Virtue Ethics and Accounting Practice

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Introduction
This paper addresses the relationship between professional ethics in business and ethics more generally conceived. I will use Alasdair MacIntyre’s virtue theory to develop a virtue theoretic understanding of ethics in accounting practice. The implication of this understanding of the relevance of virtue theory for accounting practice means that considerations of justice and the common good must be taken into account when developing a conception of good practice in the accounting profession. In articulating this virtue based view, I will argue against a separatist conception of professional ethics according to which each professional field has its own particular ethics.

In section one I consider the prospects of using Alasdair MacIntyre’s theory of virtues internal to practices to develop an understanding of professional ethics in accounting. After presenting MacIntyre’s view, I shall argue that MacIntyre himself would not argue that accounting is a practice, nor that it can be a locus of virtue. While accounting practice contributes in an instrumental way to human flourishing, it secures goods that are purely instrumental. On MacIntyre’s view, moral virtues not only must contribute to human flourishing but they also must secure goods internal to practices that are themselves intrinsically good. Thus, for MacIntyre, accounting aims at internal goods only indirectly by supporting the institutions that in turn support practices. In the latter part of the section I argue that, although MacIntyre does not suggest this himself, accounting can indeed be considered a practice, and therefore can be a locus of virtues. Finally, I defend the view that accounting practice can also be seen to contribute in a direct way to human flourishing and the common good.

In section two, I develop a conception of virtue ethics that can be used to make sense of professional practice within financial reporting and auditing. I distinguish such virtues from mere rule following. Although rules are important and even vital to good accounting practice, the application of rules requires practical judgment that goes beyond them. A virtue based conception of professional practice in accounting goes well beyond the idea that ethics is coextensive with any of the professional codes of ethics that are used within the accounting profession. There are both virtues specific to the practice and more general virtues required for good practice. Furthermore, because good accounting practice antecedently requires the formation of good moral character, professional ethics in accounting presupposes that practitioners come to the profession already having been formed in certain moral virtues. Finally, I consider the moral effects of the internal control environment on the moral agent in financial accounting, arguing that the control environment in the workplace is an important factor in the formation of good behavior and the prevention of fraud.
In the final section of the paper I examine the implications of the above discussion of virtue ethics and accounting practice for business ethics pedagogy. The discussion of MacIntyre’s view of virtues internal to practices has raised the question of how accounting practice contributes to the good of human beings as individuals and as communities. It is seen that justice and the common good must be taken into consideration when defining the role of the accountant in society. Teaching business ethics, in general, and accounting ethics, in particular, thus requires a broader conception of the good than is distinct from the immediate goal of technical proficiency. If one takes moral virtue to be relevant to discussions of business ethics, there must be integration in the business ethics curriculum between the discussion of ethical and professional issues in accounting and business courses, on the one hand, and the discussion of ethical, political, and social questions in humanities classes, on the other.

I. MacIntyre, Moral Virtues, and Accounting Practice

Alasdair MacIntyre has developed a widely discussed and rich conception of virtue ethics that has helped to revitalize the discussion of virtue ethics in contemporary times. MacIntyre’s moral philosophy is especially notable for its emphasis on the role that virtues play within practices. In this section I consider whether MacIntyre’s conception of virtues internal to practices could be used to develop a conception of virtue ethics in accounting.

On MacIntyre’s view, a practice is defined as

> any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially constitutive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended. (MacIntyre 1984, 187)

MacIntyre goes on to explain some of the features and terms of his definition of practice. Very significant is the distinction he draws between external and internal goods. Internal goods are constitutive ends of the practice and can only be achieved through engaging in the practice; external goods are goods that are not constitutive ends of the practice and which can be achieved through a number of different activities (MacIntyre 1984, 188-9). Internal goods are partially constitutive of the practice itself: what it means to engage in the practice well is partly to achieve its constitutive, internal goods. For instance, playing chess well is an internal good of the practice of playing chess. It is internal for two reasons: first, because the reasons for why it is good cannot be understood apart from the practice itself and second, because it is a good that can be acquired only by practitioners engaged in the practice (ibid). It follows from the former aspect of internal goods that such goods serve as justifications for our practices but in such a way that is internal to the practice itself. Internal goods obligate us only conditionally, given the fact that we have assumed the pursuit of excellence in the activity as a goal. They serve as final causes of our activity but they are conditional on our taking the goal of a practice to be good. For instance, my striving to become an excellent chess player is explained by the goal of becoming a good chess player, yet this goal serves as an explanation of my behavior only once I am already engaged in the practice of playing chess. Moreover, I strive to play chess well because it is good to do so (that is, it is an intrinsic good). Consequently, practices by definition are focused on the pursuit of particular intrinsic goods that are internal to practices – goods that are valuable in themselves and pursued for their own sake. Nevertheless, as I shall discuss...
below, for MacIntyre, broader conceptions of justice and the good must be taken into account to answer the question of which practices human beings should choose for themselves.

On MacIntyre’s view, practices are focused on internal goods, while forms of human activity that are focused solely (or at least immediately) on the attainment of external goods cannot be considered practices. To illustrate how one’s engagement in a practice can have a motivation that is external to that practice, MacIntyre uses the example of a young child who is motivated to learn the game of chess by his desire for a reward (such as candy). Although the child learns how to play chess and internalizes the rules of the game, the motivation to do this is based on external goods, that is, goods the attainment of which lies outside of the practice of playing chess (MacIntyre 1984, 188). The child who develops skill in winning at chess in order to earn an external reward is not internalizing all of the virtues that are open to the chess player. In particular the child is not internalizing certain virtues of character that go along with excellence in playing the game and which allow him or her to derive satisfaction from playing chess for its own sake. This has important consequences: For what would prevent the child who is focused merely on external goods from cheating in order to win? If the child could cheat to win and escape detection, he or she would do so. But then we could not call him or her an excellent chess player. This is an example of the way that the pursuit of instrumental goods through a practice can prevent the development of virtues and the realization of internal goods.

MacIntyre is skeptical that the kinds of virtues that are necessary for success in business are consistent with the pursuit of virtue. Much of his skepticism focuses on the claim that the manager’s primary task is to secure external goods such as “prestige, status, and money” (MacIntyre 1984, 188). Such goods are seen to be purely instrumental and to differ from the goods that are internal to practices because they can be attained in many different ways (ibid). Like the child who learns to play chess for the wrong reasons, MacIntyre thinks that business management can only support the pursuit of the ends of a practice for ends – in particular money – that are external to that practice.

MacIntyre holds that, in general, practices are undermined by profit motives. This is the point of the distinction he draws between two fishing crews – one centered on and motivated by the goods internal to the practice of fishing and the other motivated by considerations of profit (MacIntyre 1994, 284-6). It is very difficult, even impossible, to achieve excellence in fishing in the latter crew, because people involved in it are motivated by goods external to the practice. When they see they can earn more money elsewhere, employees may quit, management may lay off workers, and investors could pull their money out of the operation.

For MacIntyre, the question of what counts as a practice is significant for two reasons – first, because he thinks that we first become aware of the existence of virtues through our engagement in practices, and second, because the normal location of virtues is that they are embedded in practices. Thus if some activity is a practice, then it requires virtues, and if it is not a practice, then it is unlikely that there are virtues internal to it (MacIntyre 1984, 196).

MacIntyre’s discussion of virtues is not complete at the point of saying that virtues are internal to practices. There are two additional components to his discussion of the virtues: first, that they involve considerations of what constitutes a good human life overall (ibid, 219) and second, that questions about what makes for a good, human life must be addressed theoretically and practically in the context of a moral community where considerations of justice come to the
fore (ibid, 244). 1 There are competing goods that one can pursue, different practices that one can engage in. How does one decide what is best? For MacIntyre, the question of the (moral) value of a practice is one that can only be answered by considering questions of justice and the common good (MacIntyre 1994, 284). Thus, the question of what practices to engage in is a question of justice. Evaluating practices in terms of their relationship to an overarching common good that is communally defined is a natural result of MacIntyre’s professed Aristotelian conception of justice.

Given the three aspects of MacIntyre’s view of virtue – practices, value within a complete human life, and contribution to the common good – we must take each of these three components into consideration when asking whether or not the accounting profession is a locus of virtues. The first step is to ask whether accounting is a practice in MacIntyre’s sense of the term. It is not initially clear whether or not accounting (I have in mind in particular financial reporting and auditing) should be considered practices on MacIntyre’s definition of practice. On the one hand, it would seem that the justification for the above fields of accounting ultimately is an external one, that is, that their main goals and therefore their justifications lie outside the practice itself. One of the primary reasons that financial accounting exists is to make financial information available to shareholders, potential investors, and other interested parties such as governments. The availability of timely and accurate information in turn supports the US and global financial system and the market economy in general. Thus the goal of accounting would seem to be purely external. On the other hand, it would appear that financial accounting and auditing do aim at the attainment of internal goods. There indeed appear to be goods internal to the activity of accounting. For instance, in auditing the main internal good is considered to be producing and justifying a correct audit opinion. Achieving an accurate audit opinion takes effort, time, money, and skill; but it also requires that habits of perseverance, honesty, truthfulness, and expert judgment. In short, being a good auditor would seem to be an excellence that involves virtues.

Such considerations complicate the question of whether accounting is a practice in MacIntyre’s sense of the term. It seems to me that MacIntyre accommodates accounting into his system by seeing it as playing a role in the support of institutions that sometimes play a role in supporting practices. First, MacIntyre notes that practices in the long term cannot survive unless they are supported by institutions (MacIntyre 1984, 194). If one sees those institutions – at least within a capitalist economy – as requiring for their normal operation the disclosure of financial information, then it must be admitted that accounting and accountants do have an important role to play in making practices possible. Institutions such as arts organizations and universities need accountants to keep track of their financial information. (They also need finance experts to manage their investments). Second, businesses often support the practice of the arts, sciences, and humanities through their support of institutions that, in turn, are engaged in the support of

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1 In his response to David Miller in After MacIntyre, MacIntyre emphasizes more succinctly that virtues by definition “enable the achievement of three distinct kinds of good: those internal to practices, those which are the goods of an individual life and those which are the goods of community. It is not that an account of justice in terms only of practices is incomplete; it is that such an account is not yet an account of justice or indeed of any other virtue” (MacIntyre 1994, 284).
practices. An example of this is the way that local businesses support local arts organizations throughout the United States and the potentially negative repercussions in the decline of support for the arts when businesses relocate to other cities. Third, there is the more indirect contribution of accounting to business and the economy as a whole. The negative repercussions of not having reliable financial information can be devastating to the economy. Excellence in the practice of accounting can thus be seen to contribute to human flourishing through its support of institutions, by making it less likely that the economy will suffer and to enable businesses to support arts organizations.

It seems to me that there is room for seeing accounting as a practice and therefore that it could be a locus of virtues, because accounting does not fall under MacIntyre’s critique of business in the same way that business management does. There are standards of excellence or technical expertise internal to the accounting profession, and these are not simply or even primarily focused on the profit motive of making money. It might be said that this is a contentious claim in the light of recent accounting scandals where accountants were knowing and willing participants in fraud. However, such fraudulent actions are clearly in opposition to professional standards for good practice. In response to such scandals, for instance, Congress (in the Sarbanes-Oxley Act) reaffirmed the idea that accountants are supposed to be independent and not determined by profit motive. Because accounting and accountants are concerned with such values such as objectivity, integrity, and the pursuit of truth they can be seen as contributing to a particular kind of moral life that is capable of being analyzed in terms of virtue.

To say that accounting is a practice is not yet to say that it is a locus of virtues. In order to do that, we must also ask whether the virtues that are necessary for good accounting practice are consistent with our ability to conceive of a complete human life as ordered to a particular end or *telos* – in other words that such virtues contribute to the concept of a unified human life (MacIntyre 1984, 202-3). It seems to me that this question can be answered with a qualified yes, provided that the pursuit of excellence in accounting is substantial enough a life goal that it could provide substance around which one could structure a story of a complete, human life.

Finally there is the question of whether or not accounting as a practice develops the kinds of virtues that indeed promote the achievement of human flourishing in community with other people. MacIntyre’s view of management is a fairly negative one. The ultimate justification for business management is the ability to achieve social power and control (MacIntyre 1984, 85-7; Knight 2007, 160-1). Must the same thing be said about accounting? Are the justifications for it purely instrumental? It strikes me that this is not the case. While it is true that the primary reason accounting exists is the instrumental goal of providing financial information to investors. Yet the motive that this serves is not just the enriching of shareholders and investors. The market economy is the backdrop against which flourishing in the modern world takes place. Under such considerations, it seems to me that accountants are more like practitioners of a craft, in the Aristotelian sense of the term. Consider, for instance, the role of the bridle maker, an example discussed by Aristotle (*Nicomachean Ethics* I.1., Aristotle 1999, 1). A bridle has no intrinsic value; yet the bridle maker serves an important function in contributing a tool that can be used by the rider. MacIntyre himself implicitly critiques Aristotle for not seeing the arts and crafts as loci for virtues, and MacIntyre’s contemporary conception of the excellences (virtues) within practices includes a place for craft-like professions such as architects and construction workers (Knight 2007, 156). Nevertheless, MacIntyre implicitly excludes craft-like business practices, such as accounting, from his discussion of contemporary practices. It seems to me that
the possibility exists for accounting as a profession to include genuine virtues that do in fact contribute to human flourishing. We shall explore some of these details below.

II. Rules and Virtues in Accounting Practice

Now that we have established a general framework for understanding virtues in accounting, we can move on to consider in more detail the nature of those virtues. If we are correct in applying MacIntyre’s views of virtue to accounting, then we should expect first, that accounting as a practice includes some virtues that are unique to it, but second, we should expect the practice of accounting also to require general virtues that are relevant for other kinds of human craft or undertaking.

There is a widely held view in professional ethics that the various professions have codes of morality that are independent of more general moral rules. John-Christian Smith has, for instance, pointed out a continuum of views on the question of whether moral norms in the professions can be derived from more general moral norms. On the one extreme there are those who hold that “there is a logical independence of professional norms from universal norms,” while at the other extreme are those who hold that all professional norms are somehow applications of general moral norms or are derived from them (Smith 1994, 121-2). As I shall explain below, I am skeptical of the general assumption made by Smith that ethics is constituted by a system of rules. Nevertheless, if Smith’s two extremes are generalized to include moral theories that are not rule-based, then it becomes more helpful for the present discussion. Particularism about professional ethics is the view that each particular profession has its own moral norms and moral values that are independent of general, moral norms and values, while generalism is the view that the actions of professionals are to be judged only by general standards of morality that apply to all members of society.

The more specific view that I am concerned to critique here is a species of the separatist view of professional ethics which might be labeled a ‘profession based view.’ On the profession based view, each profession defines its own rules, standards, principles, and guidelines which are considered essential for excellent professional practice in that area. There is an assumption that ethical conduct and benevolence is necessary for good professional practice, but there is no attempt to specify in theoretical terms in what moral value consists. Additionally, it is assumed that agreement about the nature of good or bad is neither possible, nor necessary for correct professional practice. Broader, theoretical discussions of moral right and wrong are only relevant insofar as the consideration of ethical theory helps professionals to address problems and dilemmas that arise in the course of carrying out their professional duties. After claiming, for instance, that ethical conduct is fundamental to modern civilization and modern professionalism, one auditing textbook states that “all professions establish rules or codes of conduct that define ethical (professional) behavior for members of the profession” (Messier 2010, 640). Furthermore, after outlining three theories of normative ethics – namely utilitarianism, a rights-based approach, and a justice-based approach – the authors of the textbook claim that “No single approach is necessarily better than another. In fact, elements of each theory may be appropriate for resolving ethical dilemmas in different circumstances” (ibid, 641). The authors here can be seen to be advocating a view on which the practice of the profession of auditing allows one to pick and choose from a smorgasbord of theories in order to decide between right and wrong action. Consequently it is suggested that good practice is theory free and can make pragmatic use of moral theories as practitioners see fit.
In opposition to the profession based view, I will take a virtue theoretic approach and apply it as far as is possible to understand what constitutes good behavior as a professional in this field. Before considering the nature of professional ethics in accounting, it would nevertheless be helpful to have an idea of what purpose the accounting profession serves. Accounting has been defined as “A technique, and its practice is an art or craft developed to help people monitor their economic transactions. Accounting gives people a financial picture of their affairs. Its original – and enduring – fundamental purpose is to provide information about the economic dealings of a person or organization” (Duska et al. 2011, 10). The authors go on to say that “the accountant’s role is to furnish various entities that have a legitimate right to know about an organization’s affairs with useful information about those economic affairs” (ibid, 11). The goal of financial reporting and auditing is the accurate conveyance of financial information, on the side of financial reporting, and the certification that there is reasonable assurance that reported financial information by companies is free of serious (material) misstatement, on the part of auditors. This information is very important to investors who use it as the basis for deciding where to invest their money in addition to numerous kinds of financial decisions made by consumers, investors, governments, and finance industry professionals around the world on a daily basis. The accurate and fair presentation of financial information is also essential to health of companies based in the US and around the world. Misleading and/or false information may lead to serious problems in the valuation of companies and financial instruments (as we have seen in the recent mortgage and financial crisis) and have serious repercussions for future states of the economy. Finally, the financial system is based on trust that information is accurately and fairly represented. When doubts are raised about the accuracy of financial information, this can lead to a negative spiral of financial crisis and panic. This was seen in the global financial crisis of 2008-09, and the attempt to avoid this happening in the near future in regard to European sovereign debt motivates many of the key actors today in European Union politics.

After the accounting scandals of the late 1990s and early 2000s, accounting professional organizations such as the American Institute of Public Accountants (AICPA) and the Institute of Management Accountants (IMA) were quick to implement new codes of conduct and standards for professional practice. The US Congress also entered the scene with the Sarbanes-Oxley Act of 2002 (SOX), which created the Public Company Auditing Oversight Board (PCAOB) and introduced new, more stringent requirements for auditing and financial reporting. While the intent of these additional rules and guidelines is good, putting forth rules does not make people good practitioners of accounting. Something more is needed, as I shall argue below.

The newfound emphasis on rule following in accounting practice raises a number of questions. What does it mean to follow a rule? Does rule following guarantee ethical action? Are rules sufficient by themselves to ensure good behavior or is something else needed in addition (such as virtue)? How would virtues be defined in this context? Are rules more basic than virtues or virtues more basic than rules?

On my view, moral action goes beyond rule following and requires the intellectual virtue of prudence. Rule following in ethics requires and presupposes the existence of practical reasoning which is the intellectual virtue needed to apply knowledge of right and wrong, including knowledge of ethical rules, to concrete situations. To see why moral action is more than rule following, let us look at some rules from the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct. It is seen that many of the specific rules in the Code do not by themselves show someone how to be an ethical practitioner in the field. For instance, Rule 501 of the Code states that “A member shall not commit an act discreditable to the
profession”; and according to Rule 102, “In the performance of any professional service, a member shall maintain objectivity and integrity” (Messier 2010, 650). These examples illustrate a couple of issues in regard to basing accounting ethics on rules. First, the ability to understand and apply moral rules presupposes that the agent already has an understanding of certain, basic moral concepts. A rule that advises against committing acts discreditable to the profession or requiring that one act with integrity is useless unless one already knows what it means to act discreditably and what integrity is. Second, putting these rules into practice requires moral judgment. To avoid circularity, moral judgment cannot itself be a rule. Instead, it is a knowledge of the nature of right or wrong and the ability to put this knowledge into practice in concrete actions. It is fruitful to conceive of this ability as the virtue of practical wisdom.

Specific rules do often give concrete guidance to the accountant that can guide professional practice. Indeed the FASB accounting standards provide specific and statutory guidance on how to accounting for diverse financial transactions in accord with Generally Accepted Accounting Principles (GAAP). Public companies that are registered with the US Securities and Exchange Commission (SEC) are required by law to present their financial statements in accord with GAAP, and auditors who audit these companies must make sure that the standards they apply in the audit are in accord with GAAP as well. The purpose of such rules is not just to provide guidance to accountants but in addition to help ensure fair and uniform presentation of financial information.

Looking more closely at accounting practice shows the importance of habits (virtues) that go beyond mere rule following. Accountants receive explicit and formal training in their college coursework, but they also learn on the job by doing and learning in the process. New accounting professionals learn forms of behavior and ways of doing things from their coworkers – both their peers and those who are more senior to them. In this process, skilled managers and mentors are needed in order to help professional accountants learn to do things the right way. Learning how to be a good accountant is a mixture of one’s own efforts and the activity of the institutions and people around one, since each of these means contributes to the education of new accountants.

We have established that being a good practitioner of financial accounting and/or auditing requires that one has developed certain key habits, and that these habits go beyond mere rule following to encompass the internalization of key habits for excellence in professional practice. Habits are typical ways of behaving that are internalized and that have become second nature as a result of one’s previous actions. There are many habits in addition to practical reasoning, which was discussed above, that would seem to be helpful and even required for a practitioner in accounting. It seems to me that we should divide such virtues into two categories: first, there are habits that are specific to the profession and second, there are general virtues that are applied within accounting practice. Robert Audi’s distinction between comprehensive and role-specific virtues is helpful here (Audi forthcoming, 10). A comprehensive virtue is one that applies generally to everything we do, while a role-specific virtue applies in so far as we have a specific role (ibid). Audi lists honesty as an example of a comprehensive virtue, since it is so general in its application, and leadership as an example of a role-specific virtue, since we may only need to display it when we are acting within a particular leadership role (ibid).

Applying Audi’s distinction to accounting is fruitful. I would argue that in the former class belong virtues such as integrity (which is mentioned both in the IMA code of ethics and is also a Principle of Professional Conduct within the AICPA Code of Professional conduct); in the second category one would find virtues such as objectivity, which is very important for the success of accountants who are auditors. The focus of several accounting professional
organizations on integrity as a professional virtue makes sense given that accounting as a profession supports trust in financial information and could not exist with the trust of clients and the public that the accountants are doing their job properly. Objectivity, viewed as a virtue, is specific to the practice of auditing. Auditors are supposed to maintain an objective perspective on their clients in order to ensure that they will form correct audit opinions in regard to those clients. Principle IV of the AICPA Code of Professional Conduct is intended to ensure auditor independence from their clients with the aim of achieving an objective perspective (Duska 2011, 87-8). Rule 101 of the Code requires public accountants to maintain independence from their clients (ibid, 94-5). Following all the rules guarantees neither independence nor objectivity, yet both are held up as goals or ideals for which to strive. Thus it would seem that the point of the rules on auditor independence is to secure virtues that are more basic than rules. Duska et al. argue that objectivity is a virtue (87). I see no reason to think that independence could also be labeled a virtue on similar grounds. On such considerations it makes sense to think of independence as a virtue that is required for excellence in auditing.2

The upshot of the distinction between comprehensive virtues and role-specific virtues is that both seem to be needed for excellence in doing one’s job as an accountant, that is, to be doing the right thing and for demonstrating excellence in the field. But comprehensive virtues are formed through a process that stretches back to the agent’s very first attempts at intentional action. In short, human agents acquire such virtues over the course of an entire lifetime. This means that virtues must already be in the process of formation before one enters the accounting profession if we are to act virtuously in the profession of accounting. John Ladd makes this point in a more general way in regard to professional ethics in the practice of the sciences (Ladd 1981, 156). Ladd argues that there is a distinction to be made between macro-ethics and micro-ethics. Micro-ethics relates to the interpersonal interaction of practitioners of the profession with people with whom they have professional contact, such as clients, colleagues, and employers. Macro-ethics relates to how the profession as a whole relates to the wider society. In regard to macro-ethics, professional codes of ethics are unnecessary, since micro-ethical “issues simply involve the application of ordinary notions of honesty, decency, civility, humanity, considerateness, respect, and responsibility” (ibid). On this view, there is no need for a special or particular moral code to govern the actions of individual professionals in their interactions with other people, since these actions are governed by already existing and more general moral values. Moreover, according to Ladd, the very idea of the existence of a profession based ethics or morality is misguided, even misleading, because it falsely takes it to be the case “that the profession in question has the authority or special competence to create an ethics, that it is able authoritatively to set forth what the principles of ethics are, and that it has its own brand of ethics that it can impose on its members and on society” (Ladd 1981, 156).

Ladd is here articulating the antithesis of the profession based view. Don Welch has developed a similar conclusion to the one that Ladd draws, but he does so in more nuanced terms. Welch argues that we are subject to moral demands (Welch describes them as prima facie duties) in our roles, whether personal or professional (Welch 1993, 11). Welch argues that professional demands (or obligations) are the result of professionals occupying roles. And these duties may at times conflict with other duties that one has. However, professional duties are at

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2 Another example of a role specific virtue that could perhaps come into play in financial reporting is candor in the presentation of information. See Audi 2009, 62-6 for a discussion of the importance of candor in financial reporting.
the outset no more important than other duties that one has based on the role that one occupies. Professional ethics then is no more important than the practice of ethics in other areas (ibid, 11-12).

Ladd and Welch both assert that it is important for people entering a profession such as accounting to have already been formed in comprehensive virtues, in Audi’s sense of the term, in order to prevent some of the more egregious kinds of fraud and dishonesty that can occur in accounting. The argument for this seems correct, at least in regard to everyday activity. One’s interactions with others and, I would add, the way that one carries out one’s professional duties, are informed by comprehensive virtues such as honesty, courage, and justice.

Although such virtues can go a long way to obviate the potential problems caused by unethical accountants and to ensure that reported financial information is trustworthy, it is naive to think that accounting can simply depend on practitioners who are virtuous. Accountants and financial regulators have come to the conclusion that steps need to be taken to make sure that the work environment of managers and accountants discourages and prevents fraud from occurring. This leads to a consideration of the ethical implications of a system of internal control over financial reporting. Public companies are required by SOX to maintain internal control over financial reporting and to document their efforts to ensure that such controls are implemented. Auditors must take internal control over financial reporting into consideration in designing their audits. Large public companies must have their internal controls audited on a yearly basis by an independent auditor and to file their findings with the SEC. The focus on internal controls makes sense, because individuals alone cannot be responsible for the accuracy of the system of financial information. Also required is an institutional and structural commitment to prevent fraud and/or misrepresentation from occurring within the organization.

Internal controls serve many purposes, yet one of the main purposes is to improve the reliability of financial information and to help prevent fraud from occurring. For instance, segregation of duties is one common example of an internal control. The idea is to separate among different staff members the duties of custody over assets, authorization of the disbursement of those assets, and physical control over those assets. When duties are segregated, it is much less likely that fraud, and the fraudulent accounting that may try to cover it up, can occur and it is much easier to detect it. Recognizing the importance of internal controls also indicates the importance of limiting opportunities and incentives that contribute to inappropriate activity. In short, individuals make decisions within a system that is not of their own creation. This environment may from time to time encourage ethical behavior or discourage it, as the case may be. Part of accounting and business ethics is the claim that the right environment can make it more difficult to commit fraud and less likely that it will occur or even to significantly diminish its occurrence. Thus, there is recognition within the profession that ethical behavior should not be addressed simply as a question of individual responsibility, apart from the context in which choices are made. As a result, strengthening internal control is part of accounting ethics.

The virtues that we have highlighted above are necessary for the achievement of technical proficiency in the accounting profession. However, our account of virtue in accounting ethics would be incomplete if we stopped at this point. For it leaves open the question of how the practice of accounting relates to wider conceptions of the good. For instance, how does accounting practice relate to questions of environmental and social justice? How does accounting practice fit into society as a whole? Is there such a thing as the unity of the virtues?
Raising these questions leads us back to Aristotle’s conception of virtue as an inherently political notion, and points us to considerations of justice and the common good.

As a way of entering into such considerations, I believe it is very instructive to return to MacIntyre’s virtue theory. It has emerged from the above discussion (in part one of this paper) that a conception of accounting as a practice can help make sense of the claim that accountants require virtues to do their job well. In this section (section two) we have explored the nature of some of these virtues. A complete picture of accounting as a locus of virtues requires us to extend this conception of virtues in accounting to consider the role of accounting in human life and the role of accounting in enabling people to achieve the common good. It is important for accountants to consider the value of the goods at which they aim in their professional activity and the moral value of the means that they use to pursue those goods.

III. Virtues, Justice, and Accounting Pedagogy
Given the increasing focus on ethics within business education, it is very relevant to consider how virtue and justice can be incorporated into a business ethics curriculum. Certainly students need to learn the expectations of their field and the codes of conduct that are relevant to the areas in which they will be working. Yet if my argument in the first two sections of this paper is correct, then we cannot claim to be teaching accounting ethics unless students come to see their actions not just in terms of the assumption of a professional role but also in terms of the value of accounting practice in relation to their own lives and the common good.

On the view that I have taken over from MacIntyre, human beings first encounter the virtues by their participation in practices. They also continue to learn how to practice virtues through their engagement in practices (Knight 2007, 152-4). The acquisition of virtues, however, does not occur automatically. Acquiring virtues within a practice requires that a person see themselves as an agent and that they critically reflect on their practice. As teachers we have the opportunity to help students along in this process of virtue acquisition by enabling them develop the skills to critically reflect on what they are going to be doing as accountants. Some relevant questions to address in discussions with students are the following: (1) what is the point of accounting – what is its purpose or goal – what are accountants trying to achieve? (2) What is the role of business (and especially accounting) within the economy, society, and one’s local and global communities? (3) What effects do someone’s professional activities as an accountant have on themselves and other people? (4) What duties, if any, do accountants have to themselves and other people? (5) What theories of justice can be used to understand what we are doing as accountants?3 Reflection on such questions is the heart of what it means to teach ethics, because

3 In order to facilitate reflection on the nature of justice and the common good, students would ideally be introduced to some major, theoretical conceptions of justice. For instance, this might include utilitarian and Kantian conceptions of justice; Marx’s critique of capitalism; Robert Nozick’s libertarian defense of private property; and John Rawls’ liberal conception of justice as fairness. Ideally students will also be exposed to contemporary critiques of business activity from the perspectives of feminist philosophy, critical theory, environmental ethics, and the Catholic social ethics tradition. In suggesting this I do not mean to indicate that it is open to us to pick and choose our favorite conception of justice. And indeed this is exactly one of the problems with modern moral philosophy as
in doing so we teachers are encouraging the kind of critical reflection that is necessary for practical reasoning and for students to develop as moral agents.

The goal of the process of business ethics education for students is that students will learn to reflect on their own practice as accountants and the role that their practice of this profession has to play in the world around them. Finally, if one takes moral virtue to be relevant to discussions of business ethics, there must be integration in the business ethics curriculum between the discussion of ethical and professional issues in accounting and business courses, on the one hand, and the discussion of ethical, political, and social questions in humanities classes, on the other.

identified by MacIntyre (MacIntyre 1984, 244-55). Instead, studying various conceptions of justice highlights to students that many perspectives need to be taken into account in assessing what in fact justice is. Moreover, inquiry into the nature of justice requires the consideration of multiple perspectives. On MacIntyre’s view, truth is discovered through dialogical engagement with the other, both within and between traditions (MacIntyre 1987, 402-3). Exposing students to various viewpoints can bear fruit pedagogically, as it provide students with a theoretical framework to understand what they do in a broader context, and it leads to an awareness and openness to multiple viewpoints.
Works Cited


