ACCOUNTING ETHICS: ARE ACCOUNTANTS MORE INHERENTLY LIKELY TO CHOOSE IMMORALITY OVER ETHICAL BEHAVIOR THAN ANY OTHER SEGMENT OF SOCIETY?

Dr. Mindy Kushniroff
Associate Professor of Accounting
Tabor School of Business
Millikin University
Decatur, Illinois, USA.

Abstract

The rise and fall of the Enron Corporation and other corporations such as Tyco, Health South, set off a long-burning fire under the American social conscience. Clearly, unethical behavior had occurred within Enron and these other companies of corporate America. As a result of this unethical behavior, it was and is necessary to investigate how such behavior occurred. The nature of accounting is key. In order for ethical principles to apply to companies, it must be shown that they can be considered moral or ethically responsible institutions. Secondly, an adequate discussion can of what business ethics is commonly defined as must be provided before the ethics of lack thereof of accountants may be examined. Third, the role of those same ethical standards must be in an explained business context. Fourth, recent societal preventative measures for unethical practice should be examined. Finally, the contribution of philosophical trends and the current philosophical mood of society must be investigated in order to delve into the mindsets of those who perpetrate such acts as society seeks to condemn. Such investigation will show that the downfall of the financial greats should have been as unexpected as it appears to have been, rather the infiltration of postmodern thinking all aspects of daily should have been the first and most obvious warning sign of future events.

INTRODUCTION

The mercurial rise and fall of the Enron Corporation set off a long-burning fire under the American social conscience. The shockwaves extended down Wall Street and around the world, prompting scores of companies to voluntarily restate and correct their earnings statements. Also, as a result, the Sarbanes Oxley Act of 2002 was enacted. From every crevasse and corner, voices rose demanding increased accountability, demanding tighter regulation, and demanding that the unethical be brought to justice. Clearly, in such estimation, those at fault should have been punished. However, it is more instructive to investigate how such a widespread behavioral trend was spawned in the first place. The base upon which social and business and business ethics rest, and the social conscience under who watch the fall of businesses occurred, are inherently flawed, having been undermined by a move to embrace relativism and positivism during the last several decades. Under such secular and naturalist contexts there can be no legitimate form of ethics or any results method for genuine accountability. Fundamental to the issue at hand is the nature of accounting and business. In order for ethical principles to apply to such industries, it must be shown that they are inherently moral or ethically responsible institutions. Secondly, an adequate discussion of what business ethics is just be provided before we can truly investigate why the situation does not conform to those standards.

Third, the role of those same ethical standards must be explained with business content. Fourth, recent societal preventative measures for unethical practice should be examined (SOX). Fifth, and finally, the contribution of philosophical trends and the current phislophical mood of society must be investigated in order to delve into the mindsets of those who perpetrate such acts as society seeks to condemn. Such investigation will show that the downfall of the financial greats should not have been unexpected as it appears to have been. The downward trend is a study in contradictions that has been a time in the making. However, at the very beginning it is important to make the following distraction: despite the fact most of society views business as a whole, including executives as inherently dishonest (Carroll, 1996), accountants and business persons are not inherently more likely to choose immorality over ethical behavior than any other segment of society (De Vois, 2002).

BRIEF OBSERVATIONS ON THE BUSINESS CLIAMATE

In light of the current and continuing scandal-ridden business environment, it may be helpful to bring the following to mind¨ as long as there has been a business community with people to operate and act with it, there has been unethical behavior (Schlender, 1982) The shock and dismay that we as a society feel in the wake of the collapse of Enron, Arthur Andersen, Tyco, Health South, WorldCom and others, brings to light a surge of indignity that seems misleadingly unfamiliar. Logically, recent troubles would cause one to wonder how unethical behavior could have become so commonplace, so rife in American accounting and commercial circles. These business communities, by their nature, are created to serve the public interest, either in providing a product or a service necessary to daily life. A Certified Public Accountant, for example, is granted special certification by each state's government, presumably as an agent of the public.

With that certification comes a corner on the accounting market as well as a responsibility to maintain public trust (Williams, 2002). However, the events of the last several years have begun to call that level of responsibility into question. W. Michael Blumenthal attempts to explain the rise in corporate irresponsibility stating that "[p]eople in business have not suddenly become immoral. What has changed is the contexts in which corporate decisions are made, the demands that are being made on business, and the nature of what is considered proper corporate conduct" (as cited in Carroll, 1996, p. 109). Jack Behrman (1981), in his study of business ethics describes a similar struggle, ascribing the rising tension to the conflicting needs of the quantitative plans and qualitative ethics that managers are increasingly forced to integrate. Many factors must be considered to give an accurate assessment of the development leading to the current study in contradictions. The natural first step, it would seem, would be to conduct some form of empirical study to discern whether or not business ethics had indeed declined in a measurable way. However, as ethics are qualitative by nature, an honest quantitative study of their decline or rise would be scientifically impossible (Carroll, 1996). Thankfully, qualitative research methods can be employed to discern trends within the field, even if not through use of a more rigorous scientific method.

MEDIA INVOLVEMENT

With such a scandal ridden past, it seems appropriate to wonder why the current situation seems to draw seemingly more public dismay than its predecessors. One hypothesis is that the increase of public involvement is due to an increase in public awareness. With the proliferation of information sharing technology, news media have been able to disseminate the current state of business ethical affairs to a much wider audience of consumers (Carroll, 1996). With increased saturation it naturally follows that there would be increased public outcry.

THE INFLUENCE OF STOCK PRICE

Much of the unethical behavior of the last several years has been a result of management focus on stock price and stock valuation above other concerns. In some cases, Sunbeam Corporation, for example, initial massive cost cuts led to increased stock prices, but in the end, decreased the long-term value and potential life of the company (Seglin, 2002). Additionally, many indicators point to the demise of Enron stemming from an overwhelming emphasis on stock price. According to Jeffrey Seglin (2002), with sixty percent of Enron's employees as stockholders, the emphasis on stock value as so high that displays in company elevators kept employees aware of the realtime price of their investments.

ACCOUNTING AND BUSINESSES AS MORAL INSTITUTIONS

In recent years a trend has begun to emerge, seeking to compartmentalize aspects of life, relegating morality and moral judgment to private life, and creating a sterile, mechanized business environment. However, the proponents of this dichotomy are often some of the first to decry a CFO caught in embezzlement as being unethical. How can that be possible? If accounting and business are, in and of themselves, nothing more than systems designed for achieving some specific end, then how can any moral value be ascribed to actions contrary to a specific procedure? Paul Williams (2002) makes an observation on the shift in the nature of accounting over the past several decades. Instead of being seen as a steward of the public interest and trust, the accountant is now seen primarily as a provider of accurate and timely information, and so long as he or she follows a prescribed formula, the information will be acceptable to those holding them accountable. Behrman (1981) makes the observation that the trend to mechanize is typical of American society by saying, "Western man believes that we can achieve what is right by intellectual and technical effort" (p. 61). This false sense of purpose has created a minefield of decisions for accounting and business professionals. The Financial Accounting Standards Board, also known as the FASB, devises standards for the reporting and preparing of financial information under the framework that "[s]tandards are clearly not viewed as moral directives, but as solutions derived by an application of some knowledge system believed to be a technology" (Williams,2002, p. 13). Williams continues to build his case by creating a scenario in which a person uses a recipe to create a pie.

Instead of using flour in following the recipe, the cook uses cement. Now, clearly the cook did not follow the recipe, but does that give rise to a charge of the cook being unethical? Certainly not, perhaps it would be more accurate to say that they are careless, or thoughtless, but not unethical. According to Williams (2002), to declare that someone is unethical for failing to comply with a standard presupposes that the standard had some inherent moral authority. He further proves his argument: Unless accounting rules, standards, and procedures are regarded as moral directives or norms, it is incoherent to label as unethical someone who does not comply with them. But to speak of accounting as merely a body of technical knowledge that, when applied, is capable of producing moral directives exposes accounting to accusations of intellectual incoherence. Moral directives cannot be justified solely on technical grounds. (2002, p. 2) Therefore, it is logical to assume that there is a measure of moral fiber under-girding the fabric of the accounting system. However, since a sense of morality cannot coherently be derived from a solely technical directive, it follows that, as John Kaler (1999) explains, "there has to be some sort of prior knowledge of the nature of morality…it is only by having that knowledge that we can be in a position to judge what is and is not a correct resolution of an ethical problem" (p. 210). Despite the attempts to reduce accounting and business to mechanical procedures, the moral underpinnings and responsibilities still remain, binding those who call themselves professionals to their standards.

BUSINESS ETHICS DEFINED

There are many levels on which to examine business ethics. The first level is to discuss to whom the ethical standards primarily relate. Carroll (1996) defines ethical responsibility as that which "embod[ies] the range of norms, standards, and expectations that reflect a concern for what consumers, employees, shareholders and the community regard as fair, just or in keeping with the respect for or protection of stakeholders' moral rights" (p. 35). For these ethical responsibilities to be worth any consideration there must be some basis for their assertions. In general terms, ethical behavior is based upon a set of moral norms and directives, usually those embraced by society as a whole or by societal sub-groups, that prescribe ways of behavior. For instance, specific prohibited forms of behavior may include lying, cheating, and murder (Seglin, 2002). These moral norms as well as many others are frequently derived from a society's religious structure, be it liberal or conservative, with the mandates of the religion framing and regulating all aspects of social behavior (Kaler, 1999). In one form of interpretation, "business ethics is no more and no less than the prevailing moral code of the society as applied to business activities" (Camenisch, 1982, p.195). The resultant failure of the business community appears to derive itself, at least in part, from the seemingly arbitrary and self-protecting nature in which the ethical standards are derived. If ethics are based on little more than just whatever society feels to be right at any given time, how can those ethics ever be enforceable? If the ethical framework has no more justification than to serve one's interests or to protect a way of life, then those ethics should be called into question. There must be some transcendent authority for absolute claims to be justifiable.

THE ROLE OF ETHICS IN ACCOUNTING AND BUSINESS

The structure of American society is such as to place different expectations upon each of its operating sectors. According to Carroll the primary purpose that the business sector plays is one of economic utility (1996). That means that whatever the stated goal or mission of the enterprise, the ultimate purpose is to create economic activity, economic gain, and to engage in economic transactions. As a result of its high impact in the economic aspect of society, business has a responsibility to represent its actions fairly to and consider its stakeholders, those who have a "vested interest in the firm" (Carroll, 1996, p. 23). Carroll continues, explaining that the business or firm has an "implied level of ethical performance suggested by a consideration of the great ethical principles of moral philosophy" (1996, p. 36). So, the economic function is not one that stands as a primary end in and of itself. Companies have a duty to provide information to those stakeholders that is understandable, timely, and relevant, and the accountants bear the responsibility of ensuring that these purposes are met (Behrman, 1981). However, the stakeholders, as important as they are, are not the only users of information who must be considered. Occasionally, conflicts of interest will develop between the organization and the organization's shareholders, forcing the company's management and accountants to find a way of allowing both groups to co-exist in harmony with whatever decision is made (Carroll, 1996). The economic success of a firm is only as good as it is tempered by an overriding concern for treating all stakeholders in a way that is fair and ethically responsible. However, frequently managers will interpret a responsibility to stakeholders as meaning that a particular financial goal must be met. If an earnings projection is not achieved, the manager feels that they did not fulfill their duty to the stakeholders.

That is not necessarily the case, though. Frequently a financial professional will have to make a decision that is ethically sound, but will not produce a particularly desirable economic result. Jeffrey Seglin (2002) explains that "[w]hile it's nice to think that making ethical choices always results in a better bottom line, that's not necessarily the case. Sometimes a leader must make an ethical decision even when he or she knows it might result in a short-term hit to the company's bottom line" (p. 78). In the case where ethics and economics clash, unfortunately, it is often economics that win such struggles.

CURRENT MEASURES OF ENCOURAGING SOCIALLY ETHICAL BEHAVIOR

Due to the overriding concern for the treatment of stakeholders in business and accounting matters, society has created several solutions for creating an environment conducive to ethical behavior.

The Legal System

The first mode of fostering ethical behavior is through the imposition of laws. As soon as word of the first accounting scandal hit the newsstand and airwaves, the cry rang out for increased regulation for the accounting industry. Many desired to add more laws to the current system, and others, disenchanted with the privately regulated nature of the profession, called for a system administered entirely by the government, cutting out professional regulating bodies like the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA). The most prominent result of such recent outcries is the Sarbanes-Oxley Act that seeks to corral corporate executives and ensure properly reported financial statements. The rallying cry gained tremendous popularity, as it has happened every time that a scandal has hit the front page, and if the law was the answer, then it would follow that there would have been no further transgressions. Unfortunately, there have been and there probably always will be further scandals. The partial reason for this is that many of those in the business community believe that to have information is to also wield a form of power, meaning that the person "who has the information is able to make better decisions in a market than he who does not" (Behrman, 1981, p. 97). In certain cases, it would be to the distinct advantage of a business to either withhold or twist a bit of information to its own benefit, and therefore, a business will look for a legal loophole or a way to skirt the law.

However, a desire to not disclose all information may not be necessarily rooted in a desire to deceive, it may simply be that the company does not want to disclose too much information to the wrong parties (Behrman, 1981). For instance, a business may not want to disclose detailed financial information that would allow competitors to find a way to differentiate themselves and take away market share. It is important to note, though, the nature of the law with relation to society as a whole. For the most part, what is accepted and adopted as law can be said to be representative of what society as a whole believes to be ethical behavior. In Carroll's (1996) words the law "reflects society's codified ethics" (p. 113). Granted, not every person agrees with the tenets embodied by the law, but it is safe to say that a majority of persons must subscribe to the belief behind the law for it to be upheld in such a society. Now, the premise that to obey the law is the sum total of ethical behavior is an attractive view, and not entirely un-expected given the primacy of law in our society.

An accountant may be able to justify any number of dishonest or questionable practices based on an assumption that if it is not specifically prohibited then it must be ethically permissible. What they fail to realize is that the law is not to be definition of or high water mark for ethical behavior, but rather to be the starting place, a floor if you will, from which all else rises. Seglin (2002) makes the observation that group consensus is not a justification for unethical behavior and that "just because an action is legal does not automatically make it ethical" (p. 76). Ethics must be a higher standard of behavior to which one adheres. Carroll (1996) explains that the law cannot encompass all possible situations in which a decision might be made, and therefore cannot be the highest standard that we base our decisions upon. There must be a standard that is overarching, one that is more dynamic than the specificity of codified law. This is not to say that the law is inadequate, because the law serves its purpose, but it is to say that the law is not and should not be the ultimate authority.

Collegiate Ethics Education

A second way that American society has sought to combat unethical business practices is to institute what some deem to be comprehensive ethics courses into collegiate business and accounting curricula. The theory is that if students are presented with specific situations in a classroom environment and then given the tools with which to ascertain an ethical solution that this will facilitate the development of a more ethical accounting profession and business environment as a whole.

A study conducted by Zogby International and sponsored by the National Association of Scholars shines some light on the ethical state of the college students that these courses seek to influence. Senior college students were asked a battery of questions and the results ranked what the group as a whole deemed the highest ethical responsibility of business to be. The highest-ranking ethical action was to preserve diversity and equal opportunity within a workforce. Sadly, only twenty-three percent of those students surveyed felt that there was any relationship between ethics and producing correct financial statements. These same students reported that, according to seventy three percent of respondents, their professors teach a relativistic culturally differing view of morality and ethical behavior where there are no absolutes (Lamer, 2002). It is within this context that ethical instruction takes place for America's future business leaders. Many classrooms emphasize that students must be ethical in their business practices, and that the way to do so is to attend to financial and social concerns. At the same time, the same classrooms teach the same students that there is no objective truth and that truth is different for each person. Robert Sirico, president of the Acton Institute for Study of Religion and Liberty weighs in on the issue of business ethics discourse saying that: it is lacking in an important respect: it deals with the ethics of a corporation as if they were a special mode of behavior rather than an extension of personal and individual ethics.

In fact, the subject of individual ethics is so dicey in these days of relativism and positivism that the subject of personal morality is not likely to come up at all in discussions of business ethics. (2002, par. 5) So students are given prescribed circumstances in accounting and business decision-making and then asked how they would respond in the given situation. Of course, the students must first abide by the laws set up by federal and state authorities, and standards set by governing bodies such as the FASB and SEC, but the trouble comes when the student must consider a situation to which specific statutes do not speak. What method the student uses depends largely on the philosophical bent of the school and professor. Overall, the utilitarian approach of the maximum good for the maximum number is the approach that textbooks and scholars advocate in such circumstances. Charles Colson (2002), a respected author and lecturer in the subject of ethics, critiqued the teaching of business ethics explaining that schools such as Harvard and other academic elites would have a difficult time teaching a reasonable model of ethics as they are committed to philosophical relativism.

He continues to explain the impact of this dilemma on the current situation saying: "Enron's collapse exposes the glaring failure of the academy. Ethics historically rests on absolute truth, which these institutions have systematically assaulted for four decades" (par. 8). Additionally, it seems that the teaching of ethical theory frequently has a misleading focus on performance. Don Soderquest, former Chief Operating Officer of WalMart, stated in an interview with World magazine that he "worries that most books on business ethics mistakenly focus on behavior…It's not what you do, but what you believe. Behavior will always be governed by what you believe" (Lamer, 2002, p. 15). The focus of ethical education on the performance of the person who must act is not entirely unjustified, but should not be the first priority. A greater emphasis must be made on laying a reliable foundation for making such actions. If the actions are the focus, and the foundation is not laid then by default the structure with which the student is presented to solve moral dilemmas is weak and doomed to ultimately fail. The focus on ethical education as a means to produce ethical actions is also problematic due to the approach being taken. Ethical theory, in and of itself, is interpreted as being a method by which decision-making can be reliably undertaken and proper results occur when the methods are applied. Such a statement is, by nature, devoid of any true meaning, reducing ethics to no more than a recipe for success.

As a result, John Kaler (1999) disputes such an undertaking asserting that teaching such methods to business students with the intent to influence their future business dealings is to "invite not just confusion but non-cognitivism: the view that in ethics there are no right answers and so argument is redundant" (p. 208). Surely this is congruent with the current societal mantra of universal tolerance. It seems self-defeating to teach students that there is no ultimate authority and that there is no higher or absolute truth and then to expect them to adhere to absolute standards within the business community. Even the argument for the use of cultural norms and utilitarian justice fall short in creating a reasonable permutation between the business world, which by necessity must rely on absolute standards to ensure equal and fair treatment of all, and the personal decision making structures of those populating the business community, which are increasingly based upon relativistic thinking. Teaching students ethical principles that they should apply to business decisions is not an inherently bad idea, however, the tools which are being given to the students to solve the problems are what seem to be lacking. Perhaps, as Robert Sirico (2002) suggested, it would be more productive to return to a form of ethics instruction that emphasizes universal virtues and absolute morality, than to continue to cloud the true goal by attempting to educate by using simply case studies on current controversial topics.

Charles Colson (2002) explained the situation well when he said that the collapse of Enron signaled the failure of ethics education. The fact that such education provides no basis for rational decision-making apart from subjective humanism is a compelling explanation. It is irrational to teach relativism and positivism, emphasizing the idea that individual interpretation is the highest form of enlightenment, and expect that these same persons will act in any way other than a subjective self-serving manner. All of the education or indoctrination in the world cannot change the human heart against its will, and attempts to teach two such conflicting worldviews will naturally lead to the confusion that cultivated the business scandals.

"Whistle-blowing"

In addition to the law and ethical education, society, in particular the business world, instituted internal measures to help ensure that unethical behavior does not go unpunished. The common term for this practice is "whistleblowing." What is implied by whistleblowing is that when an employee views what they know or deem to be unethical or unlawful practices taking place, they are bound to a standard that compels them to report the wrongdoing to their superiors or to an outside governing board. Unfortunately, what was set up to empower workers to maintain an ethical environment has two disadvantages: First, the wrongdoing is not remedied, and second, the whistleblower suffers personal repercussions from their honesty. Joseph McCafferty (2002) discusses this dilemma in an article published in CFO magazine. He comments that those who are known as whistleblowers often end up being treated as trouble makers, losing their jobs with little hope of finding new ones or suffering undesirable social stigmatism. Such ethical behavior is rarely rewarded. Frequently co-workers within the company will view whistle-blowing activity as a signal of disloyalty. It seems natural, given such repercussions, that many people would rather turn a blind eye to problems than to confront them. With such undesirable obstacles in the way of those who would shine a light on wrongdoing, the only reason, it seems, to come forward would be to maintain one's own personal integrity.

There are additional impediments to a potential whistleblower. Many companies instill a fierce loyalty within their employees, and such a potentially misguided sense of loyalty could cloud the judgment of a person who was a witness to misbehavior. Fear of causing a reaction that could lead to the demise of the company and eventually cost them and their co-workers their jobs, many employees would rather not speak out (Seglin 2002). So, it would appear that the institution of whistle-blowing, while a good idea in theory, does not serve the purposes that it was created for. The prime culprit seems to be the failure of ethical standards and a lack of personal integrity on the part of those whom it depends.

THE FAILURE OF POSTMODERN SOCIETY

Given three of the attempts that society has taken to foster ethical behavior and ethical practices within the business community, it seems that they fall short of accomplishing their goals. While all are valiant attempts, with good intentions at their core, all ultimately fail due to one overriding factor: rampant post-modernistic thinking. James Sire (1997), a philosopher, makes the observation that "the effects of postmodern perspectives can be seen almost everywhere in Western culture" (p. 185). The business and accounting communities, although based in absolute truth at the start, are no exception, having been permeated by relativistic thinking over the years. As goes philosophy, so goes society.

Postmodernism: A Brief Definition

Postmodernism, as a worldview, can be very complex and difficult to understand. There are many facets to postmodern thought. First and foremost, there is no objective truth. Nothing can be known for sure to be true, and naturally, if that is the case, then nothing can be said to be false either. Truth is a non-entity. Reality is simply what a person defines it to be (Sire,1997). Since the nature of existence is relative, the things that we call values must also be relative as well. In fact, the postmodern view asserts that values are a construct of society and of culture (Takala, 2002). Whatever suits society at a given point in time is what will be deemed to be ethical. Whatever does not suit society will be deemed unethical. There is no other underlying reason for it. It becomes simply a matter of what is useful and beneficial to those who hold the power. The natural extension of this line of thinking is that a value or ethical frame will change when it no longer is useful or would cause an undesirable result to those who would use it (Kaler, 1999). Therefore, logic and reason are not useful methods within the postmodern framework, because postmodernism in its most basic sense is the end of reason and logic as we know it (Takala, 2002). It is important, however, to note that not all aspects of postmodernism are negative.

The postmodern movement began as an effort to correct what were deemed to be the problems and excesses that arose in themodern era, and as such, were a positive attempt to correct past inadequacies. Additionally, the troubles reflected in Enron and the other corporate giants can be traced back as far as modernism and the Industrial Revolution. Postmodernism, however, did much to exacerbate these underlying issues.

The Speech Act and Knowable Truth.

Discourse, or the manner of speech, is a very critical part of some postmodern schools of thought. The manner of speech and the words that are selected hold special meaning for truth and reality for the postmodernist. In essence, discourse creates reality. For instance, when a person speaks, they have motives behind performing their speech act. They may wish to persuade, to trick, or to simply inform, but there is always a motivation behind speaking. When a person speaks, he creates an impression or a reality not only for himself, but also for the person on the receiving end of the speech act. All of this is true, of course speaking has motives behind it, and there are always different ends to which a speech act might work. The difference lies in the way that the actual speech act is classified. The postmodern speech act is nothing more than glorified story telling, where a story is only as true as those who are told it believe. In the business environment, the "truth is what we can get our colleagues…to agree to. If we can get them to use our language then…our story is as true as any story will ever get" (Sire, 1997, p. 180).

However, the creation of reality by speech should not be confused with any actual identification of an objective observed reality, rather quite the opposite is the case. Postmodernism at its core will decry the notion that there is any relation between the reality created by discourse and anything that is actually extant in any objective sense (Sire, 1997). So, if there is no connection between the words and concepts that a person hopes to convey through speech and reality, then there is no knowable objective source of truth. If there is no knowable objective source of truth, then what is correct, good, and true will be defined by whoever holds the most power at a given time, making all of knowledge futile and relative. One could never know that there was any sure thing. A person could not know that they even existed, as that could be no more than simply a construct created to serve a certain purpose. Behrman (1981) explains that in postmodernism "no one value is primary over all others. As you can see, some of these values bounce against each other. They conflict" (p. 55). In such an environment decision-making becomes purely arbitrary, and there is no standard to hold a decision against to ascertain whether it is indeed right or wrong, as these concepts do not exist apart from linguistic construct.

PLURALISM

Along with relativism fostered by postmodern thought is a concept referred to as pluralism. Pluralism arose in American culture as a natural outgrowth of a society in the throes of philosophical redefinition. According to Carroll (1996), pluralism occurs when power is distributed among a large amount of groups within a society. Examples of such groups would include special interest groups, lobbyists, not-for- profit organizations and the like.Each of these groups has their own vested interest and they seek to influence members of government, business, and society, to work towards their goals and purposes. Carroll (1996) cites that there are tens of thousands of such groups, all pursuing cross-purposes within the same societal group. When conflicting purposes collide it makes for confusion as to what is the correct interest to pursue, but within current American society, our culture of tolerance demands that there is no labeling of right or wrong purposes. So continues the permeation of relativism into all aspects of society, even business. By its nature, pluralism creates dissention within a society because of its "emphasis on autonomous groups, each pursuing its own objectives" and there is no way to bring all the competing interests into any sort of common purpose or agreement (Carroll, 1996, p. 7-8).

DEVELOPMENT OF THE POST-MODERN CULTURE

Now that postmodernism has a brief description it may be instructive to investigate how society found itself to be in such a state. It seems fairly safe to say that American, and even Western, society has not always held to such relativistic, pluralistic beliefs. One only needs to look back into the history books to see that culture and society was once very different. James Sire (1997) describes the progression of society from its original absolutist roots to the current state in his book *The Universe Next Door*. Society has a stage in which knowledge was absolute and was derived from knowledge of a higher being; the modern, a stage where knowledge and truth came from the strength of human reason; and the postmodern, a stage in which knowledge is a construct, a figment of our own personal imagination, where truth is relative and all is to be tolerated. There are two areas in which Sire explains the philosophical development: justice and ethics.

Justice

Sire (1997) traces the shift in the concept of societal justice in this way. In the premodern society, justice is administered based on certain mandates and rules handed down by an all knowing and just Supreme Being. With the shift to modernism, the concept of justice became focused around a use of what was deemed to be universal concepts of reasonability and logic to derive a concept of justice. There no longer was reliance upon a higher authority, man became that higher authority, and man's reason became the source and author of knowledge. Along comes postmodernism with the concepts of relativism and the skepticism of knowledge. Due to the absence of premodern religious mandates and modern universal reason, the postmodern framework has no basis for justice. In fact justice is simply whatever a person deems it to be. There is no rule which any person must follow. In fact, to be consistent with postmodernism, to force or coerce a person to follow any rule would be to silence their personal narrative and to cause violence to their person.

Ethics

Ethics follows a similar pattern of evolution. During the pre-modern period, ethics was a concept derived, again, from a higher power. Doctrines of right and fairness were based on the nature of the Supreme Being and his attributes. The things that were revealed were that which the ethical framework of society was based around. With the change from Supreme being-centered philosophy to man-centered philosophy during the modern period, ethics were derived from shared human experiences and what seemed reasonable to the human mind at the time. If the human mind could conceive it and logically prove it, then ethics could also be so reasoned. Postmodernism changed the concept of ethics dramatically. Ethics were no longer derived from any objective source. Ethics became entirely subjective, meaning a different thing to every person, simply a different way of speaking (Sire, 1997).

EFFECTS OF POSTMODERNISM ON ACCOUNTING AND BUSINESS

The postmodern mindset has created a dichotomy within society, where business must conform to absolute standards in order to function, but the persons who are the fuel and power behind the business community subscribe to personal beliefs that are one hundred percent opposed to the premise of the business environment. One could suggest that these persons must lay aside their personal beliefs in order to function within the business community, however to do so ignores a very fundamental truth. Every action a person takes is influenced by pre-conceived notions of what is right and wrong simply because decisions are made based on past experiences and on schemas adopted by the decision makers. The accounting community is bounded by the rules set forth by FASB and the SEC; however, the true postmodernist would view these rules as constructs set up by these boards as an effort to exert power over society. While absolutes may be necessary to keep the business and accounting world from losing their effectiveness and descending into an anarchy of purpose, it is difficult to conceive of a postmodern society becoming indignant over the postmodern actions of executives and accountants of the past year. So long as reality is fragmented, with each individual event of life being entirely unconnected to subsequent or previous events (Takala, 2002) by any amount of truth or common meta-narrative, then any action that an accountant or businessperson chooses to take cannot be rationally condemned. Under the postmodern perspective an accountant would be entirely justified in distorting earnings figures so long as it fit his or her purposes.

If they benefited from it, then any condemnation would be contradictory to the relativistic system. Such a person could dismiss the dissenters by simply asserting that to him, that action was not unethical, it presented a good image for his company, and that it is unfair for the other party to impose their ethics upon him. Such thinking is entirely justified. Or, take for instance, the businessperson who is faced with a difficult decision. Does she choose the option that would follow the law and codes of ethics but would have a negative personal impact? Conventional wisdom would say that she must make the objective and law-abiding choice, but postmodernism would allow her to choose the option with the greatest personal benefit and feel no guilt over it. Such dilemmas are what call the current sense of philosophical tolerance so harshly into question.

The maintenance of an equitable accounting system requires boundaries and rules, and a mentality of such ambiguous diversity strikes a critical blow to the essence of accounting as a reliable stewardship of information. Tuomo Takala, in his discussion of postmodern business ethics explains some of the implications that the worldview provides. When good is so loosely defined so as to be different for each person it fosters an environment when tragedies such as wanton oppression and destruction of natural resources could occur unchecked.

As such, he comes to the conclusion that "[p]ostmodern business ethics cannot offer the [concept of] business ethics, not at least at this stage, any clear theoretical basis from which to start" (2002, par. 19). The postmodern dilemma paints a dismal picture for the business world. Thankfully, however, there is an alternative to the current trend towards relativism, and one only needs to look to recent history to ascertain how such a reversal might take place.

A RETURN TO ABSOLUTE TRUTH

The much-attacked concept of truth, especially absolute truth, is seen exhibited in nearly every aspect of Western business dealings. The very fiber of capitalism and free trade depend on having reasonable assurance that the person that one is dealing with will be fair in their negotiations and presentation of information (Behrman, 1981). Accounting, as a support sector to business dealings, also relies on absolute standards, truth if you will, to provide accurate, comparable, and useful financial information to foster business dealings. Charles Colson (2002) makes an analysis of Western capitalism contending that many of the values that the system depends upon were and are very much linked to concepts found in moral tenets. Without the rule of law, contract rights and other principles, the function of the market would be highly different. Much of the connection between such moral codes and the structure of Western capitalism can also be attributed to the historical congruence between both systems. Carroll (1996) further asserts that such biblical influences extend through the Protestant work ethic, and personal dignity for all people, all of which are principles that most in American society would at least pay lip service to.

That is not to say that capitalism is based on Christianity, but rather it is safe to assert that elements of Judeo-Christian values did grease the wheels of theoretical capitalism. Further, it is fairly well accepted that as Irving Kristol (1982) observes in his article "Business Ethics and Economic Man", "[b]usiness ethics, in any civilization, is properly defined by moral and religious traditions, and it is a confession of moral bankruptcy to assert that what the law does not explicitly prohibit is therefore morally permissible" (p. 180). However, American culture has taken an almost violent departure from such ways of thinking, relegating religion and morality to the world of private life. Critics contend that personal morality should have no influence whatsoever on a person's professional performance and suggest that there is some way that these same people can compartmentalize their lives to exclude their moral schemas from their professional dealings. Given the assumption of many in society that ethics are no more than a subjective construct, such a relegation of personal values is understandable. Unfortunately, the Enron crisis reveals serious flaws in such a mentality.

The influence of personal immorality in the governance of daily affairs in the corporation is what eventually led to the corruption that ultimately brought Enron and the accounting giant Arthur Andersen to their knees. Colson (2002) contends that any economic system is only as helpful or useful as it is bounded by a system of moral absolutes. A system of such checks and balances is necessary to keep business from declining into an anarchistic incongruity of personal pursuits. There is more to morality than simply not being immoral, and as Camenisch (1982) concludes, creating an ethical business environment must incorporate more than just avoiding unethical behavior. There must be an element that motivates accountants and businesspersons to act proactively and to use moral reasoning to gauge the appropriateness of their actions. Such a universal gauge is not present in relativistic schemas. In fact the crisis of cultural relativism has contributed heavily to a corrosion of the foundation of American and Western culture. James Sire (1997) explains that the philosophical devolution effects "not just the philosophy that [the philosophic center] was based on, but…the whole superstructure of culture…"(p. 173).

CONCLUSION

Postmodernism has done much to change the face of business, accounting, and culture, but traditional ethics offers an alternative to the decline. The lesson of the Enrons, WorldComs, and Arthur Andersens is that increased regulation can only do so much to prevent further unethical practice. The tenets that are represented must be related to the dynamic business environment to help their relevance be better understood (Sirico, 2002). It is important to notice, however, that a return to ethical influences does not necessarily preclude the use of other methods to help curtail improper behavior. Inasmuch as it is necessary, new laws should be passed to foster an environment of accountability and responsibility, however, this must be tempered by a knowledge that "no regulation can effectively eliminate vice in the human heart" (De Vous, 2002, par. 5).

REFERENCES

Ary, D., Jacobs, L. Razavieh, A. & Sorensen, C. (2006). *Introduction to research in education*.
Belmont: Thomson Wadsworth.

Behrman, J. (1981). *Discourses on ethicsand business*. Cambridge, MA: Oelgeschlager, Gunn & Hain.
Camenisch, P. (1982). Business ethics: On getting to the heart of the matter. In D.
Jones (Ed.), *Business, religion, and ethics: Inquiry and encounter* (pp.183-194).
Cambridge, MA: Oelgeschlager, Gunn &Hain.
Colson, C. (2002, June 10). The wages ofsecularism. [Electronic version] *Christianity Today, 46,* 64.
Carroll, A. (1996). *Business & society:Ethics and stakeholder management* (3rd ED.)
Cincinnati: South-Western.
De Vous, P. (2002). Recovering the vocation of business. *Acton Institute*. Retrieved January 18, 2003 from www.acton.org/ppolicy/comment/ article.php?id=98
Gold, S. (2005). *A Constructivist Approach to Ethics.* Retrieved from the internet on September 3, 2007 from Academic Search Premier.
Kaler, J. (1999, October). What's the good of ethical theory? *Business ethics: A European review, 8,* 208-216.
Kristol, I. (1982). Business Ethics and Economic Man.
In D. Jones (Ed.), *Business, religion, and ethics: Inquiry and encounter* (pp.183-194). Cambridge, MA: Oelgeschlager,Gunn & Hain.
Lamer, T. (2002, July 20). Reaping the whirlwind. *World, 17,* 14-16.
McCafferty, J. (2002). Whistle-blowing: Talk, or walk? *CFO*, *18,* 90-91.
Schlender, W. (1982). Countervailing values in business decisionmaking: Exploring alternatives to ambiguity.
Scell, Ed., *Business, religion, and ethics: Inquiry and encounter* (pp.183-194). Cambridge,MA: Oelgeschlager, Gunn & Hain.
Seglin, J. (2002). Good for goodness' sake: What we mean when we talk about ethics. *CFO*, *18*, 75-78.
Sire, J. (1997). *The universe next door*. (3rd ed.) Downers Grove, IL: InterVarsity.
Sirico, R. (2002, December 31). The ethical challenge for business. *Acton Institute*. Retrieved January 18, 2003 from www.acton.org/ppolicy/comment/article.php?id=119.
Takala, T. (2002). Postmodern business ethics--Is it possible, is it relevant?
Electronic journal of business ethics and organization studies, 4, Retrieved
January 18, 2003 from http://ejbo.jyu.fi/index.cgi?page=articles/0301_5.
Williams, P. (2002). Accounting and the moral order: Justice, accounting, and legitimate moral authority. *Accounting and the public interest, 2,* 1-21. repercussions on the economy is the fall of Enron, whose numerous unethical and illegal practices of hiding

RESEARCH QUESTIONS

Response Summary – Survey Monkey

1. Age:	
	Response Count
view	85
answered question	**85**
skipped question	**0**

2. Gender:	
	Response Count
view	85
answered question	**85**
skipped question	**0**

3. Do you believe that accountants in general have less regard for business ethics since the scandals involving Enron, Tyco, etc. have come to light?

		Response Percent	Response Count
Strongly agree		29.4%	25
Agree		45.9%	39
No opinion		1.2%	1
Disagree		22.4%	19
Strongly disagree		2.4%	2
view Other Comments and Reflections			

4. Despite the attempts to reduce accounting and business to mechanical procedures, the moral underpinnings and responsibilities still remain. Is accounting a mechanical procedure only or are there ethical issues associated with the decisions made?

		Response Percent	Response Count
Strongly agree		67%	58
Agree		18%	15
No opini		5%	4
Disagree		5%	4
Strongly disagree	59	5%	4
view Other Comments and Reflections			