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Accountability, Ethics, and the Business World

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Introduction

The activities of business and the financial services industry, and their decision-making processes are predominantly motivated by profit maximisation criteria, which can often lead to highly questionable decisions being made (Paterson *et al.*, 2016). Indeed, we do not need to dig too far into the financial services world and the activities of business to find examples that demonstrate a distinct lack of consideration for society, the environment or human life, as well as activities that demonstrate questionable moral or ethical behaviour. The collapse of Enron, for example, was an outcome of unethical behaviour by the management and the accounting firm (Arthur Andersen), which resulted in great losses suffered by all of its stakeholders. Questionable business and accounting decisions are not restricted to the private sector but are also found within the public and third sectors. Cooperatives and family businesses are also not exempt from questionable business behaviour.

Within the public sector, the MHB Bank of Vietnam, which is part of the fully state-run Bank for Investment and Development of Vietnam, was exposed to fraudulent activities amounting to millions of dollars by three senior bankers and six securities officials (Channel News Asia, 2016). Petrobras, one of the largest state-owned oil organisations of Latin America also suffered from fraudulent activity of around \$400m involving 35 members of which several were chief executives (Leahy, 2016; Guardian, 2014). The CEO within Age UK, a charity providing services and support for older people in the South Tyneside community, was charged with defrauding more than £700,000 from the organisation

(Cooney, 2015). The Co-operative Bank in the UK has been involved in a series of scandals including alleged drug-taking by former chairman Paul Flowers (Goodway, 2013). Family businesses, despite being run with a more hands-on and inclusive management style are also vulnerable to fraud. For example, Parmalat suffered four decades of fraudulent activity by Calisto Tanzi which ultimately led to its collapse (Guardian, 2004). Such scandals have led to growing demand for accountability across all sectors. Indeed, calls for these organisations to be held accountable for their actions, and for policies to be adopted to help prevent unethical actions that affect a wide range of stakeholders, feature highly in the media.

The concepts of ethics and social accountability have grown considerably in recent years in both the educational and professional contexts. This can be attributed to philosophers and scholars within accounting and finance successfully connecting ethical theory to real world problems (Paterson *et al.*, 2016). Within this chapter, we introduce you to two interrelated concepts: social accountability and ethics and their importance to everyday life. We begin by first considering what accountability and business ethics are and why they are important. Following this we introduce a discussion on the codes of conduct that facilitate social ethics and accountability. The chapter includes examples of important issues that require careful reflection and consideration when determining approaches to business activity and ensuring professional integrity. This is followed with a discussion on the limitations of ethics and codes of conduct.

Accountability concepts and relationships

Accountability, according to Bovens (2010), is a term that could embrace more than one meaning depending on the context in which it is used. A simple definition of accountability is taking, or being assigned, responsibility for something that you have done, or something you are supposed to do. From an ethics perspective, accountability is answerability, blameworthiness, liability, and the expectation of account-giving for one's actions. According to Day and Klein (1987), accountability is expected to be perceived differently in different contexts since it is a social and political process; they believe that accountability is mainly concerned about the definition of a certain type of conduct and how it is assessed. Sinclair (1995) stressed the importance of language in shaping accountability understanding. For example, an auditor views accountability as a financial matter, whereas a politician sees accountability as a political issue.

Accountability is arguably something that everyone should respect. It is a 'gold' concept that everyone agrees with and it is widely used in political discourse since it implies transparency and trustworthiness. However, it is also an 'elusive concept' that can mean different things to different people (Bovens, 2007). Laughlin (1990) justifies the linkage between finance and accountability

based on the importance of finance for an organisation and a particular domain and, further, on the notion that the way finance is accounted for will influence how resources and responsibilities are accounted for.

A notable issue related to the term 'accountability' was indicated by Bovens (2007); that is the translation of the term into other languages. He indicates that accountability as a term does not exist in French, Portuguese, Spanish, German, Dutch or Japanese languages and, moreover, they do not distinguish between accountability and responsibility. The Arabic language appears not to have an equivalent word to accountability. The translation of 'responsibility' is commonly used to refer to this term.

Bovens (2010) describes accountability as a synonym to good governance. He points out that it has become a general term that refers to any mechanism by which powerful institutions can be made responsive to their stakeholders. In an extended discussion, accountability has been succinctly defined by Gray *et al.* (1996:38) as 'the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible'. Accountability thus implies two 'responsibilities or duties'. First the accountant is responsible for performing a duty and then is responsible to account for that duty to whom he or she is responsible, the accountee (Gray *et al.*, 1996). However, Cooper and Owen (2007: 653) noted a shortfall in the accountability definition given by Gray *et al.* (1996). The issues of "effective utilization of information" and "associated power differentials" have not been addressed. They suggest for accountability to be achieved the accountees (stakeholders) should be given the power to hold the accountant to account. They argue that stakeholder accountability can be enhanced by empowerment.

An accountability framework is seen to imply justification and explanation of what an accountant has done. It also implies that accountability should be discharged. Jackson (1982) views accountability as follows:

Basically, accountability involves explaining or justifying what has been done, what is currently being done and what has been planned. Accountability arises from a set of established procedures and relationships of varying formality. Thus, one party is accountable to another in the sense that one of the parties has the right to call upon the other to give an account of his activities. Accountability involves, therefore, the giving of information. (Jackson, 1982: 220)

In Stewart's (1984:16) words, an accountability relationship ends by providing an account (i.e. information). He describes the accountability relationship, as 'involving both the account and the holding to account'. Fitting the notion of providing an account in the accounting context, one could infer that providing accounting information represents a way for accountants to discharge their accountability to accountees.

Within an accountability framework there is a need to distinguish between: 'legal and non-legal; or moral or natural, rights and responsibilities' (Gray *et al.*