

Study on Effect of Professional Ethics of Accountants in Promoting New Financial Leadership Styles

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Abstract: This study aimed to investigate effect of accountants' professional ethics in improvement and progress of new financial leadership styles. The importance of research lies on a fact that accountancy profession is the accounting profession of the most difficult and the disciplined professional career, that it must enjoy a particular validity and importance due to effective and useful information and services which provides for managers in line with decision making, planning, leadership and control of organization's activities, where this comes to realize in the light of observing professional ethics by accountants. The statistical population consists of supervisors, senior supervisors, managers, certified public accountants in trustee audit firms listed on Tehran Stock Exchange in 2014. Necessary information relating to statistical population was extracted from website of the Tehran stock exchange and website of society of CPAs. Two questionnaires to examine variables and hypotheses of research have been used in this study. The first questionnaire consists of 24 questions and the second questionnaire consists of 29 questions, that both were distributed in form of one questionnaire among 350 supervisors, senior supervisors, managers, certified public accountants using Krejci & Morgan table, and finally 290 questionnaires were filled and collected without any defect for data analysis. To examine status of variables and asking views of supervisors, senior supervisors, managers, certified public accountants on the relationship between variables, structural equation modeling for fitness of model using LISREL 8.50 has been used. The results from studying the first questionnaire indicate a significant relationship between variables and desirability of status of variables. Further, findings from the second questionnaire indicate confirming the research hypotheses, so that all the research hypotheses after data analysis using the aforementioned tests were confirmed, representing the importance of professional ethics observance by accountants and its impact on improvement of new financial leadership styles.

Keywords: professional ethics; new financial leadership styles; ethics

1. Introduction

Ethics and ethical professional practices have been entered into discussion as a serious issue. This implies that in addition to personal interest and motivation which are necessitated in human life and can result in improvements in community, other factors such as moral values, maximization of the social interest that benefit the community, attention to human and social principles and norms can help for improvement of community and increasing development of a more civilized country. Ethics is of importance in human life, because humanity forms in human when moral values develop in human. Any human is evaluated regarding the extent to which moral values are seen in his behavior, speech and thoughts. The person's ethics is the first prospect which appears in the society. This

also involves in the jobs, where accountants' professional ethics is an important problem which directly affects accountants' trust and ability to attract public trust. More specifically, lack a proper workplace ethics training can lead to fraudulent activities. For this, this study aims to investigate effect of accountants' professional ethics in improvement and progress of new financial leadership styles.

Problem statement

Today, world around us seems to be changing faster and faster. This change can be observed in all aspects of human life. This also goes true in accounting issue and improvements in accounting, so that financial issues as well as issues relating to accounting profession have been always drawn into attention. Accounting implies human invention and the result of human

settlements. As definition of accounting indicates, accounting implies a series of methods and rules through which financial and economic information of an institution are collected, categorized and summarized in form of accounting reports, and ultimately are provided for interested parties and stakeholders for their decision making. These parties can be informed of financial condition, results of operations and future prospects of the institution .

On the other hand, as known, characteristics of each profession include: 1- Accepting the task of serving the community, 2-minimum predetermined conditions to enter into the considered profession likewise professional skills that are acquired through training and experience, 3- Professional members' adherence to a set of principles , norms and values of this profession(Ali madad, 2006)

Hence, as Ethics in business is a section in applied ethics and professional ethics is a subset of business ethics, it requires discussing this profession in perspective of professional ethics. Professional ethics includes suitable provisions and procedures that are used in a profession. Professional ethics has been regarded as a knowledge which has defined a suitable behavior at any profession, and represented applied and practical guidelines for the for purpose of determining limits of liability, so that code of professional conduct at any profession is regarded as one of the most important policy makings at that profession(Bayat, 2008). Hence, it must take essential considerations about some of code of ethics. On the other hand, regardless of the fact that what are organizational goals which are under control of management, generally managers involve in four types of major activities (Decision-making , planning , leadership of operational activities, management) in their attempts to achieve goals of organization, for which it requires information in order to do each of aforementioned activities. These information can be acquired from various sources such economists, financial specialists, sales and marketing staff, production staff and management accounting, regarding four organizational goals of management accounting that are in line with giving assistance to manager to reach organization's strategic goals, and to

provide useful information for decision making, planning, leadership of activities and control. For this purpose, importance of information provided by management accountants that cause improvement of decision making by managers at various areas including financial area must be taken into consideration. Further, to which extent accountants draw a particular attention to professional ethics in providing information is of importance. As specified, accounting unit as one of sectors in the organization has been drawn into attention. This sector likewise other sectors will be under supervision so as to be in line with other units of organization in perspective of macro-level goals of organization. Researchers have stated that leadership implies the ability to affecting employees' views, abilities and beliefs in reaching to organizational goals. However, leadership has been a leading issue among researchers for many years, due to striking social changes which have occurred during two recent decades, issues of leadership and new leadership styles have still remained in discussion areas (Duckett & Macfarlane, 2003). Servant and transformational leadership styles which are of new leadership styles, have a lot in common due to their similar origin and basis, that the present study has considered defining characteristics of these two leadership styles in addition to describing each of them, and has examined effect of accountants' professional ethics in improvement of applying these leadership styles. According to aforementioned descriptions, the problem statement of this study lies on a fact that "what effect observance of professional ethics by accountants will have on improvement of new leadership styles in financial sector.?"

Importance of research

Progress has been always drawn into attention by accountants in the issues relating to ethics and observance of professional ethics that develop over time. Here, the importance of this issue lies on a fact that profession of accounting is one of the most discipline professions around the world. This profession due to nature and type of services which provides must enjoy a specific validity and trust. Maintenance of this validity and trust relies on adherence of members to moral and behavioral codes of this profession(Code of Professional Conduct, 2006). Currently, due to lack of a special training for

professional ethics in framework of professional accounting, world trade organization has faced numerous problems. intentional misrepresentation and exaggeration in accounting of companies and other professional misconduct behaviors have led to increasing bankruptcy in financial institutions. Failure of corporations such as Enron , WorldCom and Global Crossing in the United States of America and so forth have weakened reliability of financial reporting and their accountability. Such cases might lead to adverse effects on economic status of countries. Furthermore, fraudulent activities have caused destructive effects raise in investment and financial markets, because people argue in this way that such practices have come to realize due to immoral behaviors of accountants and lack of their proper understanding towards ethical codes, resulting in moral crisis in accounting profession. Hence, the present study requires investigating effect of accountants' professional ethics in improvement and progress of new financial leadership styles, in order that it can provide some guidelines for improving conditions .

Research hypotheses

Major hypothesis:

There is a significant relationship between accountants' professional ethics and improvement of new financial leadership styles at financial area.

Secondary hypotheses:

1-There is a significant relationship between accountants' personal values and improvement of new financial leadership styles at financial area.

2-There is a significant relationship between accountants' personal values and improvement of new financial leadership styles at financial area.

3- There is a significant relationship between regulatory requirements at accountancy area and improvement of new financial leadership styles at financial area.

4- There is a significant relationship between accountants' confidentiality and impartiality and improvement of new financial leadership styles at financial area.

Research model

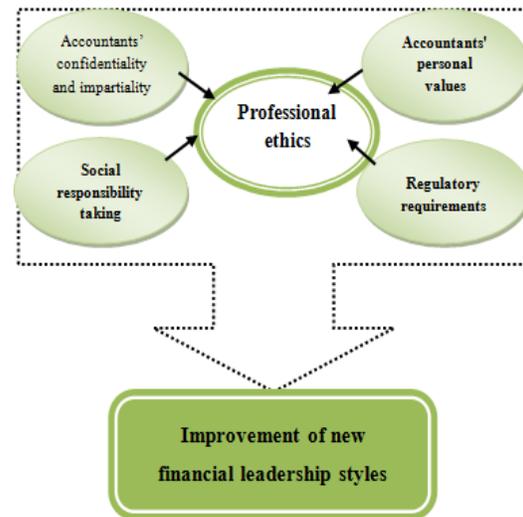


Figure 1. Research model

Literature review

Greenfield (2008) in his study concluded that individuals' moral view affects their decisions and how they do their responsibilities, such that the individuals with more idealistic moral view have fewer tendencies to manipulate company's profits.

Borox et al. (2009) conducted a study on new-employed accountants in the companies. They perceived in their study that the best method to train moral sciences to the accountants cannot be acquired in classrooms and university, but in-service training can be also effective.

Kretzschmar et al.(2013) in a book entitled "Ethics for Accountants and Auditors" examined the questions in this area, including "how a company manages moral performance of employees?", "what differences exist between personal ethics and social ethics?", "what moral requirements must be observed by new institutes?"; in this book, bad and good ethics of accountants and auditors have been considered.

Bonacci et al.(2013) in a study entitled "a study on effect of public character on professional ethics in accountancy" examined accountants' professional ethics. They strived to find those ethics in accountants' professional ethics through which they can determine some terms for this profession. Finally, they stated that explanation of ethics in accountancy will enable them to fulfill their analysis based on recent advancements that have been set by European

professionals. These findings have caused some methods are represented for accountants' professional performance in the society.

Jinseok(2013) conducted a study entitled "How Does Corporate Ethics Contribute to Firm Financial Performance? The Mediating Role of Collective Organizational Commitment and Organizational Citizenship Behavior",

Namaz(1999) in a study examined future of management accounting. One of the important results of research management accountants must prepare themselves for future in terms of technical abilities and moral and professional competence in providing financial and non-financial information. Otherwise, managers will refer to other people who have ability in updated information. In this sense, future of management accounting in terms of organizational power and improvement will be severely in danger. Etemadi & Dianati(2009) conducted a study entitled "effect of managers' moral view on quality of companies' financial statements". In this study, managers' ethics using moral status questionnaire was measured. Quality of financial reporting using observable variables was quantified. This study was conducted on 105 companies listed in Tehran stock exchange, where structural equation modeling was used for data analysis. The results have shown that moral view of managers and idealism affect quality of financial reporting, such that 18% of changes define this variable.

Bahari far & Javaheri Kamel(2010) in a study took a step to examine consequences of moral value in organization and organizational commitment. In this study, a particular attention has been paid to the relationship between moral ethic codes and regulatory requirements. The model and method used in this study is based on Bicker's model. The results of this study indicate that moral values of organization, organizational justice and organizational commitment are of important infrastructures of moral behavior, and also the organization plays a major role in employees' behaviors and ethics.

Nazeri(2013) in a study entitled "professional framework of ethics in accountancy" examined how moral values and behaviors are enhanced in accountancy students. This study represents

some methods and recommendations aiming at enhancing accountancy students' moral values and behaviors, persuading them to good behaviors and encouraging them to have self-esteem. Furthermore, he has stated that a specific framework emphasizing on Kohlberg's theory of moral development to train moral values in accountancy program has been represented at the end of this study, in order that it can help accountancy professors in training moral sciences.

Nikomaram et al.(2014) in a study took step to evaluate effect of accountants' professional ethics on qualitative features of accountancy information using entropy - fuzzy technique. The results and findings of this study indicate that accountants' professional ethics affect qualitative features of accountancy information in all dimensions, indicating importance of professional ethics in financial and accounting units together with other effective factors. Among accountants' professional ethics, accountants' professional competence, objectivity and impartiality in turn had the most effect on features of accountancy information.

Research methodology

This study in terms of aim has been categorized in range of applied research. As this study defines and studies the subject of area, thus a descriptive survey has been considered as the research method.

Statistical population and sample

The statistical population consists of supervisors, senior supervisors, managers, certified public accountants in trustee audit firms listed on Tehran Stock Exchange in 2014.

Sample size

To determine sample size, Krejci & Morgan table was used. According to an inquiry taken from website of Tehran stock exchange, it was specified that only 20 firms among 107 trustee audit firms listed on Tehran Stock Exchange engaged in the statistical population of this study. Furthermore, after studying the information received from website of society of CPAs, it was specified that on the whole 1071 individuals in 20 firms have been considered as the statistical population, of which 285 individuals were considered as sample size, but 350 questionnaires were distributed, and finally

291 questionnaires were collected for the purpose of data analysis.

Data collection methods

In this study, to collect data, library studies including Persian and non-Persian articles and books at all the fields of professional ethics of accountancy and new financial leadership styles have been used; further, to collect data, similar studies at this area as well as internet sources and seminars have been used. The questionnaire is the instrument used in this study. The questionnaire used in this study includes 2 sections including general questions and the questions associated to the research variables, which both have been represented in form of one questionnaire. To design this section, five-item Likert spectrum has been used.

Data analysis methods

-Analysis of structural equation model using LISREL 8.50 software

In this study, to test hypotheses and determine effect of latent variables, structural equation modeling using LISREL 8.50 software has been used. In the present study, structural equation modeling has been used in two sections. for fitness of measurement models In the first section, and for measurement of model and significance in the second, the relationships between variables were used.

Testing structural model of research

Since the conceptual model of research intends to examine casual relationship between variables, structural equation modeling has been used to provide the possibility for analysis of the relationship between variables; further, LISREL software was used in analysis of model. The results relating to fitness indicators in research model have been represented in table 1.

Table 1. Fitness indicators in research model

| fitness indicators | | | | | |
|--------------------|------|------|------|-------|------|
| RMR | GFI | NNFI | NFI | RMSEA | NC |
| 0.038 | 0.91 | 0.90 | 0.92 | 0.091 | 3.65 |

According to table above, it reveals that the structural model of research is a suitable model, because the value of chi-square ranges from 1 to 5. Value of RMSEA has been under 0.1 and value of RMR has been under 0.05, and values of other indicators are greater than 0.90, which all indicate a favorable value. The results from

casual relationship between major variables of research in two standard and significant states have been shown in figure below.

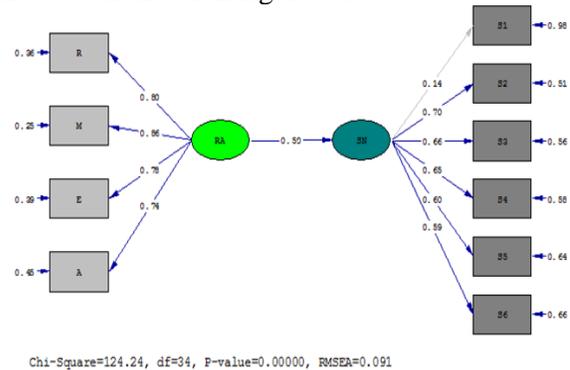


Figure 1. Results of major model of research at standard state

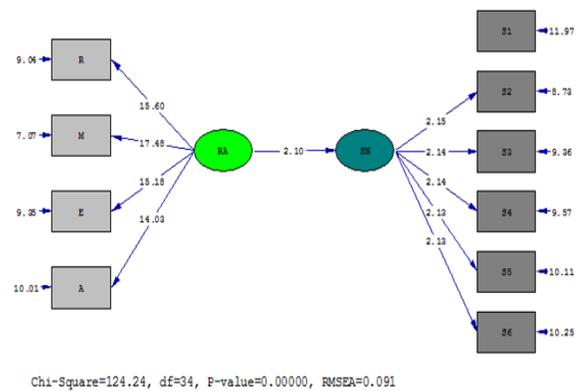


Figure 2. Results of major model of research at significant state

Calculation of significant values indicates that the casual relationship between two significant variables equals to 0.50. in this regard, the major hypothesis of research is confirmed.

Conclusion

The results from fitness of models in software LISREL :To measure the relationship between variables in form of a model, structural equation modeling using software LISREL has been used. At the first step, the results relating to evaluation of fitness indicators of models through standards of NC ,RMSEA ,NFI ,NNFI ,GFI and RMR indicate that research models and major model are suitable. Normalized chi-square indicator has been in an acceptable interval ranging from 1 to 5. Indicator RMSEA of model is less than 0.1, and indicator of RMR is under 0.05, and other indicators are greater than 0.90, indicating desirability of fitness indicators. Furthermore,

results of major model of research indicate confirming the major hypothesis of research, indicating that a significant relationship exists between professional ethics and new financial leadership styles.

Suggestions

According to the results of research, the suggestions as follows are represented:

-It is suggested to managers to identify accountants' personal values by exploitation from scientific approaches, to make effort to build and enhance accountants' personal values which lead to increase of their sense of belonging and organizational commitment, to *prioritize* the employees whose personal values adapt more with organizational values in employment.

- According to a significant relationship between regulatory requirements at accountancy area and improvement of new financial leadership styles at financial area, it is suggested to managers to hold educational courses, regular classes and providing the last regulatory changes for observance of regulatory requirements by accountants. Further, to determine educational content, the organization must specify educational needs from the comparison between existing status and favorable status, and grant support to the studies on professional ethics.

-It is suggested to managers to take action to enhance more social responsibility in accountants by some actions including evaluation of moral performance, financial and spiritual incentives and regulatory considerations.

-It is suggested to managers to increase confidentiality and impartiality by improvement of the space for building trust and set of mutual interaction and trust; further, it is suggested to managers to take action to improve new leadership styles at financial area by using the latest scientific achievements.

-the accountants oblige to sustain at suitable level by increasing their knowledge and skill in terms of professional competence.

-the accountants oblige to observe technical standards, regulations and rules in doing their professional duties.

-After analysis of reliable information, it is suggested to managers to provide comprehensive reports.

- It is suggested to managers to report information regarding observance of impartiality.

-It is suggested to managers to expose all the information which are expected affecting process of understanding reports and suggestions.

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