a list of contact information for 755 members of the Association. This list provided a representative sample of members selected from across all employment categories. The expectation was that this would result in a 35% response rate and yield results with a 95% confidence level.

The survey was developed and presented using a commercially available site called Survey-Monkey. The survey questions were prepared and approved by the sponsor with only minor suggestions on wording. The survey was then piloted by 5 individuals not associated with the research.

The survey was initiated November 26th, 2004 and completed December 10th. The survey had some initial logic problems which resulted in some early participants

abandoning the survey. In all there were 71 people who logged on to the survey site. Of that number, 67 proceeded beyond the acceptance screen and completed the survey. However, only 57 people continued beyond the point at which the initial logic of the survey would have caused confusion. The survey asked whether a person had public practice experience and it was supposed to route the respondent to a different question if they said yes or no. Initially the survey routed all respondents to the question that followed a yes answer. This would have caused confusion and while the respondent could have continued with the survey by leaving the answer blank and continuing, it would appear that ten people simply abandoned the survey.

This problem highlighted a flaw in the "pilot" process whereby the people testing the survey were not accountants and would not have understood the implications associated with the questions.

Overall, even before the logic problem, the response rate was a disappointment. The response level was slightly less than 10% of the sample.

The researcher had similar problems in recruiting members for a planned focus group. During the early stages of the project the researcher invited 40 CGAs from the Ottawa Chapter of the Association to participate in a focus group. Unfortunately, only one CGA responded positively to this invitation. While the reasons for this high rate of decline are unknown, the research was being conducted during October / November and this may have impacted the response.

Although the researcher chose to change approaches and initiated a process to conduct a small number of one-on-one interviews it is recognized, in hindsight, that the researcher could have tried alternatives to gain additional participants. In soliciting the 40

members to participate the researcher attempted to gain a random sample of members that may not have been necessary. Morgan (1997) says that, "Such 'bias' is a problem only if ignored - that is, interpreting data from a limited sample as representing a full spectrum of experiences and opinions" (p.35). In the end, because the interview subjects were not chosen randomly but were people with whom the researcher was acquainted, the interviews were subject to the same limitation that would have resulted from a non-random focus group.

While the original intent had been to use the focus group to identify issues that would be included in the survey, the researcher decided to conduct the interviews after the survey and to use the results of the survey as the subject of a dialogue with these individuals.

The researcher conducted three interviews with accountants and other professionals who would have an interest in corporate governance and an understanding of the ethical issues surrounding financial reporting.



## CHAPTER FOUR - RESEARCH STUDY RESULTS

*Study Findings**Results*

The purpose of the study was to understand the personal and professional development priorities of the members of the Certified General Accountants Association of Ontario. More specifically the researcher sought to determine whether changes in legislation, regulation and the recent failures in corporate governance had placed additional pressures on members and to determine what actions we as an Association can take to assist members to develop the necessary competencies to meet these increasing demands.

As explained in Chapter Three the research consisted of an on-line survey which asked a broad range of members, selected to ensure an accurate sample across employment types, a series of questions relating to their views on the current state of the profession. The survey included both demographic questions which the researcher expected might expose different views based on experience and age as well as questions which sought direct input as to the members' personal and professional development priorities.

Subsequent to the on-line survey the researcher involved three individuals in the project through one-on-one interviews. Two of the individuals were CGAs and members of CGA Ontario and the third was a CMA/MBA student already working in a senior financial management position. The purpose of these interviews were to assist the researcher in attempting to understand the common responses and underlying themes and concerns of the members.

While the number of survey responses at 67 in total was somewhat disappointing, the researcher feels that the data from 57 respondents provide much valuable qualitative information. The study's initial findings and therefore the core themes represent those areas where clear differentiation exists. In addition we have tried to apply a systems approach to the research findings and interview information to try and draw conclusions based on a broad perspective.

The survey is included in this document as Appendix A.

#### *Overview of On-line Survey Findings and Scope Limitations*

This section will explore broad issues relating to the scope and reliability of the study. The issues discussed below were secondary 'systems' issues and not primary findings. In many cases the degree of impact and whether this impact is direct or tertiary are unclear.

The research determined the following:

- There was a low response rate to the survey;
- There was a disproportionate response from recently designated members;
- There was limited audit / attest experience;
- There was limited experience in publicly traded companies;
- There were few members who held graduates degrees (e.g. MBA); and
- There was a large number of respondents who indicated that they held a management position or higher.

#### *Survey Response Rate*

As indicated in the Study Conduct section previously, slightly more than 9% of accountants invited to complete the survey responded. This was significantly less than the

35% anticipated by the Association based on response rates to previous surveys. This could result from several factors, including the time of year (near Christmas); the fact that while sponsored by the Association the survey was not directly done by the Association; and potentially because the issues and introductory email simply did not catch the attention of busy members. The researcher believes that in spite of a lower than expected response rate the project has yielded valuable and unexpected insights into the needs to the members.

### *Member Demographics*

The research sample included approximately 70% of subjects identified by the Association as representing positions other than senior positions, yet a large majority of respondents indicated management experience. This could suggest that a disproportionate number of senior members responded or that the CGA Ontario position coding structure does not align with real member experience.

Another factor which might influence reliability is that relatively few members who responded work for publicly traded organizations. Of the 67 members who responded to this question, 41 indicated they did not work for a publicly traded company.

It was interesting to see that of the respondents who completed question two, 50.7% had received their certificate within the last four years. The survey was sent to 221 members in senior level positions and 515 members in other positions. While this report may be an accurate representation of the demographic the distribution of responses, seniority of positions and the fact that only new (less than ten years) or older (more than 25 years) members responded would suggest that self-selection has influenced this analysis. The graph below highlights the distribution of members responding to the

survey by the year of certification.

These results leave one to wonder whether this distribution represents self-selection at some level. The expected distribution of members should be more linear with a relatively normal decline. This data could mean several things.

Members with almost 30 years experience may be at retirement and perhaps simply had time available to fill out the survey. Another possibility might be that experienced older members have a deeper understanding of the importance of leadership and ethics and self-selected because of their particular interest. If we take a negative view of the self-selection process perhaps mid-career CGAs simply selected 'out' at higher rates than newer or older members. In any event this distribution creates questions that the researcher has been unable to answer.

### Membership Distribution by Year

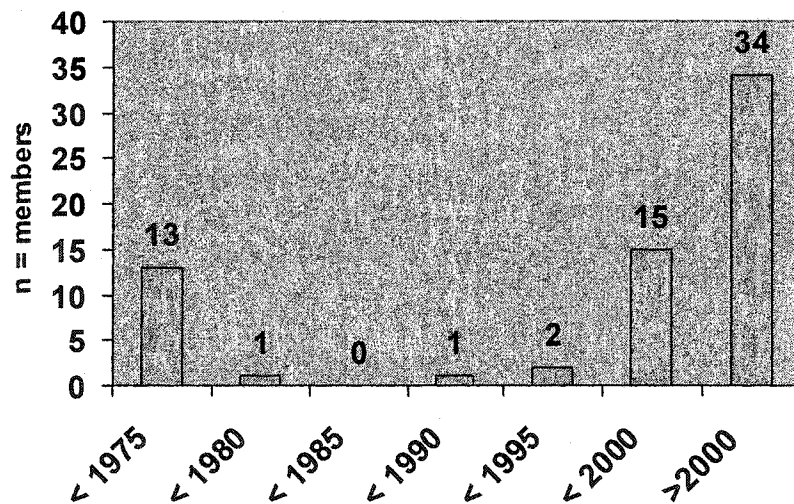


Figure 1 - Membership Distribution

As already indicated 90% of respondents indicated they had supervisory, management or more senior experience. While this may be indicative of the value of the CGA designation, this data alone does not provide an answer as to whether this is representative of the general CGA population. However, this is an important piece of information. The first and perhaps most important finding in this report involves members' beliefs about the need for leadership development. Frankly, this surprised the researcher until the researcher made connection with the fact that a large majority of respondents were in management positions.

The results also indicated that approximately 39% have internal audit experience while 50% have public practice experience. These numbers would suggest that large numbers of members have a working knowledge rather than simply an academic understanding of the potential conflicts inherent in auditing. This working knowledge could compensate for the relatively low number (39%) of respondents working in a financial role for a publicly traded company identified earlier.

The researcher was surprised at the low number of respondents who indicated they held a Masters degree. We had expected to see a large number of MBAs from among the senior members. In fact only 9% of members indicated they held a Masters degree.

#### *Open Ended Responses and General Perceptions*

Beyond the basic questions with closed end answers respondents were asked to contribute their own priorities and view if they had not already been identified. Of the 50 people who responded to the question about the most important issues faced by the profession in the next five years, ten identified additional concerns. Not surprisingly those who chose to express their views voiced strong concern about those issues.

One respondent was concerned with the "lack of appropriate ethical training in university/professional training" and the "lack of enforcement and punishment of offenders in Canada". This individual also selected integrity, honesty, trustworthiness and responsibility to the public as their most important core values. They then added values such as commitment, dedication and perseverance that they felt were important to members.

Another identified a "lack of coordination between various regulatory bodies" as a significant issue to be faced in the next five years. This individual was also one of those who highlighted leadership as their most important professional development priority.

Other individuals expressed concerns about the growing difficulty of the role of the accountant in a number of ways. These included concern with "increased compliance requirements and their impact on productivity and working on 'value added' activities"; trying to do the 'right thing' when there is pressure to 'bend' the numbers or tell a different story than what the truth really is"; and "management of moral conflict".

All these responses represent pressure felt by members in their day-to-day role as an accountant. One respondent, quoted below, placed the complexity and pressure of the job in context.

I believe that in order for accountants to lead they must possess the courage and the confidence to make tough decisions. They must also care about their quality of work. Another skill that many accountants in the private sector must learn to harness is the ability to deal effectively with their marketing departments. This is a skill that allows you to balance controls and customer service. One has to think outside the box in order to achieve effective controls and still meet the company's

business needs. (Anonymous)

### *Overview of Interviews*

This section will review the information gleaned from the one-on-one interviews as a means of corroborating the key themes from the survey. The interviews focused on the key issues identified by the researcher based on the on-line survey. These included questions relating to leadership, shared common values and ethics.

### *Synopsis of Interview # One*

The interviewee is a mid-career CGA in a multi-national organization. This person currently works as a financial analyst responsible for reporting and providing financial management advice for a \$60 million (annual) organizational unit. The individual corroborated the findings of the survey in several key areas and added some additional perspective.

This person was concerned with leadership development and echoed the survey findings. They felt that as accountants we did share common values and that perhaps we are drawn to the profession because of that. They expressed concern with the move toward more rules and regulation and the belief that these approaches will not solve the underlying issues. They brought a view that Canadians have lost respect for governmental institutions and that perhaps this lack of respect created a different mind-set with regard to obeying the rules. Lastly this individual provided an explanation and agreement with the message that ethics was more important than ever to the profession. These issues will be explored in a little more detail in the following paragraphs.

This interview subject felt that leadership is a significant personal and professional development issue facing accountants. "To me, personally that's what CGA is lacking, is

that managerial leadership type skills...". Their views on what was meant by leadership differ from the classic 'leadership' type programs. From this subject's perspective leadership skills means "interpersonal skills", "presentation skills" and other managerial types of skills. The interviewee did indicate that there were professional development courses offered in leadership and management in the professional development catalogue but that these were things like "how to read body language" and they didn't feel that these offered the depth and meaningfulness necessary to meet their needs.

The interviewee did feel that CGAs, for the most part, were leaders whether they managed people or not. This individual's response to the question what do you feel members meant by leadership development was unequivocal. "Well, I really think it is leadership. Because when you go into a job with a designation like CGA you are in a management category".

Other than very junior accountants, this person felt CGAs were in positions where they either managed people or where they were responsible for providing information "to people who make decisions" and that CGAs were not trained in the managerial/leadership aspects of decision making.

In this interview the discussion moved naturally from a discussion of leadership to a discussion about the reputation of accountants in general and accountants in Canada specifically. This individual felt that while the reputation of accountants in the United States had been seriously impacted by corporate governance failures, Canadian accountants had managed to retain their reputation for honesty and trustworthiness.

In discussing common core values such as honest and integrity and whether we share these values by training or by character, the respondent felt that "we're drawn to the



profession because of that" and that these were a "core personality trait" of people in accounting.

The interviewee's perspective on the complexity of the job and the impact of the increasing application of rules was consistent with the findings from the on-line survey. In the survey, while a large number of respondents (27) selected changing legislation and regulation as one of the three most important issues facing the profession a significant majority (41) either agreed or strongly agreed that the role of the accountant has become much more complex since they became certified. This individual had some concerns with the layers or rules and regulations that are impacting the profession. The interviewee expressed a view that somewhat mirrored John Crow's (2004) comments in his report to the International Federation of Accountants referenced earlier to the effect that you cannot legislate ethical behaviour. This person agreed and made the statement regarding regulations that, "if I had a bad intent I could get around that".

This person clearly felt they were ethical and behaving well within the bounds of our code but they felt the same pressure expressed by some respondents to the survey. Their comments below capture their summary of the situation.

So okay let me get back to your first question. Do values make the role we have more difficult in today's society. I would say yes because I think that companies are focused on the bottom line so they want for example the point of sale model conclusion to be X. So there's that push for the accountant to make it say X.

(Anonymous)

The interviewee provided a different perspective from the researcher's initial conclusions on the apparent disparity between individuals' perceptions of their own ethics

and the perceptions of others. This individual pointed out that most CGAs would be comfortable with their own ethics and would also be comfortable that their peers were ethical and felt that scores which rated ethics as important for the profession were because the importance to the profession is an over-arching concern. "I don't think that you can interpret that people responding are thinking that other members are unethical. I just think they want that reassurance that others are ethical and I very much agree with that". When asked about the available on-line ethics course, this person indicated they had not taken the course because it was felt that you could not learn ethics without a face-to-face dialogue and discussion which included other people's perspectives.

#### *Synopsis of Interview # Two*

The second interview addressed the same questions, though as expected the conversation took on its own flavour and moved into areas not explored in the first interview. This interview subject is not a CGA. The added purpose of this interview was to explore the perspectives of non-professional accountants and financial leaders. The subject is currently taking a combined MBA and CMA program and at present holds a regional financial management position responsible for financial guidance in an organization representing \$400 million (annual revenue) across a broad geography. The reader should be aware that this participant's first language is not English and that the participant expressed some concern about whether they were expressing their thoughts clearly.

This interview focused on the same areas as the previous interview. The subject had definite views on leadership development and its value to accountants as well as views about common shared values. This interview took a bit of a different turn as we discussed

the impact that MBAs have had on financial leadership in organizations. As this person was heavily impacted by U.S. Sarbanes-Oxley Act most of the interview was spent discussing the rapid changes occurring in the industry and the complexity that this is forcing on accountants. Finally the discussion moved to ethics. These issues will be explored in a little more detail in the following paragraphs.

This individual also felt that leadership was an important issue for accountants. This person indicated that “it's not from a standpoint because you have people reporting to you that you're a leader, everybody can be leaders”. This interview participant felt that it was important to train accountants as leaders because they “demonstrate their ethical value(s)” and inspire others to behave as leaders.

In discussing leadership in the context of accountants inspiring and leading others the researcher asked whether this person felt that being an accountant required personal courage. This led to a long discussion about the courage required to stand up and defend a position in the face of business and executive pressure. This individual talked about the pressure that accountants face on a regular basis but had not thought of that responsibility as requiring courage. In the end they felt, ‘it does take a lot of courage to stand up’.

Our discussion of values was less clear than in the previous interview. This individual indicated that “I agree with the values” but didn't have a view on whether accountants acquire them through training or whether the profession attracts a person with these values. The subject did acknowledge that it would be difficult for an accountant to operate effectively without those values.

Because of the subject's current enrolment in an MBA program the researcher decided to ask whether the individual felt this academic business degree had an impact on

the profession. We discussed whether the move toward more and more MBAs in the business world and the fact that those MBAs do not have a professional code of conduct was having an impact on the profession and on the corporate governance process. The researcher recognizes the potential for bias and lack of objective validity in this kind of question and as a result this discussion and any views expressed in this area were of limited value in arriving at our conclusions.

We did have a lengthy discussion about the growing complexity of the business and the issues of globalization. The interviewee indicated that “you cannot be aware of all this, it makes our job a lot difficult to follow the market”. This person felt that the industry experiences with Enron and others were pushing large corporations to be both more ethical and more socially responsible. “To be considered ethical and have a social responsibility, I think we’ll see more and more of that coming”.

This led to a discussion of ethics. The subject felt ethical training was important and while on-line exposure was helpful because it allows you the time to go through it and to think about it, they did indicate that “once faced with a choice I think it’s nice to bounce things off somebody else and say okay, this is, do you feel this is ethical”. We also discussed the CalCPA practice of having members confirm they have read and understood their code of conduct each year through on-line access. This individual felt this might be valuable as it was another opportunity for people to think about ethics.

#### *Synopsis of Interview # Three*

The final interview was conducted with a mid-career CGA working for a large multi-national organization. While this person was involved in the financial aspects of the business they did not work in a financial role. This individual's role includes helping

problem organizations understand and resolve financial problems. The individual does have previous public accounting experience in a large international CA firm.

This was the longest of the interviews and perhaps the most different. The interview included discussions about leadership versus management; whether values are innate or inherent in the work we do; the growing complexity of the profession and; a discussion about ethics and diversity.

The subject was reluctant to offer an opinion on what members meant by leadership without a lengthy discussion about the differences between leadership and management. The interviewee differentiated between the leadership roles needed for public practice where the accountant may be required to take a strong position with a client and the leadership role within an organization. In the end the subject came to the conclusion that members really meant the classic role of leading employees.

In talking about values the subject felt that while values were important they simply were one aspect of the job. From this individual's perspective characteristics like honesty are simply necessary or we wouldn't have an industry.

The subject also felt that there was a value missing and suggested that the most important value or aspect of the accountant's job was the ability to be correct. "I don't know what it's worth but getting the answers right, or as right as possible, is the most important thing." In relating this to the values offered for selection in the on-line survey, in the survey this individual may have answered that "carefulness" was an important value.

The discussion about being correct evolved into a discussion about the growing complexity of the business and how it was becoming more difficult to be correct. The

subject made an interesting observation. This individual did not feel that the use of computers over the last 20 years has yielded any improvement in reliability or financial analysis. In their view we have simply grown into a need for more and more complex modelling and less and less application of judgement. The subject used an example of an analytical spreadsheet they had seen that involved 750,000 calculations. Before computers it would have been impossible to run this many calculations. The subject questioned what improvement this kind of analysis has brought to the profession?

We discussed the ethical models of accountants, doctors and lawyers in the context of increasingly complex rules for the profession. The subject saw the differences in the different professions' ethical obligations as defined in their individual codes of conduct but at the same time pointed out that each of those professions also have externally imposed ethical standards. For example, while doctor's first obligation is to their patient they also usually must answer to both a hospital ethics board and the college ethics board.

Lastly we talked about ethical diversity. The subject indicated that they felt they were very ethical, and if forced to would take a course, but for the most part felt they understood the difference between right and wrong. This person did feel ethical training was important for the profession but that they would not take it unless required.

This discussion led to a discussion on ethical diversity and the different ethical models around the world. When asked again about taking an ethics course the subject felt that a course that included a discussion about cultural differences would be interesting and that they probably would take this course.

### *Major Survey Findings*

While it would have been possible to identify many findings, based on the response

rate the researcher felt it best to focus on those areas where there appeared to be a consistent message across the survey. These are areas where large numbers of members chose similar answers even when given the opportunity to select from a wide variety of answers.

The on-line study resulted in three main themes.

1. Leadership development as a priority,
2. Common core values amongst accountants and,
3. A lack of clarity surrounding broad ethical understanding

#### *Supporting one-on-one Interviews*

The interviews were used to gain deeper and alternative views of what the survey respondents might have meant by their answers. These interviews, though few in number, did provide a valuable new perspective and suggested meanings that the researcher may not have arrived at without this additional perspective.

As discussed in the Research Plan section of Chapter Three the researcher had to take care to avoid introducing bias into the interview process. This was difficult in that the purpose of the interviews was to focus on three themes that arose from the survey. The researcher had a clear interest in those areas and crafted the questions to focus on those areas. In general we believe the interviews were conducted consistent with an action research approach. While the researcher was clearly a participant in the project and desired to focus the research, the researcher allowed the individuals latitude in moving conversations in the direction of their choice.

While the intent was to focus on the three main themes identified in the on-line survey and the interviews were essentially unscripted; within the general themes, the

researcher followed the threads as they developed in discussion. The interview questions are included in this paper as Appendix B – Interview Questions and Script.

The interviews confirmed the results from the on-line survey. The use of unmarked text, pawing and cutting, sorting techniques and the word count analysis (Fig. 2) all resulted in the researcher identifying the same issues being of primary concern to members. However, this must be viewed in the context of the project and the fact that the researcher chose to use the interviews to confirm the three themes that were statistically identified in the on-line survey. These were leadership, common values and ethics. It was therefore not surprising that these words show up as the most frequently used. It was interesting that integrity was the next most used word. Perhaps this simply reflects the same view that Kouzes and Posner (2002) spoke about when they found that integrity is one of the most common words used to describe those leaders most admired by others. (p. 81)

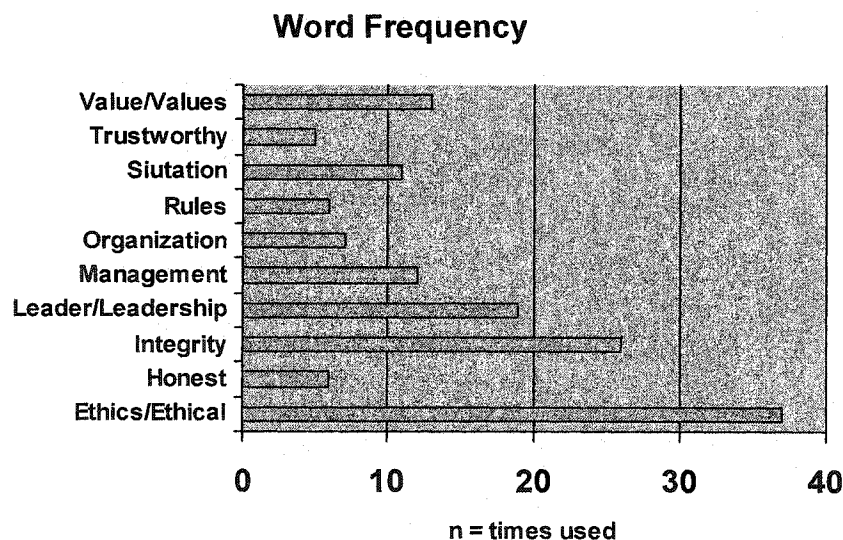


Figure 2 - Word Frequency Chart



*First Area of Findings- Leadership*

Members identified Leadership as the primary issue for both personal and professional development. When asked about their top four professional development priorities from a list of 12 areas, leadership was selected by 68% of the members. The next most frequent answer was emerging technologies at 52%.

The following chart shows the scores for all 12 Professional Development Priorities.

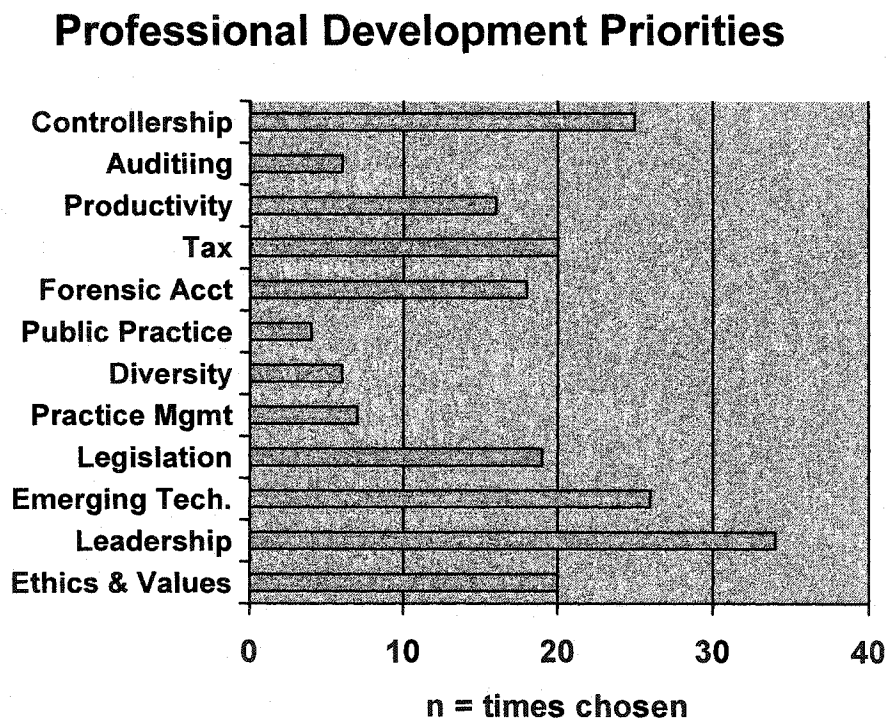


Figure 3 - Professional Development Priorities

When asked about their top three personal development priorities from a list of seven areas, 66% of members identified "improving my leadership skills" as their

personal priority. The next most frequent choice in this question was "improving my professional skills through Continuing Professional Development" with a 54% response.

The following chart shows the scores for all seven Personal Development Priorities.

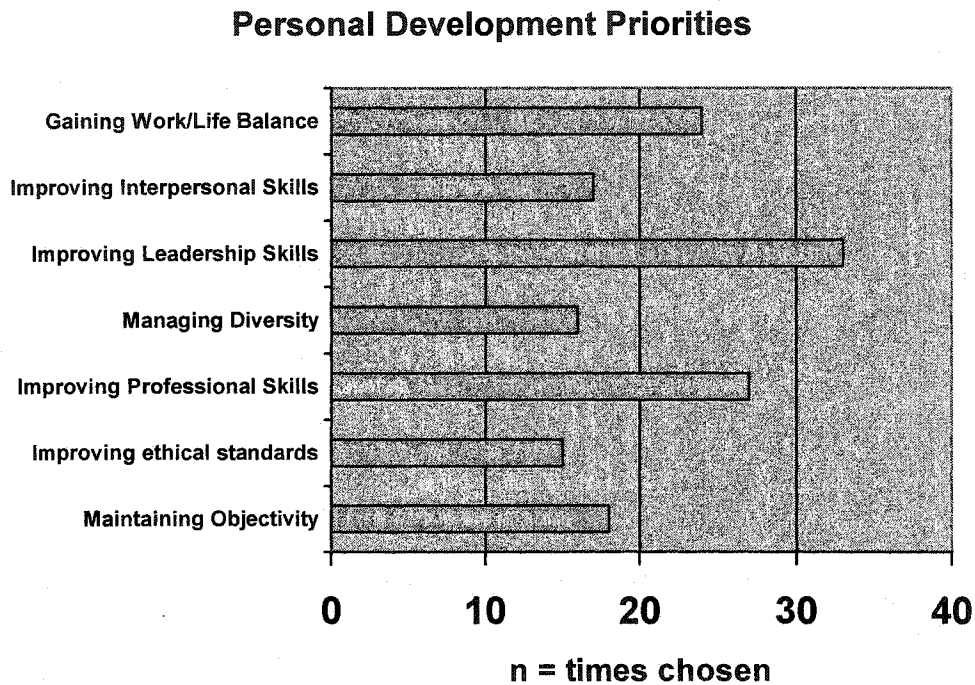


Figure 4 - Personal Development Priorities

Clearly members see the need to improve their leadership both personally and for the profession.

What was not addressed explicitly in these answers was an understanding of what members meant by developing leadership. Max DePree (1989) says that, "The first responsibility of a leader is to define reality. The last is to say thank you. In between the two, the leader must become a servant and a debtor" (p. 11). The interviews did allow the researcher to explore more deeply the definition of leadership. While one individual felt that leadership meant managerial leadership the other individuals discussed leadership in

a more general sense. The discussions in all cases talked about the need to show courage and to stand up for your point of view even when pressured to do otherwise. In that sense leadership means doing the right thing not simply telling people what to do. From many perspectives it is leadership by example.

There was a shared view that the program does not teach leadership. While some people have had courses as part of a degree program and older CGAs have had management behaviour courses, new members do not become certified with an academic understanding of leadership. There was the feeling that with the growing demands of regulation and legislation that accountants must be seen to be leaders.

#### *Second Area of Findings – Members' Common Values*

Kouzes and Posner (2002) believe that common shared values are important to organizations.

None of this is to say that shared values don't matter. On the contrary, based on a reading of our data and that of many other, shared values obviously matter a great deal. People want to be part of something larger than themselves. What we're saying is this: people cannot fully commit to an organization or a movement that does not fit their own beliefs (p. 51).

In this context the researcher wanted to understand whether accountants had common values and whether those values represented the shared values of the organization.

When asked to select "common core values" from a list of 16, members identified integrity, trustworthiness and responsibility to the public and honesty as the four most important common core values. These four areas represented 66% of the possible

combined choices. With 50 respondents and four choices there were 200 "votes" possible. These four values were identified 132 times. The only other value coming close was "reliability" which was selected by 10% of respondents.

### Common Core Values

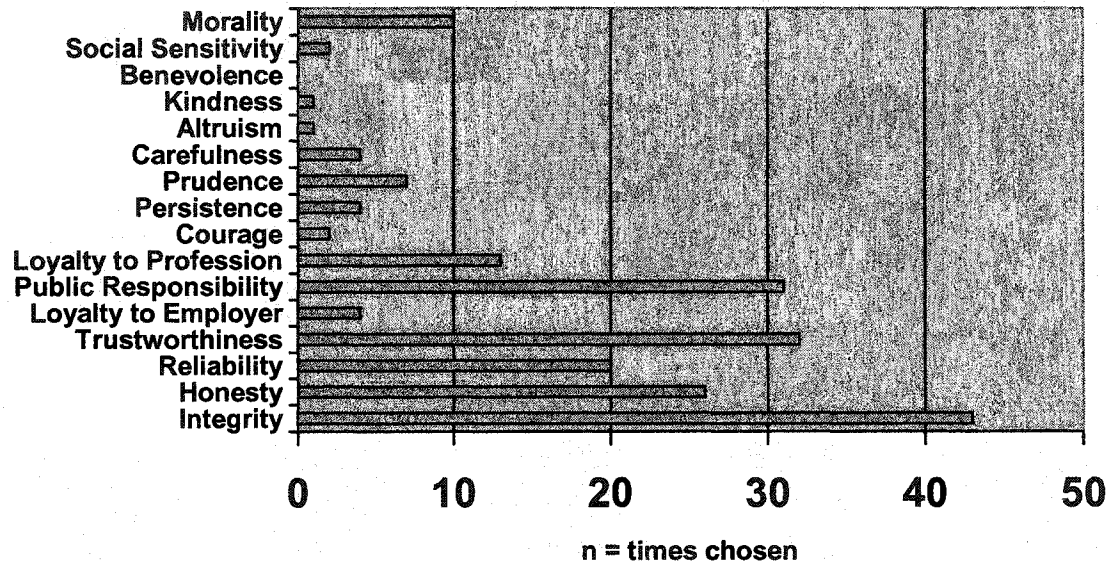


Figure 5 - Common Core Values

The *CGA Ontario Code of Ethical Principles and Rules of Conduct* (2004)

include these very words. It states that, "They must act with integrity and be trustworthy" (p. 17). It states that, "integrity and trustworthiness imply the possession of other character traits, including honest, prudence, competence, loyalty to the proper beneficiaries of their actions, and objectivity" (p. 17). Those values identified by members clearly relate to the values articulated by our Code of Ethical Principles.

The researcher believes it is significant that members see responsibility to the public as a common core value. As compared to other professional organizations

reviewed in this document, this responsibility to third parties is what distinguishes accountants from doctors and lawyers. The researcher believes this core value represents a key element in members understanding and approach to ethical behaviour.

While all participants in the interviews agreed with the values as identified by the on-line survey, they did not agree on whether these were inherent values of the members or whether these values were learned behaviours. For this research project this question was important because we wanted to understand whether these values were acquired or inherent in the individuals and therefore whether these could be taught as part of the program. In retrospect it would be difficult to draw any conclusions on this data without extensive studies with students before, during and after certification.

#### *Third Area of Findings - Ethics*

Rushworth Kidder (2003), the founder of the Institute for Global Ethics contrasted law with ethics. The basis for his comparison was a work published by John Fletcher Moulton in *The Atlantic Monthly* in 1924. Kidder and Moulton explain "why the old adage 'if it ain't illegal, it must be ethical' is deeply flawed" (p. 68). Kidder argues in support of Moulton's view that ethics is a middle domain between two poles. On the one side is legislation and regulation and on the other is free will. Within the legal domain legislation proscribes answers. In the free will domain any answer can be acceptable. Ethics is that middle ground where right and wrong exist independent of regulation.

Ethics and values ranked as the fourth most important issue among 12 professional development priorities and the least important issue of the six "most important personal development issues". This response suggests that although individuals believed they do not personally have ethical issues, they feel it was an important issue for the profession.

The survey asked five questions to try to assess the respondents' ethical lens. The answers to these questions seemed to reflect a lack of clarity and inconsistent views surrounding ethics.

The majority of respondents, 67%, agreed that "there is almost always a 'right' answer if you work hard enough to find it." Yet, the exact same number agreed with the statement that "There are few right answers. It depends on the situation."

There were several important issues which respondents ranked lower than ethics and values. One of these was the question about diversity. While the subject of diversity was not core to this report the low ranking of this issues suggests a relatively narrow view of diversity.

This view of diversity extended to the answers to the question of whether ethics can be different in different cultures. As seen in our literature review, diversity is not simply a gender or race issue. Diversity also includes all aspects of culture that create differences between groups. While the majority of respondents agreed that ethics can be different in different cultures, it was only a small majority at 54%. A large number of respondents did not recognize the ethical implications resulting from cultural diversity. With the increasing globalization of the accounting profession our members must understand the cultural issues implicit in ethical diversity.

The last theme we inquired about of the interview participants was a discussion on ethics. We asked what they thought members meant by their responses and we tried to explore questions on cultural ethics and diversity.

The interviews yielded similar results to the survey. The participants all felt they had strong ethics and did not require more ethical training. None had taken the CGA on-

line ethics course. At the same time all agreed that ethics was so critical to the organization that ethics training was required. This was not expressed as questioning other's ethics but simply as a view that it was not something that could be taken for granted.

In each interview the researcher raised the issues of cultural diversity and the ethical implications. In each interview the participant indicated that while they understood intellectually that cultures were different they did not link this to ethics. In one case the individual was even familiar with the different corporate governance models but had not linked them to different ethical business models.

There was a consensus that in light of the globalization of the profession this kind of ethical discussion would be valuable as a professional development exercise.

The chart below shows the range of responses on the question of ethical differences between cultures.

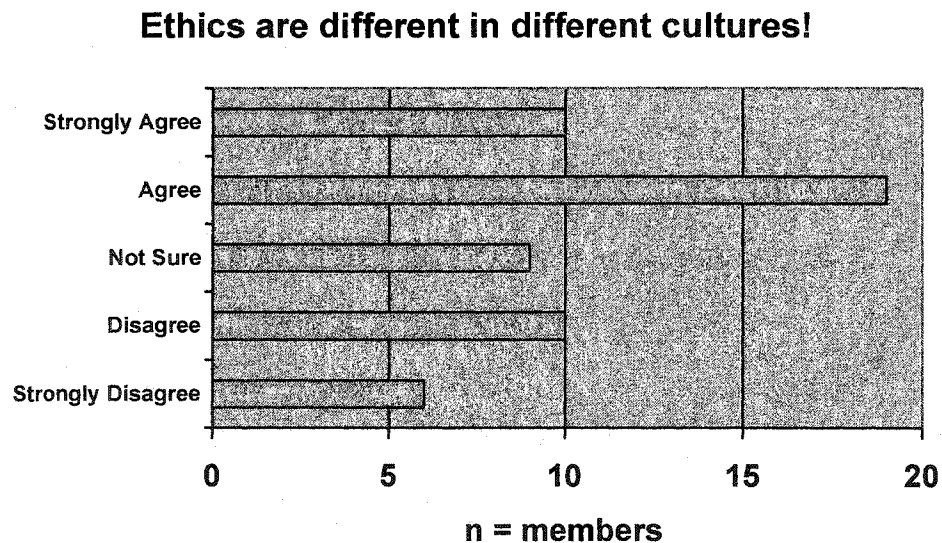


Figure 6 - Cultural Ethics

As stated above, the responses to the on-line survey combined with the discussions with our interview subjects left the researcher with the clear impression that members were comfortable with their ethics and that they felt they understood right from wrong. While it is not our intent to challenge the ethics of any of the participants the fact that many respondents were unaware of the cultural implications of ethics suggests that perhaps they simply think they understand the broad subject of ethics. This does not mean that they do not or would not make ethical decisions in any given situation, but as the market continues to grow more complex and as globalization and corporate governance models evolve the researcher is left to wonder whether this intuitive understanding of ethics will be enough to sustain these professionals.

#### *Study Conclusions*

This study was not intended as a broad-based and overarching review of member concerns. It was intended to focus on leadership and ethics issues and how they impact the personal and professional development of members. The conclusions below reflect that focus.

#### *Conclusion One: Further study is required*

The response rate for this study was somewhat disappointing. While we view the results as indicative, the researcher believes that prior to implementation of recommendations CGA Ontario should conduct additional research to confirm these findings. This study suggests that members have made a strong statement in regard the need for leadership development in the program. However, it is possible that due to the response rate the results of this survey are inaccurate. There is the possibility that self-



selection has occurred. For example, we have yet to understand the unusual response rate from old and new members with relatively few mid-career CGAs responding. (See Figure 1)

*Conclusion Two: Leadership development is important to members.*

As identified in the Findings Section of this report, 68% of respondents to this survey identified 'Leadership' as an important professional development priority and 66% identified 'improving my leadership skills' as an important personal development priority. While there was a lack of clarity surrounding what members meant by leadership and improving leadership skills there can be no question that these members see it as the most important issue facing both themselves and the profession!

Kouzes and Posner (2002) believe that people simply assume that management can be taught but that leadership cannot. "Why is it that management is viewed as a set of skills and abilities, while leadership is typically seen as a set of innate personality characteristics" (p. 386)? They believe that, "It's not the absence of leadership potential that inhibits the development of more leaders; it's the persistence of the myth that leadership can't be learned" (p. 386).

Subsequent work on the part of the Association can more clearly define what types of leadership development members are seeking. Based on the research our literature review and the findings of this study the researcher believes that leadership is an important and emerging issue for members because it has become an issue in many facets of our lives. CGA Ontario can take a leadership position in this area by acting to meet the need.

*Conclusion Three: Members feel ethics and ethical training are important*

The survey included four questions related to ethics. Question 11 asked if members had received any training in ethics. A large number (67.9%) of members indicated that they had had some form of training in ethics. Question 15 asked whether it was the role of the accountant to provide ethical advice to clients/employers. Virtually all members (92.7%) felt that it was their role to provide ethical guidance to clients and employers. Question 22 asked members to identify their personal development priorities over the next five years. Only 30% of members included 'maintaining / improving ethical standards' in their personal priorities. Question 24 asked members to identify their top four professional development priorities. In this case 40% of members included 'ethics and values' in their top four choices.

These answers indicate that members feel ethics is important for them and for the profession. However, the responses to question 16 raised concerns about members understanding surrounding ethical behaviour. The data suggests that there are widely disparate views on what constitutes ethical behaviour. A large number of members could arguably be classified as having classical rather than situational ethics based on the 67% who responded that they agree with the statement that there is almost always a right answer. This ethical lens is supported by the strong positions on 'sometimes the end justifies the means', where only 21% agreed and 'following the rules is more important than doing the right thing', where only 17% agreed.

However, 66% indicated that there are few right answers to the same section in direct contradiction to the first statement in this question. In addition 47% of members either were unsure (17%) or did not agree (30%) that ethics were different in different

cultures.

The researcher believes that these seeming inconsistencies result from an unclear understanding of ethical models. In order to respond consistently members would need to share more than common values. They would need to share the cultural and ethical framework against which to apply those values. Finally members need to have shared definitions of honesty and integrity as these underlie our concepts of values and ethics. Kouzes and Posner (2002) make an important point about honesty and integrity, "When people talk to us about the qualities they admire in leaders, they often use 'integrity' and 'character' as synonymous with honesty" (p. 27). While the researcher expects that accountants feel the same way about their leaders just what is integrity? Kouzes and Posner (2002) found, "One, study, for example, uncovered 185 different behavioural expectations around the value of integrity alone" (p. 81).

*Conclusion Four: Increasing regulatory demands are making the role of the accountant more complex.*

There was strong support (92.7%) for the statement that 'the role of the accountant has become much more complex since I received my certification'. In question 18, 'list the three most important issues the profession faces in the next 5 years', the most selected answer was 'lack of public confidence in the corporate governance systems' selected by 82% of the respondents.

This is consistent with the study conducted by the California Society of Certified Public Accountants. In that study 25.8% of their members rated credibility as the number one problem facing the profession (Waters, 2003).

The introduction of Sarbanes-Oxley Act of 2002 which was fully implemented last

year has dramatically increased the financial reporting risk and internal financial management complexity for any companies listed on American capital markets. This legislation requires rigorous internal controls and that the CEO and CFO of an organization certify the reported financial results. This responsibility extends to Canadian subsidiaries of U.S. companies and further complicates the role of the Canadian accountant.

Lastly, members did identify the increasing complexity resulting from globalization (62%) as the second most important issue facing the profession in the next five years.

*Conclusion Five: Industrial globalization will contribute to an increasing need for accountants to understand the many facets of diversity.*

The lack of understanding of the link between cultural diversity and business ethics was readily apparent in both the survey response to that question and in the interview process. However, as indicated above, 62% of members did recognize the increasing complexity from globalization as an important issue.

In the researcher's view, while members know that globalization will bring new, complex and unknown demands to the profession the data suggests that there is not a broad understanding of the implications of globalization.

From our understanding of the cross-cultural factors explained by Waldmann (2000) it is clear that globalization will bring with it more than complex legislation (e.g. Sarbanes-Oxley).

#### *Study Recommendations*

Based upon the conclusions, the researcher has identified six recommendations to CGA Ontario. Our recommendations will focus on issues pertinent to the subject of the

study, namely leadership and ethics in the accounting profession.

*Recommendation One: Conduct a follow-up study to confirm these findings*

As indicated in Conclusion One while the results of this study are indicative, the researcher recommends CGA Ontario conduct additional inquiries to confirm the findings of this study.

*Recommendation Two – Implement a Leadership Development Program*

The Association should investigate the creation of a leadership development program either alone, with CGA Canada or in conjunction with an educational institution. This program could be part of the main CGA curriculum or an adjunct to existing professional development programs which includes both the undergraduate and graduate degree partnership programs established by CGA Canada. Alternatively the program could be delivered through a series of week-end seminars.

We as an association need to acknowledge that accountants are de facto leaders simply because we provide advice, guidance and direction to organizations. Those organizations do not exist in a vacuum. They are comprised of people and structures that need leadership and direction. As accountants we are uniquely positioned to fulfil an important leadership role.

The program should explore a wide variety of leadership issues both from a financial and non-financial perspective. The following list of topics represents subjects, questions and concepts in leadership drawn from experts in this field. Many of these leadership approaches can be linked to the authors referred to in this reports literature review section. (Review of Supporting Literature)

Suggested topics can include:

1. Leadership and Accountability – Leadership is about personal accountability. Leaders who take responsibility rather than search for excuses or blame set a standard for others.
2. Leadership Models – There is no one right leadership model. Theories change and evolve over time and include concepts such as autocratic leadership, servant leadership, etc.
3. Values-Based Leadership – Values-based leadership is the antithesis of contingency theory. A values-based leader believes that there are underlying values that must guide behaviour.
4. Leadership versus Management – What distinguishes leadership from management? Many believe that where the former is based on character traits the latter is based on learned skills.
5. Financial Leadership – Does giving advice to others represent leadership? Are financial professionals therefore leaders by definition?
6. Leadership & Courage – Leadership often requires people to take a position in the face of personal and professional danger. Does taking a position in regard financial reporting define leadership and do accountants therefore need courage?
7. Leadership and the Learning Organization – What is a learning organization and can organizations learn and grow without effective leadership?
8. Organizational Leadership and Systems Thinking – How do complex organizations function? What are the ramifications and connections on

leadership across organizations?

The intent of this program is to build CGAs who exhibit all the characteristics of good leaders and to equip them to make better decisions in an increasingly difficult role.

*Recommendation Three – Provide Ethics Workshops for Members*

Recently CGA Canada has introduced an ethics course which is available to members on-line. This course provides an excellent review of the question of ethics and includes discussion of much of the same issues reviewed in this paper.

CGA Ontario should provide a one-day ethics training seminar as part of the Professional Development Program. While on-line training can provide an exposure to ethics and ethical issues it cannot provide members with the enriched dialogue and understanding that would result from face-to-face sessions.

This view is supported by the interview process where all subjects indicated that they would attend an ethics seminar if it addressed issues such as cultural differences and allowed a dialogue between participants.

The on-line survey also supported professional development training. While ethics was identified as the fourth priority behind leadership, emerging technologies and controllership functions, 97% of members indicated they would like to see the above training added to the Professional Development Program.

*Recommendation Four – Raise the profile of ethics with all members*

The Association should investigate ways of raising the profile of ethics with the members in addition to the previous recommendation. This could be accomplished through the addition of an ethics column in the newsletter or perhaps by lobbying the national association to insert a regular ethics feature in the CGA Magazine.

While the Certified General Accountants Association is a national organization, CGA Ontario represents the jurisdiction where the majority of Canadian corporate head offices are located and where the Toronto Stock Exchange is located. This concentration of corporate leadership and the most influential regulatory organization in Canada drive a special need for CGA Ontario. These factors make it important that CGAs take a leading role in defining ethical leadership in the profession.

*Recommendation Five – Include Cultural Diversity in both Leadership and Ethics programs*

CGA Ontario should include in both leadership and ethics programs a discussion of cultural diversity and the implications on the accountant. This may be particularly appropriate for an organization like CGA Canada with members in the Caribbean as well as China and the Pacific Rim.

*Recommendation Six – Include ethics training for students*

CGA Ontario should consider recommending that the education program include a discrete ethics component.

With the increasing demands on members, the pressures from non-professionals and the complexity of globalization, the ethics of a professional accounting body is what distinguishes it from others. It would provide important insight to students to understand this foundation of our profession.



## CHAPTER FIVE – RESEARCH IMPLICATIONS

### *Organizational Implementation*

#### *Organizational Implications*

CGA Canada and CGA Ontario are large and complex organizations meeting multiple demands from members and students. As a professional self-regulating organization in Ontario, CGA Ontario is responsible for establishing and maintaining the standards of the profession. The interconnection between its responsibilities for professional standards and student development requires that change be thoroughly considered and that multiple stakeholders contribute to the review process.

It is understood and expected that any implementation of the recommendations of this report will take time, will require additional analysis and consideration and, in that context, this report should be viewed as contributing to that dialogue.

The recommendations contained in Chapter Four of this report include some issues which are both local and national and some issues which are completely within the control of CGA Ontario. The following section will discuss implementation issues from a CGA Ontario perspective and then from a national perspective.

#### *Implementation of Recommendations for CGA Ontario*

There are several areas where CGA Ontario can act independently from the CGA Canada educational program.

CGA Ontario can take action to encourage the delivery of leadership development as part of the Professional Development Program. Each year CGA Ontario solicits suggestions for seminars which form a part of the Professional Development Program. The researcher expects that many members and others may be interested in delivering a

leadership development program comprised of a series of seminars.

While the scope of this report does not include the detailed plans to deliver this program the y should consider the following:

- The program needs to be accessible to members in multiple locations and the content needs to be consistent from seminar to seminar even if delivered by different people.
- The content needs to address a broad range of leadership issues including leadership behaviours; an understanding of leadership styles and; interpersonal communication.
- There are several alternatives for development of the program. CGA Ontario could arrange with a single qualified individual to prepare the seminar or they could work with established educational organizations experienced in providing this type of development.
- The leadership development program can be defined broadly enough to address issues such as ethics and diversity as subjects in this program.
- It is expected that the program would be delivered in multiple sessions with a different focus for each session. In that regard each session will need to stand on its own else members will not be incented to take a single seminar unless they know they can commit to the entire program.

In the end the success of the program will depend on funding and a strong commitment from the leadership of CGA Ontario. We believe this program should be self-supporting. The strength of the response from members in our study left us with the belief that, if presented with a high quality leadership development program, members

would support that program.

### *Implementation of Recommendations for CGA Canada Education Program*

As sponsor of this project CGA Ontario should consider making recommendations to CGA Canada for enhancements to the existing education program for students. Our research confirmed that the large majority of members view leadership development as a priority. When considered in the context of demographics of our response and the fact that approximately 50% of respondents had received their designation in the last four years it is apparent that even new and younger members see the need for leadership training. This is not something that our members can develop as they gain work experience. The data suggests that members are already in management positions and that they need these leadership skills as early as possible in their career as a CGA.

In reviewing the course content of the degree partner programs at Laurentian University the researcher noted that the H.B.Comm program has no leadership component. While the MBA Program does include a course titled *Leadership by Design*, the focus of this course is organizational behaviour and design rather than improving personal leadership skills. Similarly the program at Athabasca University includes two courses in management. In this program one is a course relating to human resources management and the other a course in operations management. Neither addresses core personal leadership development concepts. The Bachelor of Applied Business Administration at the Southern Alberta Institute of Technology is also an applied program and includes a single organizational behaviour course.

The content of these degree programs is not unlike most other business degrees from Canadian universities. Unlike most universities students in the CGA program are

already involved in their careers before they enrol in the program. Our research shows that CGAs want training in leadership early in their career as a CGA, possibly because they are already advanced in their organization before certification.

We would argue that understanding the dynamics of organizational behaviour or the mechanics of operational management are quite different from developing the personal competencies necessary for leadership.

### *Consequences of Inaction*

Several factors are coming together to make it important and urgent that business managers acquire leadership skills. The growing complexity of the business; the recent failures in corporate governance; the increasing pressure to drive shareholder wealth all place the accountant squarely in the path of change. The ability to make quality decisions in the face of external and internal pressures will be what differentiates our profession. Trust, once lost, is difficult to regain.

### *Future Research*

This project considered several relatively straight forward issues. Yet while studying these issues more questions were raised.

While we believe the findings in this report to be indicative, as indicated in our conclusions and recommendations, we believe additional research to replicate these results and more carefully define membership priorities is necessary.

Our research into the cultural foundations of ethics and the apparent diversity issues raised many unanswered questions. Are Kohlberg's 'Universal Ethical Principles' valid (Kohlberg as cited by Waldmann, 2000)? Perhaps the most troubling question for the researcher involves how global organizations operate respecting diversity when that

would require inconsistent treatment of individuals. The researcher works for a major multi-national organization which demands strong values and promotes diversity. At the same time our ethics policies require that we behave consistent with North American values. For example we are prohibited from providing a gift of any value to a client. While this makes a strong ethical statement to our North American clients it puts the company at a disadvantage in other regions. Is it enough to respect another's culture but to not adopt the actions that would demonstrate diversity? Is respect merely paying lip service to cultural, ethical diversity?

We were intrigued by the discussion about the personal courage required of accountants and the fact that the interview participants had not viewed this responsibility as requiring courage; it was simply something they did. It would be interesting to study personal courage in the broader context of corporate governance to understand whether the failures in governance resulted from an inherent lack of ethics or whether these were simply issues of not having the courage to be heard.

We would also be interested to know whether accountants really understand and appreciate the complexities of ethical dilemma. As discussed previously, the results of this study indicate that accountants are comfortable with their personal ethics but they also see the need for diligence on the part of the Association. Is this because CGA Ontario has a defined code against which people measure their personal values and ethics? Does this code allow these accountants to really understand ethics in practice or is it merely a theoretical construct?

A much larger question might be to understand the evolution of the accountant as a leader over the last 50 years. It is our view that the corporate world evolves in cycles and

that accountants have not been seen as the movers and shakers in an organization in a long time. This would require a common view on leadership and that would be a difficult proposition. Where the market now demands wealth creation over the previous half century it has evolved to this approach from one of wanting financial stability. Has that change in the market changed the perceptions of the value of the accountant to the business? Have accountants been supplanted by MBAs because the business leaders bring a different lens and there is a perception that the MBA brings the aggressive wealth creation philosophy? Is there a price to pay for that approach and is it our role to make sure this is apparent to the public? If this is the case maybe it is more important than ever for CGAs to lead with values.

## CHAPTER SIX – LESSONS LEARNED

*Research Project Lessons Learned*

The project provided the opportunity to apply skills and learning based on personal experience. A few lessons stood out as important for future research activities.

Perhaps the most obvious lesson was that surveys must be well tested. The flaw in the logic compromised the results in a study which already had limited response from members. In retrospect perhaps the researcher could have given more guidance to those people who ‘piloted’ this survey. By specifically asking them to test different parts, including logic flow, this problem could have been caught sooner. The reality is that the pilot process was uncoordinated and accomplished little except to allow a few people to scroll through the questions.

The project left some unanswered questions about the validity of the sample and whether 67 people represent a valid sample for this type of study. The researcher believes that a more appropriate approach would have been to determine ahead of time the number of respondents which would have constituted a statistically valid sample.

Timing of the survey was problematic. The survey was conducted during the latter part of the year. The response rate could have been impacted by the time of year. In this case the timelines of this program probably precluded other timing but the situation did raise the awareness of the researcher to the timing implications of doing an on-line survey.

Perhaps the most important lesson learned was that you need to ask the right questions. While the researcher spend considerable time preparing the questions and sought feedback from several individuals, in the end much of the interview process was

concerned with trying to understand what the survey respondents meant by their answers. Had the questions been addressed differently this may not have been the focus of the interview process.

In the end the researcher believes that the original plan to conduct a focus group would have added significant value. It was unfortunate that we were unable to get members to agree to participate in this process. The researcher suspects that had they tried to engage them through the sponsor (CGA Ontario) rather than approach them directly that the response would have likely been better.



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## APPENDIX A – ONLINE SURVEY RESULTS

1. Do you agree to the use of your answers as part of this research project?			
		Response Percent	Response Total
I agree		97.2%	69
I disagree		2.8%	2
<b>Total Respondents</b>			71
(skipped this question)			0

2. In what year did you receive your CGA designation?			
		Response Percent	Response Total
Before 1970		1.5%	1
1970 - 1975		19.4%	13
1976 - 1980		1.5%	1
1981 - 1985		0%	0
1986 - 1990		1.5%	1
1991 - 1995		3%	2
1996 - 2000		22.4%	15
<b>2001 or Later</b>		<b>50.7%</b>	<b>34</b>
Not a Member		0%	0
<b>Total Respondents</b>			67
(skipped this question)			4

3. Do you have experience in a financial role in a publicly traded company?			
		Response Percent	Response Total
Yes		38.8%	26
No		61.2%	41

<b>Total Respondents</b>	<b>67</b>
(skipped this question)	4

4. Please tell us the highest level of management position you have held, either with your present employer or in a past position?

	Response Percent	Response Total
President	6%	4
Vice-President	11.9%	8
Director	7.5%	5
Manager	53.7%	36
Supervisor	10.4%	7
No Management Experience	10.4%	7
<b>Total Respondents</b>		<b>67</b>
(skipped this question)		4

5. Do you have internal audit experience?

	Response Percent	Response Total
Yes	38.8%	26
No	61.2%	41
<b>Total Respondents</b>		<b>67</b>
(skipped this question)		4

6. Do you have public practice experience?





	Response Percent	Response Total
Yes	49.3%	33
No	50.7%	34
<b>Total Respondents</b>		<b>67</b>









(skipped this question)	4
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7. You indicated you had public practice experience. Was it with a CA firm or a CGA firm?			
		Response Percent	Response Total
CA Firm		50%	22
CGA Firm		15.9%	7
Non-Designated Firm		34.1%	15
<b>Total Respondents</b>			<b>44</b>
(skipped this question)			27

8. You indicated you had public practice experience in a CGA firm. In which province?			
		Response Percent	Response Total
Ontario		85.7%	6
Quebec		0%	0
Manitoba		14.3%	1
Saskatchewan		0%	0
Alberta		0%	0
British Columbia		0%	0
Newfoundland & Labrador		0%	0
Prince Edward Island		0%	0
New Brunswick		0%	0
Nova Scotia		0%	0
Other (outside Canada)		0%	0
<b>Total Respondents</b>			<b>7</b>
(skipped this question)			64

9. Do you have a college diploma, certificate or university degree? Please select all that apply.			
		Response Percent	Response Total
Bachelors degree		56.1%	32
Masters degree		8.8%	5
College certificate / diploma		42.1%	24
<b>CGA program of studies</b>		<b>75.4%</b>	<b>43</b>
<b>Total Respondents</b>			<b>57</b>
(skipped this question)			14

10. Have you received leadership training beyond that provided by the CGA Program? Please select all that apply.			
		Response Percent	Response Total
<b>Employer sponsored</b>		<b>82%</b>	<b>41</b>
University or college		26%	13
CGA Professional Development Program		34%	17
Through other organizations (e.g. CMC, etc)		18%	9
<b>Total Respondents</b>			<b>50</b>
(skipped this question)			21

11. Has any of your training included training in ethics?			
		Response Percent	Response Total
Yes		67.9%	38
No		32.1%	18
<b>Total Respondents</b>			<b>56</b>
(skipped this question)			15

12. Has any of your training included exposure to 'values-based leadership'?			
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		Response Percent	Response Total
Yes		39.3%	22
No		60.7%	34
<b>Total Respondents</b>			<b>56</b>
(skipped this question)			15

13. Have you been affected by the changes in legislation and regulation that have resulted from recent high profile legal cases? (e.g. Enron, Worldcom, etc.)

		Response Percent	Response Total
Yes		51.9%	28
No		48.1%	26
<b>Total Respondents</b>			<b>54</b>
(skipped this question)			17

14. Do you work across regulatory boundaries (provinces & countries) and need to be aware of regulation and legislation in several areas. Please select the most appropriate answer below.

		Response Percent	Response Total
<b>I don't work across boundaries.</b>		65.5%	36
I work across two or three jurisdictions		16.4%	9
I work across four or five jurisdictions		3.6%	2
I work across more than five jurisdictions		14.5%	8
<b>Total Respondents</b>			<b>55</b>
(skipped this question)			16

15. Is it the role of the accountant to provide ethical guidance to their clients/employers?

		Response	Response
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		Percent	Total
Yes		92.7%	51
No		7.3%	4
<b>Total Respondents</b>			<b>55</b>
(skipped this question)			16

16. Please select the most appropriate response.

	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	Response Average
I believe there is almost always a "right" answer if you work hard enough to find it.	2% (1)	20% (11)	11% (6)	50% (27)	17% (9)	3.59
The are few "right" answers. It depends on the situation.	6% (3)	24% (13)	4% (2)	57% (31)	9% (5)	3.41
Ethics are different in different cultures.	11% (6)	19% (10)	17% (9)	35% (19)	19% (10)	3.31
Sometimes the end justifies the means.	15% (8)	43% (23)	22% (12)	17% (9)	4% (2)	2.52
Following the rules is more important than doing the right thing.	24% (13)	41% (22)	19% (10)	11% (6)	6% (3)	2.33
<b>Total Respondents</b>						<b>54</b>
(skipped this question)						17

17. Please select the answer that best matches your view. The role of the accountant has become much more complex since I received my certification or since I began the program.

		Response Percent	Response Total
Strongly Disagree		0%	0
Disagree		7.3%	4
About the Same		18.2%	10
Agree		40%	22
Strongly Agree		34.5%	19



<b>Total Respondents</b>	<b>55</b>
(skipped this question)	16

18. What do you see as the three most important issues that the profession faces in the next 5 years?

	1	2	3	Response Average
Lack of public confidence in the corporate governance systems	<b>46% (19)</b>	27% (11)	27% (11)	<b>1.80</b>
Changing legislation and regulation	<b>41% (11)</b>	33% (9)	26% (7)	<b>1.85</b>
Rapid changes in technology	22% (5)	<b>39% (9)</b>	<b>39% (9)</b>	<b>2.17</b>
Increasing liability risk associated with audit work	32% (9)	<b>36% (10)</b>	32% (9)	<b>2.00</b>
Increasing complexity resulting from globalization	19% (6)	35% (11)	<b>45% (14)</b>	<b>2.26</b>
<b>Total Respondents</b>				<b>50</b>
(skipped this question)				21

19. In your mind are there other important issues not listed above? (Please list)

<b>Total Respondents</b>	<b>10</b>
(skipped this question)	61

20. Please identify the top 4 common core values or traits that you feel are most important to our profession.

	1	2	3	4	Response Average
Integrity	<b>47% (20)</b>	26% (11)	21% (9)	7% (3)	<b>1.88</b>
Honesty	<b>35% (9)</b>	27% (7)	15% (4)	23% (6)	<b>2.27</b>
Reliability	10% (2)	25% (5)	30% (6)	<b>35% (7)</b>	<b>2.90</b>
Trustworthiness	<b>28% (9)</b>	<b>28% (9)</b>	<b>28% (9)</b>	16% (5)	<b>2.31</b>
Loyalty to employer	0% (0)	25% (1)	25% (1)	<b>50% (2)</b>	<b>3.25</b>

Responsibility to the public	26% (8)	19% (6)	<b>29% (9)</b>	26% (8)	2.55
Loyalty to profession	8% (1)	15% (2)	31% (4)	<b>46% (6)</b>	3.15
Courage	0% (0)	0% (0)	<b>50% (1)</b>	<b>50% (1)</b>	3.50
Persistence	0% (0)	<b>50% (2)</b>	25% (1)	25% (1)	2.75
Prudence or caution	14% (1)	14% (1)	14% (1)	<b>57% (4)</b>	3.14
Carefulness	0% (0)	25% (1)	25% (1)	<b>50% (2)</b>	3.25
Altruism	0% (0)	<b>100% (1)</b>	0% (0)	0% (0)	2.00
Kindness	0% (0)	0% (0)	<b>100% (1)</b>	0% (0)	3.00
Benevolence	0% (0)	0% (0)	0% (0)	0% (0)	0.00
Sensitivity to social issues	0% (0)	0% (0)	<b>50% (1)</b>	<b>50% (1)</b>	3.50
Morality	0% (0)	<b>40% (4)</b>	20% (2)	<b>40% (4)</b>	3.00
<b>Total Respondents</b>					<b>50</b>
(skipped this question)					21

21. Are there other values and traits that you feel are important but not on the previous list? (Please list)	
<b>Total Respondents</b>	<b>6</b>
(skipped this question)	
	<b>65</b>

22. Recognizing the pressures faced by accountants, what do you see as the three most important personal developmental issues that you will face in the next 5 years?				
	<b>1</b>	<b>2</b>	<b>3</b>	<b>Response Average</b>
Maintaining objectivity and independence	39% (7)	17% (3)	<b>44% (8)</b>	2.06
Maintaining / improving ethical standards	27% (4)	<b>40% (6)</b>	33% (5)	2.07
Improving my professional skills through Continuing Professional development	<b>44% (12)</b>	33% (9)	22% (6)	1.78
Learning to manage diversity	25% (4)	<b>44% (7)</b>	31% (5)	2.06
Improving my leadership	33% (11)	<b>36% (12)</b>	30% (10)	1.97



skills				
Improving my interpersonal skills	24% (4)	<b>41% (7)</b>	35% (6)	<b>2.12</b>
Gaining balance between my personal and professional life	33% (8)	25% (6)	<b>42% (10)</b>	<b>2.08</b>
<b>Total Respondents</b>				<b>50</b>
(skipped this question)				21

23. Do you have other personal development priorities not listed above? (Please list)	
<b>Total Respondents</b>	<b>4</b>
(skipped this question)	
	67

24. Please pick your top 4 following professional development priorities. Training in..					
	1	2	3	4	Response Average
ethics & values	10% (2)	25% (5)	25% (5)	<b>40% (8)</b>	<b>2.95</b>
leadership	<b>50% (17)</b>	6% (2)	29% (10)	15% (5)	<b>2.09</b>
emerging technologies	23% (6)	23% (6)	15% (4)	<b>38% (10)</b>	<b>2.69</b>
legislation & regulation	16% (3)	32% (6)	16% (3)	<b>37% (7)</b>	<b>2.74</b>
practice management	<b>29% (2)</b>	<b>29% (2)</b>	14% (1)	<b>29% (2)</b>	<b>2.43</b>
diversity	20% (1)	<b>40% (2)</b>	20% (1)	20% (1)	<b>2.40</b>
orientation to public practice	25% (1)	0% (0)	<b>50% (2)</b>	25% (1)	<b>2.75</b>
forensic accounting & detecting fraud	<b>33% (6)</b>	<b>33% (6)</b>	22% (4)	11% (2)	<b>2.11</b>
tax issues	15% (3)	<b>30% (6)</b>	<b>30% (6)</b>	25% (5)	<b>2.65</b>
cost management & productivity improvement	0% (0)	<b>44% (7)</b>	31% (5)	25% (4)	<b>2.81</b>
audits & review engagements	33% (2)	0% (0)	<b>50% (3)</b>	17% (1)	<b>2.50</b>
controllership functions	28% (7)	<b>32% (8)</b>	24% (6)	16% (4)	<b>2.28</b>
<b>Total Respondents</b>					<b>50</b>
(skipped this question)					21

25. Are there other professional development areas that the Association should address? (Please list)	
<b>Total Respondents</b>	6
(skipped this question)	65

26. I would like to see the training indicated above added to the Professional Development Program.			
		<b>Response Percent</b>	<b>Response Total</b>
Yes	██████████	94%	47
No	██████████	6%	3
<b>Total Respondents</b>			<b>50</b>
(skipped this question)			21

## APPENDIX B – INTERVIEW QUESTIONS AND SCRIPT

### **Introduction of Project**

Thanks for agreeing to participate in my study. I need you to sign document acknowledging your agreement and understanding that your participation is voluntary and that you may withdraw at any time. Thanks.

This study is part of a Master of Arts major project that I am completing at Royal Roads University. The working title of the project is: Ethical Leadership in the Accounting Profession – A Special Duty. The project is sponsored by CGA Ontario.

The project is exploring the challenges that professionals face in meeting their ethical and leadership obligations. We want to know whether individuals see it becoming more difficult and whether they feel they are equipped to deal with the challenge that corporate governance places on us. Specifically I am investigating the different challenges that accountants would face versus other professions.

### **Introduction of Interview**

The CGA Ontario Code of Ethical Principles and Rules of Conduct states (p. 18) that “Certified general accountants are committed to the public interest.” It further states that “the professional’s first obligation is to the public at large.”

The code states that accountants must act with integrity and be trustworthy. It further states that to be seen as having integrity and trustworthiness one must also possess traits such as honesty, prudence, competence, objectivity and loyalty to the proper beneficiaries.

The philosophical theory behind the development of ethical principles suggests that society's view of ethics is based on shared values that define right and wrong. We are taught from an early age to distinguish right from wrong. But our difficulties don't arise from simple and clear cut questions of right versus wrong. They are created when we face a choice. Often there is a clear wrong... but a less clear right.

In surveying members of CGA Ontario several themes emerged from our research. We wanted to gain your perspective on those themes,

1. A large majority of members surveyed identified "leadership" as the most important professional and personal development priority.
  - a. Do you agree with that view?
  - b. Leadership has many aspects, what do you think these members meant by leadership?
2. There was also a strong message that accountants share common core values. The most prominent are integrity, trustworthiness, honest and responsibility to the public.
  - a. Do you believe there are other more important values?
  - b. Does living these values make the role of the accountant more difficult in today's society?



3. The third message seems to be a belief in our own ethics but uncertainty about the ethics of others. Very few members identified ethical training as an important personal priority but close to 40% identified it as important to the profession.
  - a. Do you agree with their view that this is important to the profession?
  - b. Have you taken the CGA Canada On-Line ethics course?
  - c. Do you have an opinion as to why most individuals feel they do not require training but believe it is important for others?