

## **EXPLORING EFFECTIVE ACCOUNTING ETHICS CPE FROM AN UPPER ECHELON THEORY PERSPECTIVE**

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### **ABSTRACT**

The purpose of this study was to explore if Certified Public Accountants (CPAs) who hold upper echelon positions value ethics continuing professional education (CPE) differently from non-upper echelon CPAs. In addition, this study explored if upper echelon CPAs viewed the effectiveness of completed ethics CPE differently compared to CPAs in non-upper echelon positions. Based on upper echelon theory, differences in survey responses were anticipated between the two groups. CPAs licensed by the Minnesota Board of Accountancy were surveyed regarding mandatory ethics CPE. CPAs self-reported their position titles. Based on position titles the survey population was coded as upper echelon or non-upper echelon. Across ten variables survey responses were statistically analyzed between the two groups. No statistically significant differences were found between the two groups. Open ended questions were also included in the survey. Responses to open ended questions were analyzed between upper echelon and non-upper echelon CPAs. Responses to open ended questions, both positive and negative, were similar between the groups. The residual question is why there were no differences.

*Keywords:* Ethics, Accounting, CPE, Upper Echelon Theory

### **INTRODUCTION**

Bostan, Costuleanu, Horomnea, and Costuleanu (2011) stated that by its very nature, accounting is closely connected with ethics, morality, and religion. In addition, the accounting function is based on the concepts of ethical and moral nature: truth, honesty, regularity, reality neutrality, continuity, permanence, etc.

Although standards are set high, breakdowns occur at the individual and organizational levels. Unethical behavior within business and accounting has a long history in the United States. Fraudulent acts have taken their toll. “The days of unquestioned trust and admiration on the part of clients or the general public are past” (Frankel, 1989, p. 109). A consistent response to unethical behavior has been government regulation. Over time nine major legislative responses have been enacted ranging from the Owens-Glass Act of 1913 through the Sarbanes-Oxley Act (SOX) in 2002 (Rockness & Rockness, 2005). A majority of state boards of accountancy have also responded by requiring ethics continuing professional education (CPE) for license renewal. The purpose of this study was to explore if Certified Public Accountants (CPAs) who hold upper echelon positions value ethics CPE differently from non-upper echelon CPAs. In addition, this study explored if upper echelon CPAs viewed the effectiveness of completed ethics CPE

differently compared to CPAs in non-upper echelon positions. Based on upper echelon theory (UET) the expectation was that there would be differences in responses from the two groups for all survey questions.

## **LITERATURE REVIEW**

### **Ethics**

The learned professions have recognized the importance of ethical behavior and have developed codes of professional ethics (Whittington & Pany, 2012). The American Institute of Certified Public Accountants (AICPA) Code effectively serves as a basic handbook on ethics for accountants (Duska & Duska, 2003). Sullivan (2004) discussed the importance of emphasizing the AICPA Code within ethics instruction.

The requirement of ethics specific CPE for CPAs has increased over the years. Indiana was the first state to require ethics CPE in 1988. Seven states required ethics CPE by 2001 (Fisher, Swanson, & Schmidt, 2007). Ten states required ethics CPE by 2004 (Romal & Hibscheiler, 2004). Thirty-two states required ethics CPE by 2005 (Fisher, Swanson, & Schmidt, 2007). Thirty-seven states required ethics CPE by 2006 (VanZante & Fritsch, 2006). Rockness and Rockness (2010) reported 38 states requiring ethics CPE to renew a license to practice.

CPE of 120 hours every 3-year cycle was sanctioned by the AICPA in 1971, but was not mandatory until 1990. In response to the CPE mandate, Coffee & Beegle (1994) surveyed CPAs in practice and in education in all 50 states at the end of 1992 to determine their attitudes regarding mandatory CPE and its effectiveness. The results showed that mandatory CPE was beneficial and that it enhanced the accounting profession's image. Most important respondents indicated that CPE improved the quality of their professional work and professional learning.

Wessels (2009) conducted a survey of North Carolina CPAs to gather information regarding perceptions of the effectiveness of mandatory CPE. This study was CPE in general, not ethics CPE specific. Positive survey results related to CPE effectiveness included protecting the public (46% of respondents) and in offering valuable contacts with peers and experts in the field (42% of respondents).

When surveyed, newly licensed Texas CPAs were found to have a relatively positive impression of required ethics training within college curriculum, but a somewhat less positive impression regarding the effectiveness of required ethics CPE. Some Texas CPAs expressed concerns over the frequency, redundancy, and irrelevance of the ethics CPE (Hurt & Thomas, 2011).

### **Upper Echelon Theory**

Hambrick (2007) stated that the central idea of upper echelon theory (UET) involves two interconnected parts. First, executives' actions are based on personalized interpretations of the strategic situations they encounter. Second, the personalized interpretations are a function of experience, values, and personalities. In addition, two subordinate ideas are involved with UET. First, focusing on the characteristics of the top management team (TMT) will produce a stronger

basis of organizational outcomes, as opposed to focusing on a single top executive. Second, demographic characteristics of the TMT are valid proxies for executives' cognitive frames, although information is incomplete and not precise.

UET was first introduced by Hambrick and Mason in 1984. UET recognized that top executives influence the outcomes of organizations. Organizational outcomes can therefore be partially predicted based on the background characteristics of top executives (Hambrick & Mason, 1984). Since 1984, refinements have been made to the concept of UET. Refinements include the moderators of managerial discretion and executive job demands. The effectiveness of UET is found to be related to the amount of managerial discretion afforded the TMT. The accuracy of predictions based on UET is directly proportional to the level of discretion the TMT has (Hambrick, 2007).

Recognizing that the workload of CEO's varies by organization, the level of job demands on executives has also been found to be a moderating factor on the application of UET. When job demands are high, executives may take mental shortcuts, relying less on analysis and more on past experience. Thus, high job demands produce outcomes that correlate to executives' backgrounds, educational experience, age, and tenure (Hambrick, Finkelstein, & Mooney, 2005).

Van der Zee & Swagerman (2014) explored whether the issue of ethical behavior was an influence on the composition of board of director members. The board of directors was viewed as the TMT under the UET. They examined the makeup of the board of directors of 50 companies in order to determine if the characteristics of the board members changed as a result of the Sarbanes-Oxley Act (SOX). SOX was seen as increasing the responsibilities of the boards in order to prompt a higher degree of ethical behavior. Ultimately one goal of the study was to determine if companies changed their boards for the purpose of inducing more ethical behavior within the organizations. They found indications that companies did change board member characteristics after SOX, implying that firms either consciously or unconsciously utilize the UET. They concluded that companies not only believe that employees in the upper echelons define corporate strategy, but that they can also influence ethical behavior. They emphasize that their study doesn't prove the relationship between the UET and ethical behavior, but does show that companies believe that there is a relationship. This is consistent with Hambrick & Mason's (1984) statement that UET may apply to both strategic decision making and an organization's ethical behavior.

Carpenter, Geletkanycz, & Sanders (2004) viewed the core of the UET perspective as focusing on executive cognitions, perceptions, and values. These components then influence the process of strategic choices and ultimately performance outcomes. They saw three central tenets: (1) strategic choices within firms are reflections of the values and cognitive bases of internal power brokers, (2) the values and cognitive bases are an extension of the observable – characteristics of the power brokers (e.g. education, work experiences), and (3) significant organizational outcomes will be associated with items one & two. This is consistent with Hambrick (2007) who stated a subordinate concept to UET is that demographic characteristics of executives are a valid, although incomplete and imprecise, proxy for defining the cognitive frames of executives.

“Leaders should be a key source of ethical guidance for employees” (Brown, Treviño, & Harrison, 2005, p. 117). The leadership of organizations have been found to influence goals and behaviors

by setting the ethical “tone at the top” (Brown & Mitchell, 2010; Treviño, Brown, & Hartman, 2003). Based on their literature review Treviño, Brown, & Hartman (2003) found that executive ethical leadership was widely believed to be important due to the potential impact of senior executives on both the ethical culture and the ethical conduct of the organization. “Integrity is probably one of the most frequently cited corporate ethical values in the last decade” (Chun, 2005, p. 271).

In contrast to the upper echelon, Gentry, Cullen, Sosik, Chun, Leupold, & Tonidandel (2013) analyzed the importance of integrity, bravery, perspective, and social intelligence in predicting the performance of middle-managers. Only social intelligence was statistically significant in impacting performance ratings of middle-managers. Social intelligence ranked the most important characteristic while integrity was significantly less of a factor. In addition, they found that middle-managers were being promoted based on performance in the middle level. Integrity was a non-factor in the promotion process. They also examined the relative importance of character strengths for predicting performance between middle-managers and top-level executives. They found that bravery and integrity were significant factors in predicting performance of top-level executives.

Integrity is a term which frequently represents a wide variety of constructs and ideas that usually overlap with other terms like morality, ethics, honesty, trustworthiness, and conscientiousness (Lowe, Cordery, & Morrison, 2004). Based on their literature review Palanski & Yammarino (2007) compiled five categories of integrity: (1) wholeness, (2) consistency of words and actions, (3) consistency in adversity, (4) being true to oneself, and (5) moral/ethical behavior. In addition, they stated that integrity is associated with pro-active ethical or moral behavior. Integrity is not just the lack of unethical or immoral actions being discovered. They also believed integrity was tied to certain specific moral and ethical behaviors.

The AICPA Code of Professional Conduct Section 0.300.040 Paragraph .04 states “integrity is measured in terms of what is right and just.” Integrity requires observing “both the form and the spirit of technical and ethical standards” (American Institute of Certified Public Accountants, 2016). Integrity is the benchmark CPAs are to use to test all decisions.

Libby & Thorne (2007) developed a typology of auditors’ virtues through in-depth interviews with nine exemplars in the auditing community. They then used Pincoffs’ typology of virtues to organize the auditors’ virtues. Pincoffs divided virtues between instrumental and non-instrumental. Instrumental virtues are qualities that have a direct positive effect on the actions an individual takes. Non-instrumental virtues affect actions indirectly through the development of an individual’s intention to act in accordance with virtues. Non-instrumental virtues are divided between moral and meliorating. Moral virtue is then subdivided between mandatory and non-mandatory categories. Mandatory moral virtue includes honesty, sincerity, truthfulness, and loyalty. For auditors moral virtue is necessary when formulating sound professional judgment regarding the application of generally accepted accounting principles. Non-mandatory virtue includes benevolence, altruism, selflessness, and sensitivity. For auditors non-mandatory virtues are necessary when formulating judgment where the public’s interest is the primary issue.

Recognizing the commonality of concepts among morality, ethics, values, and integrity this work is based on UET being applicable to the research involved. This is the case as the upper echelons

of an organization base their decisions partly on virtue and virtue is associated with ethics. These factors point to UET as applicable to the study of ethics CPE between the upper echelon and the non-upper echelon within an organization or field. Our expectation was that the upper echelon CPAs would value ethics CPE higher than the non-upper echelon CPAs. This expectation was based 1) on the responsibility that the upper echelon has for the actions of the organization and 2) the tone regarding ethics which is set at the top. In addition, based on the literature the concept that leadership and middle-managers serve a different role has been established. Based on having different roles, performance is judged differently. We had an expectation that when surveyed leaders (upper echelon) and those with non-leadership roles would view the effectiveness of ethics CPE differently.

## RESEARCH DESIGN

CPAs licensed by the Board of Accountancy in the State of Minnesota were surveyed regarding the outcomes of completed ethics CPE. Active licensed CPAs are required to complete eight hours of ethics CPE as part of 120 hours over a three year rolling timeframe. An equal chance random sample of active licensed CPAs was obtained from Minnesota's Bookstore. Minnesota's Bookstore serves as a centralized publishing house selling state agency products. A list of 1,059 active licensed CPAs (of 9,252 total) was purchased. Of the 1,059 CPAs 125 responses (11.8%) were received via Survey Monkey™.

CPAs responded to questions on an 11 point Likert scale regarding the outcome of ethics CPE. Questions included "As a result of taking the required 8-hours of ethics CPE":

1. ...my ability to recognize ethical issues has increased.
2. ...I have an increased knowledge of ethical standards.
3. ...my ethical reasoning ability has increased.
4. ...I have a greater understanding of the concept of auditor independence.
5. ...I have a greater understanding of the role of the accounting profession in business and society.
6. ...I feel that I make better ethical decisions.
7. ...I feel I have a framework for making ethical decisions.
8. ...I consider the ethics of more decisions now.

These eight questions address the outcome of CPE or the benefits from taking ethics CPE. In addition, CPAs were asked if the 8-hours of ethics CPE was beneficial to them personally and if ethics CPE was beneficial to the profession. These two questions look at how the respondent valued ethics CPE.

For all questions the research expectation was that CPAs with upper echelon positions would respond differently than CPAs with non-upper echelon positions. We expected that upper echelon respondents would receive less personal benefit from ethics CPE. Our expectation was based on upper echelon respondents having encountered more ethical issues in practice resulting in lower scores for the first eight questions. The opposite effect was anticipated for the last two questions. We expected that upper echelon respondents would place a higher value on additional ethics education. Our expectation was based on the upper echelon's experience with ethical situations at a strategic level in their organizations.

As part of the survey process, CPAs self-disclosed their position title. Table 1 shows the breakdown of how CPAs self-reported their position title. For statistical purposes the CPAs with the titles of Partner, Vice President, CFO, Owner, President, CEO, and Chairman (other-please specify) were considered upper echelon. Upper echelon CPAs numbered 48 of 125 (38.4%). For comparison purposes demographic information was not readily available from the Minnesota State Board of Accountancy. Membership profile information was available from the

Table 1. Self-reported Position Titles

<b>My current position title is best described as (select only one)</b>		
<b>Answer Options</b>	<b>Response Percent</b>	<b>Response Count</b>
Staff Accountant	6.4%	8
Tax Accountant	5.6%	7
Partner	19.2%	24
Vice President	1.6%	2
CFO	6.4%	8
Internal Auditor	4.8%	6
Teacher	0.0%	0
Manager	12.0%	15
Tax Manager	7.2%	9
Owner	6.4%	8
President	0.0%	0
Director	4.8%	6
Professor	0.8%	1
Adjunct Faculty	0.0%	0
Senior	4.8%	6
Tax Senior	1.6%	2
Controller	4.0%	5
CEO	0.8%	1
Analyst	3.2%	4
Instructor	0.8%	1
Retired	0.8%	1
Other (please specify)	8.8%	11
<b><i>answered question</i></b>		<b>125</b>
<b><i>skipped question</i></b>		<b>1</b>

Minnesota Society of CPAs (MNCPA). We used the MNCPA data as a proxy for licensure demographic makeup. MNCPA (n.d.) reported a membership of more than 9,000 including retirees. Corporate MNCPA membership is reported as CFO/CEO/Owner (9.5%) and Executive/Management (10.8%). Public accountant MNCPA membership is reported as Managing Partner (2.4%), Sole Practitioner (6.6%), and Partner (11.8%). These MNCPA categories were classified as the upper echelon which account for 41.1% of MNCPA total membership. The survey population of upper echelon respondents was 38.4% which is reasonably consistent with the MNCPA upper echelon population of 41.1%.

CPAs also self-reported their age, gender, and ethnicity. Of the 125 survey respondents 115 CPAs provided their age. The average age of the 48 upper echelon CPAs was 50.7. The average age of the 77 non-upper echelon CPAs was 43.8. MNCPA (n.d.) membership information did not include an age category.

Of the 125 survey respondents 120 provided information regarding gender. Upper echelon CPAs included 15 females, 32 males, and one non-reported. Non-upper echelon CPAs included 27 females, 46 males, and four non-reported. Overall survey respondents involved 35% female and 65% male. MNCPA (n.d.) demographic information reported 38% female and 62% male. The survey demographic for gender is deemed reasonably consistent with the MNCPA numbers.

Of the 125 survey respondents 116 provided information regarding their ethnicity. Upper echelon CPAs included one Hispanic, two Asians, three non-reported, with the remainder reporting as Caucasian. Non-upper echelon CPAs included one Asian, five non-reported, with the remainder reporting as Caucasian. MNCPA (n.d.) membership information did not include an ethnicity category.

## **RESULTS**

Table 2 provides mean and standard deviation differences between CPAs with upper echelon positions (coded 1.00) and CPAs with non-upper echelon positions (coded .00). For the ten questions mean scores varied from .02 to .70 between groups. Table 3 provides the results of the Mann-Whitney U Test for all questions. Based on Table 3, no statistically significant differences were found between survey responses of CPAs with upper echelon positions and CPAs with non-upper echelon positions.

CPAs were also given the opportunity to provide comments, 25% of upper echelon CPAs and 18% of non-upper echelon CPAs provided responses. Topics raised included the amount of ethics CPE required, the validity of ethics CPE, the effectiveness of CPE, and on the positive side the importance of ethics CPE.

Five upper echelon CPAs and three non-upper echelon CPAs commented regarding the amount of ethics CPE. All preferred fewer than eight hours of ethics specific CPE. Suggestions ranged from one to four hours per 120 hour licensing cycle. Requiring eight hours of ethics CPE each three year license renewal cycle Minnesota requires the most ethics CPE of all jurisdictions (Fisher, Swanson, & Schmidt, 2007).

Table 2. Survey Statistics: As a result of taking the required 8-hours of ethics CPE...

					5. I have a greater understanding of the role of the accounting profession in business and society.				9. The 8-hour ethics CPE I am required to take for maintaining my license is beneficial to me.	10. The 8-hour ethics CPE I am required to take for maintaining my license is beneficial to the profession.
.00 non-upper echelon	1. my ability to recognize ethical issues has increased.	2. I have an increased knowledge of ethical standards.	3. my ethical reasoning ability has increased.	4. I have a greater understanding of the concept of auditor independence.		6. I feel that I will make better ethical decisions.	7. I feel I have a framework for making ethical decisions.	8. I consider the ethics of more decisions now.		
1.0 Upper echelon										
.00 Mean	6.6133	7.4933	6.7733	7.1733	6.8667	6.4933	7.1867	6.4267	6.2933	7.2703
N	75	75	75	75	75	75	75	75	75	74
Std. Deviation	2.40435	1.96161	2.48005	2.19566	2.07516	2.36171	2.16041	2.26115	2.58255	2.61344
1.00 Mean	6.5957	7.5319	6.1702	6.4894	6.1702	5.8298	6.7447	5.9362	5.7447	6.6596
N	47	47	47	47	47	47	47	47	47	47
Std. Deviation	2.31873	2.12491	2.47877	2.33007	2.31553	2.59028	2.63313	2.53158	3.05364	2.93611
Total Mean	6.6066	7.5082	6.5410	6.9098	6.5984	6.2377	7.0164	6.2377	6.0820	7.0331
N	122	122	122	122	122	122	122	122	122	121
Std. Deviation	2.36209	2.01747	2.48682	2.26363	2.18810	2.46313	2.35307	2.37080	2.77411	2.74753

Table 3. Hypothesis Test Summary Statistics

	<b>Null Hypothesis</b>	<b>Test</b>	<b>Sig.</b>	<b>Decision</b>
<b>1</b>	The distribution of my ability to recognize ethical issues has increased. is the same across categories of Upper_Echelon.	Independent-Samples Mann-Whitney U Test	.748	Retain the null hypothesis.
<b>2</b>	The distribution of I have an increased knowledge of ethical standards. is the same across categories of Upper_Echelon.	Independent-Samples Mann-Whitney U Test	.835	Retain the null hypothesis.
<b>3</b>	The distribution of my ethical reasoning ability has increased. is the same across categories of Upper_Echelon.	Independent-Samples Mann-Whitney U Test	.116	Retain the null hypothesis.
<b>4</b>	The distribution of I have a greater understanding of the concept of auditor independence. is the same across categories of Upper_Echelon.	Independent-Samples Mann-Whitney U Test	.088	Retain the null hypothesis.
<b>5</b>	The distribution of I have a greater understanding of the role of the accounting profession in business and society. is the same across categories of Upper_Echelon.	Independent-Samples Mann-Whitney U Test	.069	Retain the null hypothesis.
<b>6</b>	The distribution of I feel that I will make better ethical decisions. is the same across categories of Upper_Echelon.	Independent-Samples Mann-Whitney U Test	.128	Retain the null hypothesis.
<b>7</b>	The distribution of I feel I have a framework for making ethical decisions. is the same across categories of Upper_Echelon.	Independent-Samples Mann-Whitney U Test	.439	Retain the null hypothesis.
<b>8</b>	The distribution of I consider the ethics of more decisions now. is the same across categories of Upper_Echelon.	Independent-Samples Mann-Whitney U Test	.273	Retain the null hypothesis.
<b>9</b>	The distribution of the 8-hour ethics CPE I am required to take for maintaining my license is beneficial to me. is the same across categories of Upper_Echelon.	Independent-Samples Mann-Whitney U Test	.276	Retain the null hypothesis.
<b>10</b>	The distribution of the 8-hour ethics CPE I am required to take for maintaining my license is beneficial to the profession. is the same across categories of Upper_Echelon.	Independent-Samples Mann-Whitney U Test	.304	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Three upper echelon CPAs commented on the validity of ethics CPE with the following comments:

“Ethics is not something that one develops from an eight-hour seminar.”

“Ethics is difficult if not impossible to legislate. I don't think that the eight-hour requirement has made people more ethical.”

“I am disappointed in the classes that show CPAs in practice how to keep clients without ethics from losing their licenses. Accounting has devolved into a set of rules that, if you can out maneuver them, are ok to break.”

Three non-upper echelon CPAs commented on the validity of ethics CPE with the following comments:

“Ethics is not something that can be taught in an eight-hour class period over three years. Ethics is something that people have learned over their lifetime. I think the only way to make the ethics requirement worth it is by having real examples of situations and how you are supposed to respond. And the responses need to be real life responses and not the ‘canned responses’.”

“The concept of ethics training/classes required by governing bodies is just a facade. The real intent of the program is just to make themselves look good (which in essence is not ethical). The true character of an individual determines how he will act or react when his ethics are put to the test. The ethics courses I have taken would influence the actual actions of a CPA in less than 1% of the cases. The CPE requirement is generally just a joke. The CPE requirement may make CPAs (individually and corporately as a group, such as AICPA or MN Soc) LOOK better but it doesn't MAKE them better. Based on 35 years of experience in the CPA business, people who ARE ethical people follow ethical practices in their business transactions, people who are NOT ethical people will NOT, 1,000 hours of CPE on business ethics will NOT change that. The one benefit I have seen from ethics CPE is attaining information on some rules of the AICPA or MN BOA and other governing bodies of which I may not have been aware.”

“I believe that over the years the State Board of Accountancy has over complicated the reporting rules. I question the benefit of doing so.”

Three upper echelon CPAs commented on the effectiveness of ethics CPE with the following comments:

“While the ethics requirement is a law, it is just a money maker for state societies & the AICPA. The profession can say we have made it a requirement to take ethics. I don't see any less convictions for accountants committing crime. This is just a check box for the politicians and the AICPA.”

“I know and always have considered ethics in my decisions even before this was required. It has not changed my behavior in the slightest.”

“I think it's great to be kept abreast of developments in the area of professional standards; as CPA's that is part of our professional responsibility. I don't feel that the eight-hour requirement accomplishes much. The responsible professionals will still run their practice accordingly and the bad apples will make the headlines regardless of the eight-hour requirement.”

Three non-upper echelon CPAs commented on the effectiveness of ethics CPE with the following comments:

“I think unethical people are that way and no amount of classes will alter that mindset. I am not convinced that having people sit through a class will prevent this kind of behaviour. It is, however, good PR for the industry and shows that the profession is at least trying to do something to prevent future mishaps.”

“TAKE IT CAUSE I HAVE TO - MOST CASES A BORING, WORTHLESS SEMINAR”

“I strongly encourage changes to the ethics requirements for CPA's not in public practice (either tax or auditing). Even though I'm licensed, I am now in governmental internal auditing and the ethics challenges are much different than the CPE options available.”

Upper echelon CPAs providing positive comments include:

“We all could and should give more thought to our decisions regarding ethics and what is the right thing to do.”

“I hope your survey can improve delivery of ethic courses. This is a very important area that needs better use of resources.”

Non-upper echelon CPAs providing positive comments include:

“I agree that the ethics requirement is essential to the profession and to personal growth.”

## **DISCUSSION**

Although mean scores were higher for non-echelon survey respondents for all ten survey questions (Table 2), none of the questions were found to be statistically significant (Table 3). One should note that mean scores rounded to whole numbers would round to the same number for the majority of items, inferring no differences. Comments provided by CPAs were also similar in number, category, and nature. In examining the average age of the upper echelon/non-upper echelon groups, the average age of the two groups differed by only 6.9 years although ages of individual CPAs ranged from 24 to 69. As a whole the makeup of respondent characteristics for upper echelon/non-upper echelon and gender was consistent with available MNCPA membership characteristics. The anticipated outcome that differences would be found between the responses of upper echelon and non-upper echelon CPAs was not found.

The reason for the lack of difference in responses is not determinable from this study and is a potential for future study. Based on UET and the middle manager work of Gentry et al (2013) there was an anticipated difference in responses from upper echelon and non-upper echelon CPAs. Had respondents been from a single organization there would be room to argue that the upper echelon had communicated effectively their views to the non-upper echelon. However, survey respondents were not from a single organization and it's doubtful that all organizations are equal in communicating ethics CPE value to all members.

One possible explanation for the lack of variance is the ethics CPE requirement itself. Comments provided to the open ended questions included the inability to develop ethics in an eight hour session and the need to make ethics CPE a better use of resources. Minnesota does require the most ethics CPE for license renewal (Fisher, Swanson, & Schmidt, 2007). Note that in Table 2 as a group CPA's did respond somewhat positively (7.03 mean score on an 11 point Likert scale) that ethics CPE is good for the profession, but were neutral (6.08) on ethics CPE being beneficial to them personally. This is consistent with Coffee and Beegle (1994) who found that mandatory CPE enhanced the image of the accounting profession. The negative comments provided by both upper echelon and non-upper echelon CPAs question the value of ethics CPE. The positive comments may point to issues with the ethics CPE as currently being offered. Future study should focus on content and format of CPE offerings. In addition, future study may explore if in-house ethics training and oversight makes ethics CPE for licensure redundant.

With comments questioning the value of ethics CPE and that improvement is needed both providers and participants in ethics CPE should evaluate content carefully. Accountants taking CPE only to meet the licensure criteria and personal scheduling demands may be missing out on opportunities that are more effective and useful. The comment regarding CPE involving real situations and thoughtful responses (not canned) may provide insight in selecting effective CPE choices.

### **LIMITATIONS**

Since Minnesota requires the most ethics CPE the responses may not be generalizable to states requiring fewer hours for license renewal. The survey did not address other differences between states regarding ethics requirements to qualify to sit for the CPA exam or a separate ethics exam to be licensed.

CPAs self-reported their industry segment and their job title. The size of organizations that employ CPAs vary from small CPA firms to multi-national corporations. It is possible that the analysis was skewed as the inferred meaning of job titles may vary based on organizational size and/or depth of the organizational chart. It is also possible that in surveying CPAs the data is siloed within the accounting function which would be contrary of the concept within UET that feedback from the TMT provides a broader and more robust analysis of an organization. The expectation within this study was that the factors of job titles varying by organization size and CPAs providing a siloed response cancels each other out. In other words, because job titles vary by organizational size then the responses are not siloed within one management function.

Questions were not authored to gauge whether CPAs believe they are conducting themselves in an ethical manner, thus making ethics CPE unnecessary. This was done intentionally as to not “steer” responses in a given direction. This area could be explored in future study.

## CONCLUSION

Accounting is closely connected with ethics, morality, and religion (Bostan, Costuleanu, Horomnea, & Costuleanu, 2011). A majority of state boards require ethics specific CPE. CPA’s have stated that mandatory CPE (albeit not ethics specific) is effective for protecting the public (Wessels, 2009).

UET states that executive actions are based on personalized interpretations of strategic situations and those interpretations are a function of experience, values, and personalities. UET recognizes that top executives influence the outcomes of organizations. Upper echelons define strategy and can influence ethical behavior (Van der Zee & Swagerman, 2014). Carpenter, Geletkanycz, and Sanders (2004) viewed the core of the UET perspective as focusing on executive cognitions, perceptions, and values. These factors influence the process of strategic choices and ultimately performance outcomes.

“Leaders should be a key source of ethical guidance for employees” (Brown, Treviño, & Harrison, 2005, p. 117). Considering the above factors we believed that based on UET upper echelon members who are CPAs would view ethics CPE differently than non-upper echelon CPAs. Our research did not find this to be the case. The residual question is why not, which is left for further study.

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