

TOPICS TO BE INCLUDED IN A MEANINGFUL AND INFORMATIVE UNDERGRADUATE BUSINESS ETHICS COURSE FOR ACCOUNTANCY STUDENTS: A SOUTH AFRICAN PERSPECTIVE. PART 1

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Abstract

Unethical business practices in South Africa, as in many other countries, is at the order of the day. As a result there is increasing pressure on the auditing and accounting professions to devote sufficient attention to business education during the training of prospective auditors and accountants. This is the first in a series of two articles regarding topics that should be included in a meaningful and informative business ethics course for undergraduate students in the fields of accounting and auditing.

Keywords: Business Ethics, South Africa

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1 Introduction

Due to the rise in corruption, fraud, nepotism, tenderpreneurship, mismanagement and other forms of unethical practices in both the private and public sectors, the risk for reputational damage to, and loss of public trust in the accounting and auditing profession, increased considerably (Gibbons, 2012; Fourie & Contogiannis, 2014). The high technical standard of training and education and the consideration of professional and disciplinary codes alone have not been adequate preparation for the numerous ethical dilemmas and the constantly changing environment that chartered accountants (CAs) are confronted with on a daily basis in the business world and their profession. A need for significant change in accounting education resulted, because CAs nowadays need to have a much wider range of knowledge, skills and abilities than CAs of prior generations (Roberts, et al., 2007). Ethical reasoning and problem-solving is one such "skill" that cannot be taught by mere theoretical instruction due to the values based, integrated, and subjective nature of the topic.

The accounting and auditing profession plays such an important role in the global economy that the prevalence of unethical business practices often leads to appeals for an investigation into the competence and ethical behaviour of these professionals, accompanied by a notion that the main cause of the wrongdoings may be traced back to inadequate prominence given to ethics education within the profession (Els, 2007, p. 1; Ramos, 2009).

This places increasing pressure on the International Federation of Accountants (IFAC) and its member bodies, such as the South African Institute for Chartered Accountants (SAICA) to devote more attention to ethics education as a means of intervening and preventing further damage to the status and credibility of the profession and better serving the public interest (Leung, et al., 2006, p. 112; Cooper, et al., 2008; Ramos, 2009). The necessary increased emphasis and research on business ethics resulted in SAICA's decision to review the content and contents of business ethics training courses for South African accounting students. As from 2011, business ethics forms an examinable topic for Part I of SAICA's Qualifying Examinations (SAICA, 2010, p.

Business ethics has formed a minor part of auditing courses at South African universities for a number of years. The focus of the ethics education did, however, rest much more on (and was in certain cases limited to) the teaching of professional ethics and disciplinary codes of conduct (Leung, et al., 2006, p. 50).

This is the first in a series of two articles regarding topics that should be included in a meaningful and informative business ethics course for undergraduate students in the fields of accounting and auditing. Due to the wide scope of the topic, it could not be addressed in one article and it has been divided into two articles (for article 2, refer to Lubbe & Lubbe, 2015b). The research findings for the two articles form part of the results of an extensive study done on business ethics as an undergraduate course for

accountancy students in South Africa, performed in fulfilment of a master's degree (Lubbe, 2013) in auditing.

In this articles, recommendations are briefly made regarding different topics and aspects that ought to be included in a meaningful and informative business ethics course, after taking into consideration:

- A vast literature study, including numerous business ethics textbooks (listed in the bibliography) prescribed for business and accountancy programs at various tertiary educational institutions worldwide (refer to Lubbe (2013) in particular); and
- Anecdotal feedback from
 - ✓ students that participated in one of the four business ethics courses that were selected for the empirical section of a study about the impact of business ethics courses on the ethical reasoning and perceptions of accountancy and business students (Lubbe, 2013, pp. 198 – 298). Most of these students took part in amongst others, project Alpha (refer to Lubbe (2013, pp. 112 – 113) for more detail on project Alpha);
 - ✓ lecturers (Lubbe, 2013, pp. 142, 203 and 210) that presented the four above mentioned business ethics courses.

It is by no means the purpose of the two articles to provide a complete and inexhaustible list of topics to be included in a business ethics course, nor is the objective to discuss each of the nineteen topics in detail. Rather, there will only be briefly referred to the topics that, from the study performed (Lubbe, 2013) as discussed above, stood out as having contributed the most to students' ethical reasoning for the purposes of developing or evaluating a business ethics course. The following nine topics will subsequently be addressed briefly in this article and the other ten topics in the next article in the series:

1. Myths concerning ethics
2. Ethics and religion
3. Ethics and the law
4. Corporate social responsibility
5. Triple bottom-line reporting
6. Stakeholders
7. Ethical leadership
8. Factors affecting the ethical conduct of employees
9. The relationship between organisational ethics and personal ethics

2 A brief overview of the suggested topics to be included in a business ethics course

2.1 Myths concerning ethics

In the study of ethics it is clear that there are numerous misperceptions and disparities regarding what different people consider good/right or bad/wrong. Ethical reasoning and cultural relativism has for

instance been abused by the previous South African government, certain Islamic governments and the Communist government of the Soviet Union to justify respectively apartheid, the disparagement of women's rights, and basic human rights violations (Zechenter, 1997, pp. 319, 322; Lubbe, 2013, p. 137; Lubbe & Lubbe, 2015a, p. xxx). Even the atrocities of the holocaust perpetrated during the Second World War were "justified" with ethical and cultural relativistic reasoning (Zechenter, 1997, p. 319; Lubbe, 2013, p. 137; Lubbe & Lubbe, 2015a, p. xxx). Also, Socrates was unjustly found guilty¹¹ and sentenced to death due to the shamelessly tortured ethical reasoning, unsupportable claims and insinuating his guilt by association (Van Bart, 2002; Palmer, 2006, p. 58; Evans, 2010, pp. 229, 239; Smith, 2009, p. 11; Brickhouse & Smith, 1989, p. 66; Siegel, 2001; Lubbe, 2013, p. 137; Lubbe & Lubbe, 2015a, p. xxx).

From the preceding it can be inferred that various traditions, cultures, religions, norms, standards, legislation, etc. may have a strong influence on casuistic reasoning, cultural relativism and ethical misperceptions. A few of the most prevalent ethical "myths" that people may use to "rationalise" and "justify" unethical (business and other related) conduct, include the following (Rossouw & Van Vuuren, 2010, pp. 99-108; Lubbe, 2012; Ferrell & Ferrell, 2009, p. 19; Lubbe, 2013, pp. 148 - 150):

- "Everybody does it."
- "Just this once."
- "Let's keep this between us."
- "Boys will be boys."
- "Just look the other way."
- "No one is going to get hurt."
- "Don't be such a prude."
- "They had it coming anyway."
- "No one will ever miss it."
- "Who are you to judge me?"
- "By whose rules are you judging me?"
- It is part of my culture/tradition/beliefs/religion"
- "It is not that serious."
- "When in Rome, do as the Romans do."
- "Business ethics are best left to philosophers and academics."
- "The leaders are doing it."
- "Rules are made to be broken."
- "I'm just bending the rules."
- "All norms/standards are relative."
- "Ethics is personal/subjective."
- "Ethics is a luxury."
- "It's a dog-eat-dog world."
- "It's survival of the fittest."
- "Nice guys finish last."
- "The bottom line is all that counts."
- "Business and ethics don't mix."
- "Unethical conduct pays."
- "The justice system is failing us."

¹¹ Refer to Lubbe (2013, pp. 131 – 132) for more detail on this topic.

Myths such as the above can be applied with great success in, for instance, class discussions and case studies to illustrate possible means of “justifying” and rationalising unethical conduct.

2.2 Ethics and religion

The contribution religion made to ethics is undeniable. One of the main goals that most of the great religions of the world (e.g. Hinduism, Buddhism, Islam, Judaism and Christianity) have in common, is to teach their followers what is right (“acceptable”) and wrong (“unacceptable”) through the concerned religion’s

dogma, doctrines and “sacred” writings. The essence of what it is to act “well”/“right” towards other people, is formulated in a compelling manner in the so-called “golden rule” that appears in the Bible in Luke 6:31 (New International Version): “Do to others as you would have them do to you.”

The widespread misperception is that the “golden rule” is solely a Christian teaching. Maxwell (2003a, pp. 22, 23; 2003b, p. 17), however, points out that variations of the “golden rule” appear in numerous of the great religions of the world, as is reflected below in table 1:

Table 1: Variations on the “golden rule” in different religions

RELIGION	VARIATIONS ON THE GOLDEN RULE
Christianity	Whatever you want men to do to you, do also to them.
Islam	No one of you is a believer until he loves for his neighbour what he loves for himself.
Judaism	What is hateful to you, do not do to your fellow man. This is the entire Law; all the rest is commentary.
Buddhism	Hurt not others with that which pains yourself.
Hinduism	This is the sum of duty; do not unto others what you would not have them do unto you.
Zoroastrianism	Whatever is disagreeable to yourself, do not do unto others.
Confucianism	What you do not want done to yourself, do not do to others.
Bahai	And if thine eyes be turned towards justice, choose thou for they neighbour that which thou choosest for thyself.
Jainism	A man should wander about treating all creatures as he himself would be treated.
Yoruba Proverb (Nigeria)	One going to take a pointed stick to pinch a baby bird should first try it on himself to feel how it hurts.

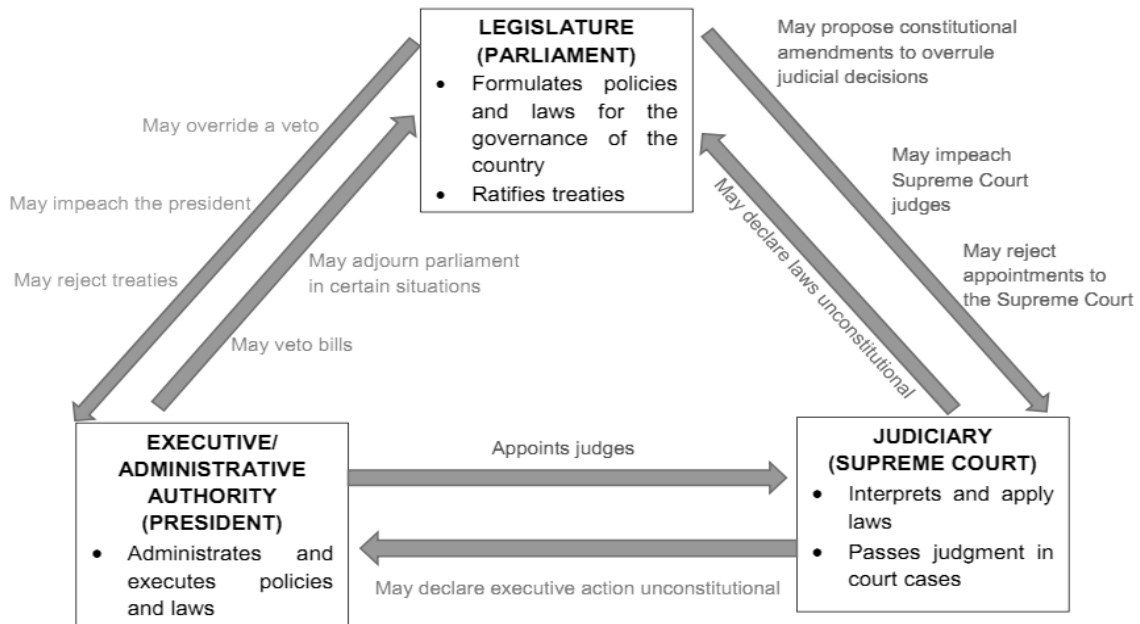
(Source: Maxwell, 2003a, pp. 22, 23; Maxwell, 2003b, p. 17 – adapted)

Interaction between ethics and religion is important, but care should be taken that the course presenter and syllabus does not emphasise ethical principles through making use of one or more religions’ doctrines and thus excluding persons from other religions. The topic of religion should always be treated with great sensitivity with religious diversity in mind.

2.3 Ethics and the law

The doctrine of the separation of powers, which forms part of the constitutional basis of any democratic state, is a very important aspect to communicate the interrelationship between ethics and the law (Baxter, 1996, p. 344; Smit & Naudé, 1997, p. 6; Lubbe, 2013, pp. 33 - 34). According to the trias politica of this doctrine, the functions and authority of the state can be grouped into three categories, namely legislature, administrative/executive and judicial powers (Smit & Naudé, 1997, p. 6; Baxter, 1996, p. 344; Rautenbach & Malherbe, 1996, p. 70; Crous, 2012, p. 9; Lubbe, 2013, p. 34). The legislature formulates policies for the governance of the country, the executive authority administrates and executes these policies and the

judiciary passes judgement in court cases by interpreting and applying the laws of legislature (Berning & Montesh, 2012, p. 5; Smit & Naudé, 1997, p. 6). The “law”, as referred to in the heading of this section, refers to all three of the above named categories of the state. As illustrated in figure 1, these three branches of state should function autonomously and independently from each other, so as to act as “checks and balances” in the state system, which should facilitate political accountability, prevent the misuse of powers by high-ranking government officials, avoid a decline in public trust and hinder the deterioration of democracy (Crous, 2012, p. 9; Smit & Naudé, 1997, p. 6; Hoffman, 2010; Burns & Beukes, 2006; Eastern Cape Provincial Legislature, 2012; Lubbe, 2013, p. 34):

Figure 1. The trias politica of the doctrine of the separation of powers

(Source: Connell, 2013 - adapted)

The law is, however, fallible - as is for instance the case in South Africa with insufficient division between state and party and non-separation of powers¹² (Lubbe, 2013, p. 152). Current-day South Africa is not the only example of the law falling short of the ideal. Socrates's unjust trial and conviction millennia ago, is another well-known example¹³ (Lubbe, 2013, p. 152). Despite the unjust application (and even abuse) of the law, Socrates subjected himself to the workings of the law and the so-called social contract because, as according to Pigliucci (2011), Socrates stated that *"he owes his life and all he has been able to do to the fact that Athens is governed by the Laws, and that it would therefore be unfair for him to disobey the Laws when it is no longer convenient to follow them"*. This does, however, not mean that one cannot question the existing structures and the application of the law.

The fact that the principles of ethics and the law is not one and the same thing is illustrated by the following figure:

The fact that the principles of ethics and the law is not one and the same thing is illustrated by the following figure 2.

Although the law strives to uphold order and ethical conduct in a society, it does not always succeed in its purpose. The shortcomings of the law do not only exist because of the possibility to unjustly apply and abuse the law, but also because the law is manmade. The law is limited in the sense that it is not always realistically possible to make provision for

each potential exception and unique scenario (especially in the written law). This results in the possibility that an act can be simultaneously either illegal and ethical or legal and unethical. The above is illustrated in table 2.

Subsequently, scenarios will be used to elucidate possible instances of a.) to d.), with regards to table 2:

- If a driver takes a child to school in order to prevent the child from having to walk to school in a rain storm and the driver obeys all the traffic regulations, the driver is acting both ethically (he is helping the child) and legally (he is obeying the traffic regulations). This scenario is representative of situation a.).
- If a driver exceeds the speed limit in order to timeously get a severely ill child to a hospital, the driver's action may be both illegal (because he is exceeding the speed limit) and ethical (because he is attempting to save the child's life). This scenario is representative of situation b.).
- If a driver has a severely ill child who needs immediate medical attention with him in a vehicle as passenger and the driver chooses to stay within the speed limit in order to protect himself from getting into trouble with the law, instead of attempting to save the child's life by exceeding the speed limit to get the child to a hospital as soon as possible, the driver's action may be both legal (he stayed within the speed limit) and unethical (he chose his own "safety" over the child's life). This scenario is representative of situation c.).
- If a driver is exceeding the speed limit on a busy road just for a thrill, the driver is acting both illegally (he is exceeding the speed limit) and

¹² Refer to Lubbe (2013, pp.34 – 37) for more detail on this topic.

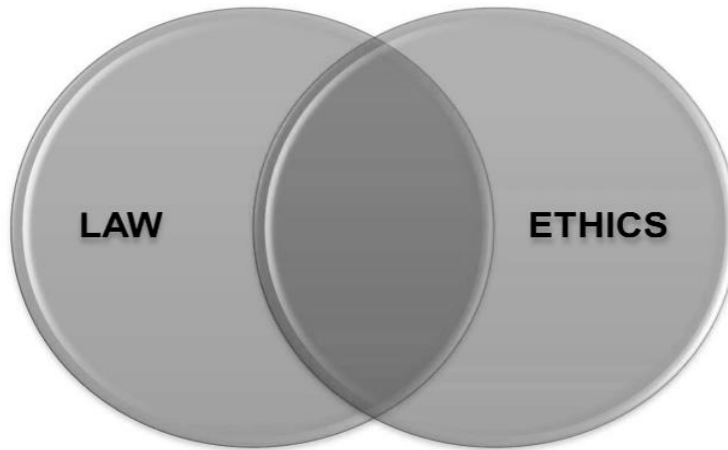
¹³ Refer to Lubbe (2013, pp. 131 – 132) for more information on this topic.

unethically (he is endangering the lives of his fellow road users). This scenario is representative of situation d.).

Predominantly there exists harmony between the law and ethics but in certain instances, acting in line with legislation and acting according to sound ethical

principles may be in conflict with each other. In such cases, a person should not lightly breach the law because acting in such a way feels “ethical”. However, the final verdict of whether such an act is indeed unlawful, rests with a court of law.

Figure 2. The relationship between law and ethics



(Source: Jeurissen, 2007, p. 17)

Table 2. Ethicality versus legality

	Legal	Illegal
Ethical	a.)	b.)
Unethical	c.)	d.)

(Source: Rossouw & Van Vuuren, 2010, p. 7; Rossouw, et al., 2010, p. 24 - adapted)

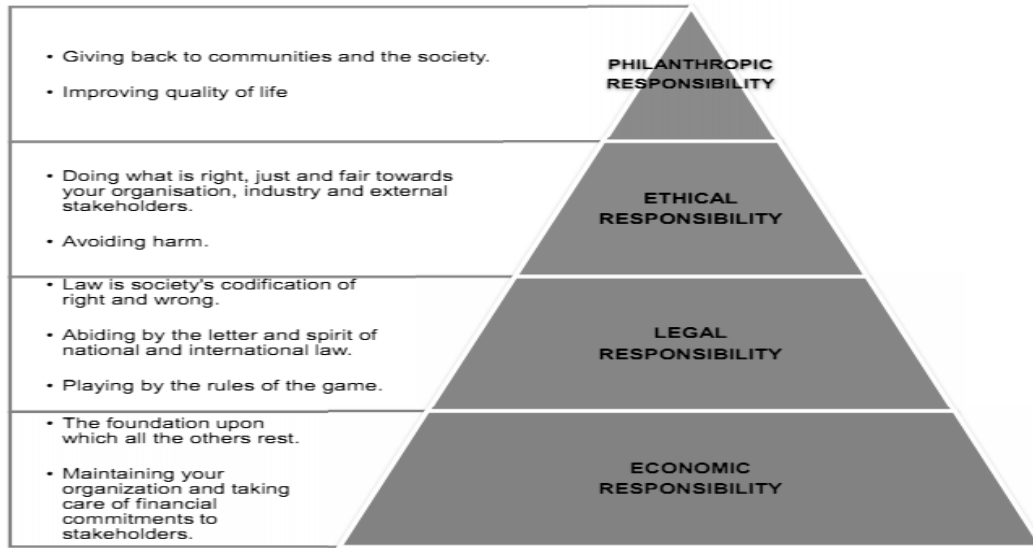
2.4 Corporate social responsibility

In this day and age, it is generally recognised that an entity’s responsibilities does not begin and end with making a profit and contributing to the economy. An entity operates within a broader environment than only the economic sphere. According to King III (IoDSA, 2009) “[b]ecause the company is so integrated into society it is considered as much a citizen of a country as is a natural person who is a citizen”. A business’s operations are dependent on the natural and social environments within which it operates, as well as having had an impact on these environments. The fact that a business does not operate in a void and that many stakeholders are affected by how a business is operated results in a business also having a “corporate social responsibility”. As stated in King III (IoDSA, 2009, pp. 30, 118), a business’s corporate social responsibility extends to the economic, social and environmental (triple bottom- line) spheres, also

known as the “three Ps”, respectively being “profit”, “people” and “planet” (for more on the topic also refer to section 2.5 on triple bottom-line reporting). It is an “art” to balance these three aspects, since operating a business is not economically viable without profit, but profit should not be sought after at all costs and at the expense of the well-being of the society and the natural environment within which the business functions.

As illustrated in figure 3, the economic dimension of a business remains its fundamental responsibility and justification for being in existence. Then, in descending order of importance follows a business’s legal, ethical and philanthropic responsibilities, as described in the figure 3. Thus, an entity’s total corporate social responsibility can be expressed as the sum of the economic, legal, ethical and philanthropic responsibilities of the entity, as is illustrated in figure 3.

Figure 3. The Pyramid of Corporate Social Responsibility

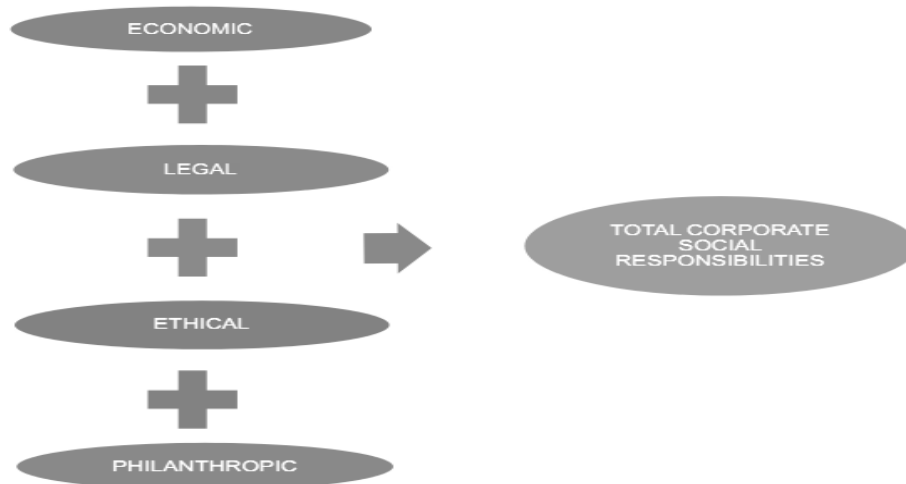


(Ferrell & Ferrel, 2009, p. 11; Carroll & Buchholtz, 2006, p. 39 - adapted)

The above “pyramid” of corporate social responsibility (figure 3) begins with the foundation of a business’s economic responsibility and builds up to the philanthropic responsibility of contributing resources to the community (Carroll & Buchholtz,

2006, p. 39; Ferrell & Ferrell, 2009, p. 11). According to Carroll and Buchholtz (2006, p. 40) another way in which to express the above, is by means of an equation, as illustrated in figure 4:

Figure 4. Total Corporate Social Responsibility in equation form



(Source: Carroll & Buchholtz, 2006, p. 40 - adapted)

How seriously a business regards its corporate social responsibility - thus whether it is operated in an ethically responsible manner or in a short-sighted, profit-greedy manner - affects many stakeholders. Corporate social responsibility also forms the basis for triple bottom-line reporting and plays an increasingly important role in the integrated annual report of organisations, which will subsequently be discussed (section 2.5).

2.5 Triple bottom-line reporting

According to the principles of good corporate governance and King III Report (IoDSA, 2009) an entity’s management should account to the stakeholders of the entity, on the entity’s triple-bottom line performance, as opposed to only its single bottom-line performance. The triple bottom-line consists of taking into account economic/financial, social and environmental aspects, as opposed to just the traditional “single bottom- line” (being the “profit at all costs” approach). The King III Report (IoDSA,

2009) also refers to the above as the so-called “three Ps”, namely profit (the financial aspect), people (the social aspect) and planet (the environmental aspect) (also refer to section 2.4 on corporate social

responsibility for more on this topic). The elements of triple bottom-line reporting are further exemplified in figure 5:

Figure 5. The elements of triple bottom-line reporting



(Source: own diagram)

Triple bottom-line reporting should lead to greater transparency towards stakeholders regarding how well management has a.) performed its role as stewards of the entity’s assets, b.) governed the entity’s operations regarding its social and environmental impact and c.) fulfilled their corporate social responsibility. Triple bottom line reporting should also sketch a holistic picture of how, for instance, the present economic climate and industry related occurrences (such as large scale strikes or demands set by labour unions regarding wage increases) affect the national/international economy, the industry and the specific entity.

In the past, it was only expected of entities to report on their single bottom line, i.e. the financial performance of the entity. This was usually done by means of publishing the annual financial statements of the entity. However, to report on triple bottom line concepts, merely publishing the financial statements is insufficient since it lacks information regarding, amongst others, both the positive and negative impact the entity has had on society and the natural environment. Integrated reporting is needed to adequately report on this and all other relevant above mentioned issues. Except for including the annual financial statements, an integrated report (in the case of a listed company in South Africa) should also consist of e.g. a sustainable development report, a report on the company’s strategy, the audit committee report, the directors’ report and the remuneration report. (Also see the King III report, chapter 9 on integrated reporting (IoDSA, 2009, pp. 107-111)).

2.6 Stakeholders

A stakeholder of an entity is an individual or a group that affects or is affected by how the entity is operated. In past eras, entities were operated on a day-to-day basis by the same person(s) who owned the entity.

However as the factory began replacing the home as the principal place of work, organisations’ sizes expanded to the extent that they required managers (who were not members of the founding families or principal shareholders) to be appointed and the eventual establishment of limited liability companies during the mid-nineteenth century (Lovell, 2005, p. 1). Limited liability companies resulted in:

- a.) The split between management and ownership/shareholders.
 - Companies are owned by “absentee owners” (shareholders) who invests capital to finance the company, but who do not manage the company on a day- to-day basis. The shareholders appoint management (the executive board of directors) who acts as stewards of the shareholders’ money and other interests; and b.)
- b.) A possible conflict of interest, e.g. a member of management seeking to maximize self-interest (such as to spend excessive funds on personal benefits) at the expense of shareholders’ interest.

A company’s shareholders and management are not the only parties who are affected by how a company is operated. As mentioned in the first sentence of this section, “stakeholders” is a concept that includes all the parties who affect, or are affected by how a business is operated – whether it is managed in an ethically responsible manner or in a short-sighted, profit-greedy manner. Stakeholders of a company include, among others, shareholders, employees, suppliers, clients, debtors, creditors and government, (especially due to tax having to be paid over to government). Different stakeholders have different levels of interest in and influence on companies. If the different levels of interest and influence are simplified to either “high” or “low”,

stakeholders can be divided into four groups as illustrated in table 3:

Table 3. The combination of stakeholder interest and influence

Interest	HIGH	a.)	b.)
	LOW	c.)	d.)
		LOW	HIGH
		Influence	

(Source: Bowie & Schneider, 2011, p. 168 - adapted)

Subsequently, the characteristics of stakeholders according to categories a.) to d.), (with regards to table 3), will be discussed:

a.) The stakeholders of group a.) have a high interest in a company, but exercises only a limited influence on the company.

b.) The stakeholders of group b.) are the most important stakeholders of a company (according to this categorisation), since these stakeholders have a high interest in as well as major influence on a company.

c.) The stakeholders of group c.) are the least important stakeholders of a company, since these stakeholders have a limited interest in, and only exercise limited influence on a company.

d.) The stakeholders of group d.) have limited interest in a company, but exercises major influence on the company.

The above technique whereby important attributes (such as interest and influence) are assigned

to stakeholder groups as either “low” or “high”, is called “stakeholder mapping” (Bowie & Schneider, 2011, p. 168). According to Bowie & Schneider (2011, p. 168) stakeholder mapping offers “a company a more objective measure of the various claims of its stakeholders so that it can more accurately decide which stakeholder claims are the most important”.

A similar classification as in table 3 can be performed if stakeholder “interest” and “influence” are replaced by e.g. “power” and “support”. Different stakeholders have different levels of power over a company and provide different levels of support to a company. If the different levels of power and support are simplified to either “high” or “low”, stakeholders can be divided into four groups as illustrated in table 4:

Table 4. The combination of stakeholder power and support

Power	HIGH	a.)	b.)
	LOW	c.)	d.)
		LOW	HIGH
		Support	

(Source: Bowie & Schneider, 2011, p. 169 - adapted)

a.) The stakeholders of group a.) have strong power over a company, but only provide limited support to the company. This group of stakeholders ought to be a high priority to a company and a company should attempt to raise the support of these stakeholders.

b.) The stakeholders of group b.) are the most important stakeholders of a company (according to this categorisation), since these stakeholders has strong power over a company, as well as providing a high level of support to the company.

c.) The stakeholders of group c.) are the least important stakeholders of a company, since these stakeholders have little power over a company and only provides a little support to a company.

d.) The stakeholders of group d.) have little power over a company, but provides a lot of support to a company and should thus be shown consideration by a company.

According to Carroll & Buchholtz (2006, pp. 71, 72), a further grouping of stakeholders can also be performed according to the following three aspects:

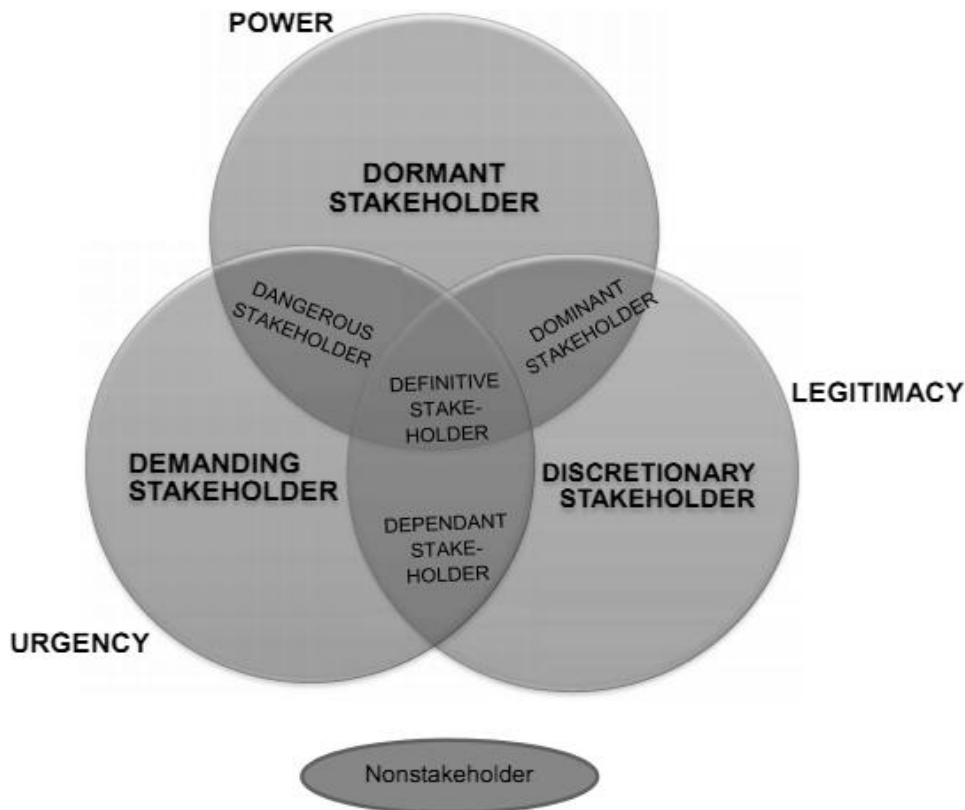
a.) “power”, which “refers to the [stakeholder’s] ability or capacity to produce an effect [on the company]”;

b.) “legitimacy”, which “refers to the perceived validity or appropriateness of a stakeholder’s claim to a stake”;

c.) “urgency”, which “refers to the degree to which the stakeholder claim on the business calls for the business’s immediate attention or response.”

The grouping and management of stakeholders can also be categorised in terms of “power”, “legitimacy” and “urgency” (see figure 6) according to Carroll and Buchholtz (2006, p. 72). This model indicates how the interaction between the three aspects overlaps and how this can be used by companies in their ethical decision-making processes.

Figure 6. Stakeholder Typology - One, Two, or Three Attributes Present



(Source: Carroll & Buchholtz, 2006, p. 72 - adapted)

2.7 Ethical leadership

The first chapter of the King III report begins with the words “[e]thical leadership” (IoDSA, 2009, p. 20). Thus, it is clear that ethical leadership plays a vital role in the success of any enterprise, be it the running

of business or a country. In the case of a company, the leaders include the board of directors and the employees in management positions. They are in the position to exercise influence on different aspects regarding the manner in which an entity is operated, due to the power vested in them.

A person in a leadership position cannot choose whether or not to be a role model, as is illustrated by the following quote that appeared in Landman (2006, p. 46): “Basketball superstar, Charles Barkley, in Sports Illustrated: ‘I’m not paid to be a role model.’ Dream team teammate, Karl Malone: ‘Charles, you can deny being a role model all you want, but I don’t think it’s your decision to make. We don’t choose to be role models, we’re chosen. Our only choice is whether to be a good role model or a bad one.’”

It is crucial that persons in leadership positions are dedicated to running a company in an ethical manner, since the ethical “corporate culture”⁴ is largely created by them and they set an example for all the other employees and persons involved in the entity. Thus persons in leadership positions “set the tone at the top” by means of the example of good ethical conduct they set. If persons in positions of leadership act in an unethical manner, it is very unlikely that the other employees would act ethically and that the entity as a whole would be seen as ethical.

Most ethical leaders have certain characteristics in common. These characteristics include the following, according to Ferrell and Ferrell (2009, p. 47):

Ethical leaders have strong personal character; they endorse robust principles that allow them to define a path and lead others along it.

Ethical leaders have a passion to do right – for their customers and their employees. Of course, they are

not infallible but they do necessarily begin with the right intentions.

Ethical leaders recognize that good ethics are good for performance and lead to a healthy bottom line.

⁴ According to Ferrell and Ferrell (2009) “corporate culture” is “the mix of values, norms, behaviours, and artifacts (tangible signs) that help define an organisation’s character.”

Ethical leaders are proactive – they do not just follow policies but make and shape them. This often requires courage – for example, when proposing an unpopular new direction.

Ethical leaders consider stakeholders’ interests. They build trust across the board and profit from the loyalty that this inspires.

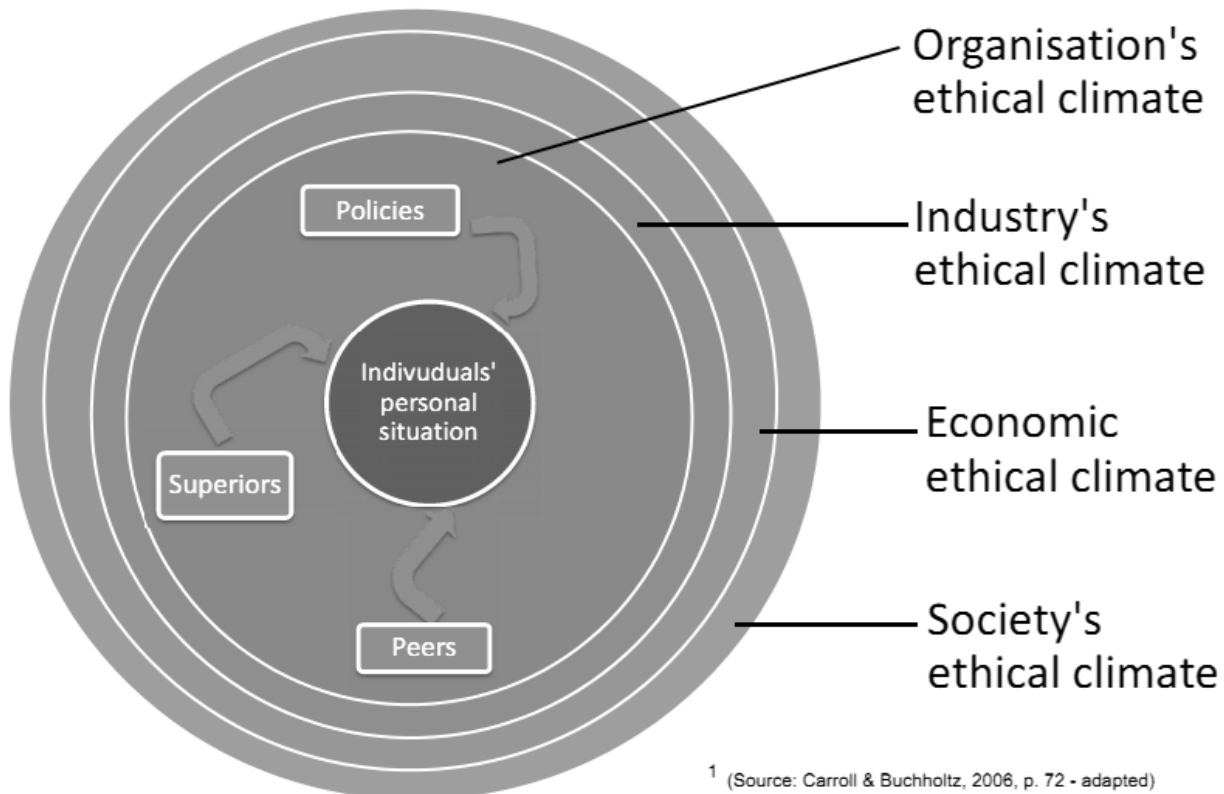
Ethical leaders are positive role models in and out of the workplace. They match their talk about values with visible actions that demonstrate respect.

2.8 Factors affecting the ethical conduct of employees

The influence of persons in leadership positions (as discussed above in section 2.7), is not the only factor that has an effect on the ethical conduct of employees.

In figure 7, it can be seen that “superiors” (persons in leadership position) is but one of a wide range of factors that influence the ethical conduct of employees:

Figure 7. Factors affecting the ethical conduct of employees



¹ (Source: Carroll & Buchholtz, 2006, p. 72 - adapted)

The other factors that have the most “direct” influence on an employee are an entity’s policies (such as a code of conduct) and the manner in which those policies are carried through, as well as the ethical norms and values prevalent with the employee’s “peers”/fellow employees (which the employee would probably regard as a benchmark of acceptable conduct). The synergy between, among others, the three elements (“superiors”, “policies” and “peers”) forms the organisation as a whole’s ethical climate, which also influences the individual employee’s ethical conduct.

Factors that have a less direct influence on the employee (in descending order of influence) are the ethical culture/climate of the industry within which the relevant organisation operate, the ethical culture/climate prevalent in the local, national and international economy within which the organisation operates and, lastly, the ethical culture/climate of the local, national and international society within which the organisation operates.

2.9 The relationship between organisational ethics and personal ethics

As mentioned above in section 2.8, the synergy between among others, persons in leadership positions (“superiors”), the individual employees (“peers”) and the policies of an organisation forms the organisation as a whole’s ethical culture, which also influences the individual employee’s ethical conduct. Thus, the ethical conduct of individuals within an organisation (whether they are employees or persons in leadership/management positions) and the organisation’s ethical climate have a reciprocal influence on each other.

Just as an individual within an organisation’s ethical conduct can be seen as “good” or “bad”, the ethical culture of an organisation can also be seen as either “good” or “bad”. To illustrate the relationship between personal ethics (the “good” or “bad” ethical conduct of an individual within an organisation) and organisational ethics (the “good” or “bad” ethical culture of an organisation), a comparison can be used. An individual within an organisation can be likened to an apple and the organisation within which the individual operates can be likened to a barrel in which the apple is stored. The combination between “good” or “bad” apple and “good” or “bad” barrel leads to specific situations (refer to table 5).

Table 5. The relationship between organisational ethics and personal ethics

	Good barrels	Bad barrels
Good apples	a.)	b.)
Bad apples	c.)	d.)

(Rossouw & Van Vuuren, 2010, p. 9; Rossouw, et al., 2010, p. 23)

Subsequently, situation a.) to d.) (with regards to table 5) will be described:

a.) This is the ideal situation where both the individual (“apple”) and the organisation (“barrel”) are ethical (“healthy” and “hygienic”).

b.) In this situation, despite the individual (“apple”) within the organisation acting in an ethical manner, the organisation’s ethical culture (“barrel”) is “bad”, which may eventually “contaminate” the ethical individual. A very slight chance does, however, exist that the ethical individual may “cure” the unethical organisation through the individual’s example of good conduct. It is, however, more likely that the organisation will have a negative influence on the individual, than the individual having a positive influence on the organisation. Thus, in this scenario, it would probably be better for the individual to resign and dissociate himself from the organisation.

c.) Despite the organisation’s ethical culture (“barrel”) being good, the individual (“apple”) within the organisation is acting in an unethical manner,

which may eventually “contaminate” the ethical organisation. The possibility does, however, exist that the ethical organisation may prevent the unethical individual from acting unethically due to the organisation’s intolerance of unethical behaviour. However, if this does not prevent the individual from acting unethically, it would probably be better for the organisation to dissociate itself from the individual (by dismissing the individual in a legal manner, if his actions justify dismissal).

d.) This is the worst situation where both the individual (“apple”) and the organisation (“barrel”) are unethical.

Factors that have a less direct influence on the employee than the organisation’s ethical culture namely the industry, economy and society’s culture (as described in section 2.8) can be equated to a warehouse, in which the barrels are stored (Rossouw & Van Vuuren, 2010, p. 8). Just as the “barrels”, the “warehouse” can also be ethical (“good”) or unethical (“bad”), with a reciprocal influence on the “barrels”.

3 Conclusion

Unethical business practices in South Africa, as in many other countries, is at the order of the day. As a result there is increasing pressure on the auditing and accounting professions to devote sufficient attention to business education during the training of prospective auditors and accountants.

In the introduction to this article it is mentioned that the contents of a business ethics course should be compiled in a meaningful manner in order to attain the goals of an informative and relevant course. Nineteen topics which were identified as to be included in a meaningful and informative business ethics course for undergraduate students in the fields of accountancy and auditing. In this article, recommendations are briefly made regarding the first nine topics that ought to be included and the remaining ten topics will be addressed in the next article of the series. In the latter mentioned article, the final conclusion of the series of two articles will also be provided.

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