

Institution: The University of Huddersfield
Unit of Assessment: 19 Business and Management Studies
Title of case study: Chartered Accountants: leading thinking on professional ethics
<p>1. Summary of the impact (indicative maximum 100 words)</p> <p>The University of Huddersfield's research on accounting ethics has made a major contribution to the Institute of Chartered Accountants in England and Wales (ICAEW) – one of the world's premier accounting bodies. Through membership of its Ethics Standards Committee and collaboration with ICAEW staff the Business School's Professor Christopher Cowton has brought a unique academic perspective to the Institute's promotion of professional ethics. Cowton's research, part-funded by the Institute, has shaped its ethics agenda for its 140,000 members in over 160 countries, along with its thought leadership on integrity and the public interest, its initiative to promote integrity in business, and the new ethics examination for aspiring Chartered Accountants.</p>
<p>2. Underpinning research (indicative maximum 500 words)</p> <p>With inputs from two former Huddersfield PhD students (Dr John Brierley, Sheffield; Dr Roberta Bampton, Leeds Metropolitan), the pioneering research for this case study was carried out by Professor Christopher Cowton, Professor of Accounting at Huddersfield from 1996 and Dean since 2008. Drawing on his earlier research, the main project began in 2007 when, recognising his reputation in financial ethics [1], he was invited to deliver the prestigious P.D. Leake Lecture [2], supporting the ICAEW's renewed focus on ethics.</p> <p>The resulting outputs involved two new strands of research. In addition to providing a practical perspective on two central issues in business ethics research (whether ethics pays and the effectiveness of codes), Cowton reinterpreted the literature on the sociology of professions in new ways relevant to a professional accounting body. The key findings were:</p> <ol style="list-style-type: none"> a) To serve the public interest, it is important to combine ethics/integrity and expertise/competence at both individual and collective levels. Thus a professional body has a responsibility both to promote the integrity of its members and to develop the corpus of professional knowledge [3]. b) The price of professional privilege is adherence to ethical standards that go beyond ordinary morality and the law [3]. c) The long-established, generalised debate about whether professions are good for society can be recast as identifying a set of potentials and risks. The impact of professions is then an empirically contingent matter, which opens up the possibility of influencing professions for the better [3,4]. d) Based on the characteristics of professions, three Weberian 'ideal types' can be identified, the fullest form of which has the attributes of a moral community. This draws on the idea of a professional 'body' made up of 'members' [3]. An appropriate shared understanding, or culture, promotes the effectiveness of a code of ethics. e) Finally, since professionals differ in where they work, three professional points of influence are possible – the gatekeeper, such as an auditor [4]; the industry professional (e.g. a banker); and the embedded professional, such as an accountant working in the finance function of a business [3]. <p>In the second strand, Cowton conducted focus groups in 2007 that included partners from the Big 4, finance directors and ICAEW officials, among others. Data was analysed alongside the theorisation of professions (above) and a comprehensive review of the accounting ethics literature [5]. Two related insights emerged:</p> <ol style="list-style-type: none"> f) Insufficient attention has been paid to the ethics of many activities undertaken by professional accountants. Perhaps because of 'scandals', the focus is on financial

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reporting, often reduced to concerns about auditor independence. There is a clear need to re-balance academic and professional agendas [3, 5].

- g) Given that the majority of Chartered Accountants are 'in business' as 'embedded professionals', they have the potential to improve business ethics *if* they behave in accordance with their Code of Ethics, above the standards required by ordinary morality and the law. From this perspective, organisational-professional conflict, often viewed as a social psychological issue [6], can, if resolved appropriately, have a positive influence on the public interest.

3. References to the research (indicative maximum of six references)

- [1] Cowton, C.J. (1999). Accounting and financial ethics: from margin to mainstream? *Business Ethics: A European Review*. 8(2) 99-107. Journal is ABS 2* with 2012 impact factor of 0.544.
- [2] Cowton, C.J. (2007). Meeting the ethics challenge: prospects and proposals for promoting professional integrity. DVD of the P.D. Leake Lecture 2007, 30 May 2007, Chartered Accountants' Hall, London. (Available from the University).
- [3]* Cowton, C.J. (2009). 'Accounting and the ethics challenge: re-membering the professional body. *Accounting and Business Research*. 39(3) 177-190. Refereed journal article based on P.D. Leake Lecture 2007. Journal is ABS 3* with 2012 impact factor of 0.533.
- [4]* Cowton, C.J. (2008). Governing the corporate citizen: reflections on the role of professionals. In: Conill, J., Luetge, C. & Schönwälder-Küntze, T. (Eds.), *Corporate citizenship, contractarianism and ethical theory: on philosophical foundations of business ethics*, 29-48. Aldershot: Ashgate.
Edited by academics from Germany and Spain, this book includes contributions from leading business ethics scholars such as: Andy Crane and Dirk Matten of the Schulich School of Business, York University, Toronto; Jeremy Moon of the University of Nottingham; Peter Koslowski, late Professor of Philosophy at the Free University Amsterdam; and Karl Homann, Chair of Philosophy and Economics at Ludwig-Maximilians-University Munich.
- [5]* Bampton, R. and Cowton, C.J. (2013). Taking stock of accounting ethics scholarship: a review of the journal literature. *Journal of Business Ethics*. 114(3) 549-563. Journal is on the FT 40 list, is ABS 3* and has 2012 impact factor of 1.270.
- [6] Brierley, J.A. and Cowton, C.J. (2000). Putting meta-analysis to work: accountants' organizational-professional conflict. *Journal of Business Ethics*. 24(4) 343-353. Journal is on the FT 40 list, is ABS 3* and has 2012 impact factor of 1.270.

* Submitted in REF2.

Prof. Cowton received £4000 from the P.D. Leake Trust via ICAEW to support the research for the P.D. Leake Lecture, which catalysed further work.

4. Details of the impact (indicative maximum 750 words)

The P.D. Leake Lecture to Chartered Accountants, regulators and policy makers [Source 1] became part of the Institute's strategy for change; up to 400 copies of the DVD were distributed during the assessment period and the Lecture was prominent on the ICAEW website for two to three years [S2/3]. One Irish Chartered Accountant commented, 'This talk was particularly helpful not only in my own professional life, but also helpful as an Education Board and Council member of Chartered Accountants Ireland as we were guiding the profession along the right path, including raising the prominence of business ethics, both in our education and in practice' [S4].

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Positive reactions to the Lecture opened the way for significant impact at the heart of the profession when Cowton was the first academic to join the ICAEW's Ethics Standards Committee (ESC) in 2009. He has consequently helped staff to promote professional ethics and has become the 'go to' person for a research perspective on professional ethics at the Institute [S2/3]. Four specific arenas for impact are:

1. Shaping the ESC's agenda

From f) above, Cowton's role on the ESC ensures that the agenda is not dominated by financial reporting issues and responses to policy proposals. 'The contributions we particularly value are those concerning business members' [S2/3].

2. Thought leadership

Source [2/3] comments, 'Professor Cowton is [regarded as a very useful resource for our thought leadership work] which has two 'well respected' strands: Integrity and the Public Interest. 'Professor Cowton has used his research to contribute to both of these.' His research was an impetus for both, thus contributing to agenda-setting at the ICAEW. As a key stimulus for the Integrity thought leadership strand, the P.D. Leake Lecture 'was a catalyst for change since it emphasised the importance of ethics, in particular integrity, as the glue that binds the accountancy profession together, irrespective of the role or industry that members are involved in.... [It was] crucial in framing ICAEW's further work in the wider area of professional ethics' [S1]. His insights into professional culture, codes and the organisational positions of accountants were also influential. 'This key point prompted further work by the ICAEW on how you go beyond a written code of ethics or conduct to embed integrity in the culture of an organisation.' [S1]

At the beginning of the Public Interest work, Cowton helped to frame the Institute's way forward by addressing its 84-strong Council in July 2010, using his analysis of professions. He also provided input to the final report, *Acting in the Public Interest: A Framework for Analysis*, which the Institute has used both nationally and internationally [S2/3].

3. Professional accountants improving ethics in business

To advance its *Real Integrity* agenda, the Institute drew on Cowton's insights on 'embedded professionals' in designing the Valuing Integrity Programme (VIP). The first module ran in June 2013, attracting participants from six major international banks, an international insurer, and global drinks company. Cowton's input was 'essential' to this initiative [S2/3].

4. Preparing the Chartered Accountants of the future

S2/3 confirms that, 'During his time on the Committee Professor Cowton has become involved in a significant piece of work on the ACA syllabus. Not only is he very knowledgeable and enthusiastic about education but he also brings his knowledge of business ethics to the fore'. In particular, he helped staff to reflect the 'business' role of accountants in the new Ethics Learning Programme (ELP), which is expected to be taken by up to 5000 aspiring Chartered Accountants a year as a requirement for gaining professional membership.

To conclude, a key insight from Cowton's research is that, although there is a risk that professional bodies 'self-serve', they can be influenced to act in the public interest. This impact case demonstrates this and shows how research at Huddersfield has impacted on the ICAEW. Cowton's insights have critically affected the agenda and thinking of the ICAEW and have supported a varied range of activities in relation to professional ethics, particularly regarding integrity, the public interest, the nature of a true professional body and the importance of promoting integrity 'in business' as well as 'in practice'. Source 1 commented, 'Professor Chris Cowton's on-going participation in ICAEW's Ethics Standards Committee and support, advice and encouragement ... has helped to ensure that the momentum which was started with the publication of the *Reporting with Integrity* paper in 2007 and subsequent P.D. Leake Lecture later that year continues for the benefit of the accounting profession and generations to come.'

Impact case study (REF3b)

5. Sources to corroborate the impact (indicative maximum of 10 references)

Impact on ICAEW:

S1 Two page letter from former staff member at ICAEW dated 7th November 2013.

S2/3 Two page letter from two current members of staff at ICAEW 5th November 2013.

Impact in Ireland:

S4 Letter from Irish Chartered Accountant and independent consultant, former member of Council and of the Ethics Committee of Chartered Accountants Ireland dated 8th November 2013.