

Original Research Article**The Impact of Accounting Ethics in Improving Managers' Behavior and Decision Making In the Jordanian Business Environment.****Abstract**

The current study aims to examine the impact of accounting ethics in improving manager's behavior and decision making. Also the study will examine factors affecting accountants and managers' ethical behavior. The key to maintaining confidence of clients and the public is professional and ethical conduct that make accountant act with integrity, objectivity, and independently, even to the sacrifice of personal benefit. A questionnaire has been designed for this purpose, and it was distributed to selected accounting employees working in different business environments. The number of questionnaires analyzed were (100) questionnaires. Resolution data were analyzed using the statistical program Smart PLS,(Partial Least Square). The study concluded that, every company should have a code of ethics that can minimize risk, and ensure reliable financial statements, and the best ethics guide that staff can follow is their manager's real behavior, and a strong ethical values that reinforce the norms of ethical decision-making.

Keywords: Accounting Ethics, Managers' Behaviors, Ethical Conduct, Ethical Standards.

1. Introduction

Ethics is a code of conduct that applies to everyday life. It addresses the question of whether actions are right or wrong. Ethical actions are the product of individual decisions. When an organization is said to act ethically or unethically, it means that individuals within the organization have made a decision to act ethically or unethically. When a company uses false advertising, cheats customers, pollutes the environment, treats employees poorly, or misleads investors by presenting false financial statements, members of management and other employees have made a conscious decision to act unethically. In the same way, ethical behavior within a company is a direct result of the actions and decisions of the company's employees [1].

Ethical decision-making arises from two levels of moral reasoning: (1) the intuitive level consisting of one's personal feelings and ideas as to the right and wrong of a particular situation feelings derived from beliefs formulated out of personal knowledge and experiences; and (2) the critical evaluative level consisting of reasoned judgments and evaluations of the situation. As to the application of moral reasoning to a given situation, one's intuitive response is always immediate and personal; it is our initial impression or gut- feeling. It simply comes to us that this is correct or incorrect, right or wrong. The critical evaluation level, on the other hand, is a decision we arrive at by applying ethical theory, moral principles, and professional rules, standards, codes and laws to the specific situation which must be decided. Critical evaluation is seasoned thought. Relevant to the application of moral reasoning is the fact that while ethical rules and standards are helpful to critical thinking, they can be inadequate for some situations. Similarly, theory can be too abstract making it difficult for one to derive practical and specific applications. Therefore, people place a heavy reliance on ethical principles for the resolution of their problems [2].

Business ethics formulates now the main part of industry growth especially after the financial scandals that hit many famous industries. Most of these scandals embodied illegal actions, bribes, misuse of power, financial corruption, and embezzlement. As a result of these actions, the necessity to ethical standards has raised. Generally, Ethical standards work as a framework that determines its relations with employees, customers, business and public. It also works as a guideline to firm's objectives and future plans [3].

The core of accounting or auditing job is ethics. An accountant has to perform his duties with utmost care and honesty. The accuracy of the financial statement does not mean it is reliable and faithful. A reliable financial statement means that it is verifiable, is a faithful representation, and is reasonably free of error and bias. Faithfulness means that the numbers and descriptions represent what really existed or happened. The accounting numbers and descriptions agree with the resources and events that these numbers and descriptions purport to represent [4]. In Other words, financial accountants in the performance of their professional duties are called on for moral discernment and ethical decision making. The decision is more difficult because a public consensus has not emerged to formulate a comprehensive ethical system that provides guidelines in making ethical judgments.

Recent studies indicated that nearly all accounting textbooks have focused on ethics and its importance, in 1988, Stephen E. Loeb proposed that accounting students need to be educated so that they attain the following objectives: [5].

- 1- Understand both the composition of and the mechanism for enforcing the various codes of ethics that exist within accounting.
- 2- Understand the social control mechanism that society can use to assure itself that the public accounting profession regulates itself and, also, to sanction a public accountant who does not comply with professional standards.
- 3- Are able to respond effectively to ethical dilemmas that arise in accounting.
- 4- Are able to deal with the dynamic nature of the ethics environment that exist today in accounting

2. Study Problem

One of the main audit failures from the 1980s up to now is due to improper ethical values. As we mentioned earlier in the introduction that the accounting profession is very critical to society, both, the internal and external users are benefited from the accountant outcomes. Accordingly, the information they provides helps in making critical decisions, but at the same time these decisions may cause disruption to the capital market and the society at the same time. So the presence of a code of ethics will work on organizing the financial outcomes and accordingly organizing the capital market and the society as a whole.

3. Study Importance

Importance of the current study can be derived through management practices and behavior. Unethical behavior of accountant will lead to harmful consequences to both managers and auditors. An effective code of ethics will regulate the profession and its outcomes, and control the fraudulent actions. It's important that every company should have a code of ethics that can minimize risk, and ensure reliable financial statements.

4. Study Objectives

The current study aims to examine the the impact of accounting ethics in improving managers behavior and decision making. The environment of accounting profession has a dynamic nature, so every step in performing the accounting cycle should be executed in top ethical care. As Unethical behavior will lead to harmful consequences to all users of financial information, the need to have reliable and ethical financial outcomes is the aim of this research study.

5. Literature Review

Ethics, sometimes known as philosophical ethics, ethical theory, moral theory, and moral philosophy, is a branch of philosophy that involves systematizing, defending and recommending concepts of right and wrong conduct, often addressing disputes of moral diversity. The term comes from the Greek word ethos, which means character. Philosophical ethics investigates what is the best way for humans to live, and what kinds of actions are right or wrong in particular circumstances [6].

Professional ethics is a code of conduct that applies to the practice of a profession. Like the ethical conduct of a company, the ethical actions of a profession are a collection of individual actions. As members of a profession, accountants have a responsibility, not only to their employers and clients but to society as a whole, to uphold the highest ethical standards. Historically, accountants have been held in high regard. For example, a survey of over one thousand prominent people in business, education, and government ranked the accounting profession second only to the clergy as having the highest ethical standards [7]. It is the responsibility of every person who becomes an accountant to uphold the high standards of the profession, regardless of the field of accounting the individual enters [8].

Every accounting board should adopt codes of professional conduct, in order to ensure that its members understand the responsibilities of being professional accountants. Fundamental to these codes is responsibility to the public, including clients, creditors, investors, and anyone else who relies on the work of the certified public accountant. In resolving conflicts among these groups, the accountant must act with integrity, objectivity, and independently, even to the sacrifice of personal benefit.

Jackling, Philomena & Steven, in their article Professional Accounting Bodies' Perceptions of Ethical issues, Causes of Ethical Failure and Ethics Education determined the top nine factors that contributed to ethical failures for accountants based on a survey of 66 members of the International federation of Accountants IFA. The factors include: [9,3].

- 1- Self Interest
- 2- Failure to maintain objectivity and independence
- 3- Inappropriate professional judgment
- 4- Lack of ethical sensitivity
- 5- Improper leadership and ill-culture
- 6- Failure to withstand advocacy threats
- 7- Lack of competence
- 8- Lack of organizational and peer support
- 9- Lack of professional body support.

The interest of the public is the primary ethical objective which should be taken into consideration when an accountant or an auditor performs his job. There job should be performed according to the accounting standards and according to a code of ethics. Codes of ethics are suggested means for institutionalizing ethical behavior. Top management demonstrates its commitment to the code through its daily behavior. In addition, the organization reinforces ethical behavior through punishment and e rewarded consistently. The performance evaluation system can be a very important mechanism for demonstrating management's commitment to ethical behavior [10].

There are many stakeholders in many countries who report several concerns in the usage of rules-based accounting. According to recent studies, many believe that the principles-based approach in financial reporting would not only improve but would also support an auditor upon dealing with client's pressure. As a result, financial reports could be viewed with fairness and transparency. So many countries have switched to International Accounting Standards IAS, as they are composed that this would bring changes especially to accounting ethics. Recently most countries have adopted the International Financial Reporting Standards IFRS as these standards are based on understandability, relevance, materiality, reliability, and comparability.

The accurate application of a code of accounting ethics will protect accountant, investors, and the firm from all kinds of manipulation, fraud, and embezzlement. Many accounting bodies have sanctioned several rules in order to support higher ethical behavior. The code of conduct is used by many companies in order to express the company's values and obligations to its stakeholders. The code of conduct also contains a detailed plan of implementing its activities, values and mission. In addition, it has all the restricted and forbidden behaviors [11,6].

5.1 Factors that influence the ethical environment of an organization

5.1.1 Mission and values:

Mission and values help the organization to create a clear common sets of beliefs that guide the decision-making process. Where these are built around strong moral values that can enhance the standards of ethical decision-making. In addition, the increase of ethical decisions will identify strong managers and eventually strong organization.

5.1.2 Leadership and management influence:

Superior staffs are always the example to junior staff, not the ethics policy. Juniors always imitate their superior in actions and behavior, so enforcing good attitude through seniors will create best behavior among juniors resulting in more ethical decisions.

5.1.3 Peer group influence:

Individuals will adhere to group norms even though this may be against what they would do as individuals [12].Peer groups influence attitudes because individuals want to be accepted by others. Juniors seek approval by sharing similar attitudes or by modifying attitudes to comply with those of group.

5.1.4 Procedures, rules and codes of ethics:

A defined code of ethics and procedures will result in a high ethical behavior, it will create better perception about the organization and its objectives. Rewards and sanctions will make the code of ethics more effective.

5.1.5 Ethics training:

Appropriately focused ethics training, particularly that focus on a practical training rather than philosophical emphasis. This kind of training can assist in encouraging ethical decision-making, and can make codes of ethics concrete, but should be consistent with the other factors.

5.1.6 Rewards and sanctions:

Rewards power is often used to back up the use of legitimate power. Reward power works best when employees understand how they can achieve rewards and are kept abreast of their status toward earning the reward. Accordingly, ethical behavior will increase if it is connected to reward, and vise versa. [13,10].

5.1.7 Religion and ethics:

Religion plays an important role in influencing an individual ethics. Generally, a religious employee has a self motivation to act ethically compared to an employee with low level of religiosity [14].

5.2 Factors that influence ethical decision making

When a decision involves an ethical conflict, managers have to counter a real problem. Managers in such situations face difficult alternatives the sweetest of them is bitter. Values pervade the decision-making process, encompassing not only the individual's economic and legal responsibilities but his ethical responsibilities as well. When managers make a choice to act unethically, the consequences are felt by the organization, its shareholders, employees, and customers. When managers make a wrong decision, they are likely reluctant to admit that they have made a wrong decision, then they will try to reduce their dissonance by using many excuses such as; seeking information to support the wisdom of their decision, or adopt a less favorable view of the forgone alternatives, or trying to minimize the importance of the negative aspect of the decision and exaggerate the importance of the positive aspect, eventually, a great deal of such behavior could easily harm organizational effectiveness [15].

5.3 Factors that influence managers' behavior

Ethical behavior cannot be legislated. It is a combination of strong values and the impact of the example set by peers and superiors. To better appreciate ethics, individuals must understand how factors such as values, norms, convictions, integrity, choices and courage interact with each other to impact managers' behaviors and decisions. Together they provide the guidelines that define managers' behavior [16].

6. Method

The primary data needed for the study objectives were collected through a survey conducted among Different Jordanian companies. A questionnaire has been designed for this purpose, and it was distributed randomly to the working employees taking part in actions and activities on carrying out business in their companies in November 2013, and to different management levels. The number of questionnaires analyzed were (100) questionnaires. Resolution data were analyzed using the statistical program Smart PLS.

Quantitative data were collected using a self-administered questionnaire, in which the employees were asked to state the likelihood (on a 5-point scale: [5] strongly agree; [4] agree; [3] neutral; [2] disagree; [1] strongly disagree), 100 copies of the questionnaire were delivered by hand on the respondents, 92 copies were returned (percentage of 92%); these 92 copies were accepted and used in the pilot analysis (percentage of 92%) of the original distributed copies).

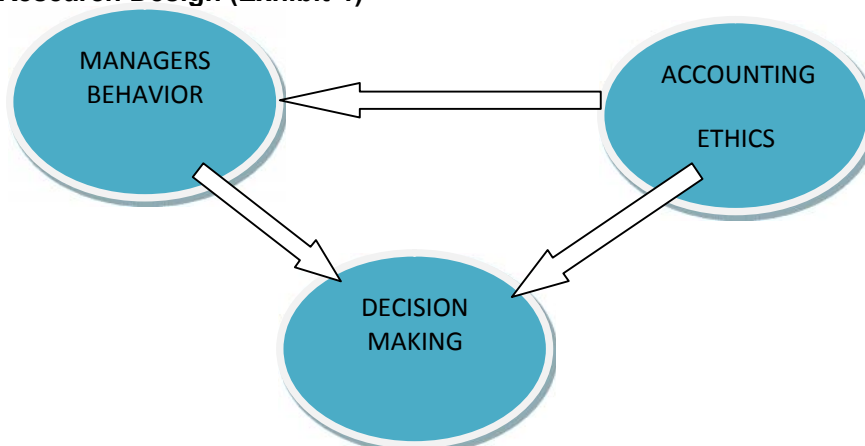
Other Data is collected from secondary sources. Secondary data is collected from articles published by the well-known periodicals, books, and dissertations.

6.1: Statistical Analysis:

The Statistical Package for Social Sciences Smart PLS was applied in analyzing the data received; Statistical Analysis tools include the followings:

1. Descriptive Statistics, mainly frequencies and percentages, were used to analyze sample characteristics according to job, educational level, professional certificates, and experience.
2. Correlation, Inter-correlation, and Path Coefficient were used to analyze and describe study variables from a statistical point.
3. Reliability Test using Cronbach's Alpha was used to test the reliability of the scale.

6.2 Research Design (Exhibit-1)



Research design is formed out of Three main elements which constitute the research design. The Model in Exhibit-1 shows the effect of accounting ethics on managers' behavior and decision making, and the effect of managers' behavior on decision making.

6.3 Study Hypothesis

H1: There is impact of accounting ethics in improving managers behavior and decision making.

H2: There is impact of managers' behavior in improving decision making.

6.4 Data Analysis and Findings

6.4.1: Reliability test:

Cronbach's alpha was used to test the internal reliability of the measurement instrument. In this study 0.60 or higher is considered acceptance [28]. As shown in table (2) the Cronbach's Alphas (α) ranged from 0.779 to .965, thus establishing the reliability of the survey questionnaire. It is obvious that all values of alpha are high. This indicates that for each measurement of a variable, the items are highly correlated and hence highly consistent. Table (1) shows the Cronbach's alpha for each scale:

Table 1: Cronbachs Alpha

	Cronbachs Alpha
Accounting Ethics	0.965982
Decision Making	0.900804
managers Behavior	0.779072

6.4.2 Sample Characteristics

The respondents were 67.4% male and 32.6% female; most of them were between the age of 25 years and 45 years. Most respondents had average experience more than 5 years. The Job title of 46.7% of the respondents were Accountants, 23.9% Accounting officer, Head of accounting department 14.1% and finally 15.2% were Chief financial officers CFO. Most of respondents 70.7% had Accounting degree, JCPA 19.6%, and 9.8% having CPA degree. Demographic data is shown in Table No.(2).

Table No. (2) / Demographics Data for the Pivot Study

Variable	Group	Frequencies	%
Sex	Male	62	67.4
	Female	30	32.6
Total		92	100%
Age	Less than 25 years	13	14.1
	From 26 years—35 years	29	31.5
	More than 36 years—45 years	29	31.5
	More than 46 years	21	22.8
Total		92	100%
Professional Certificate	JCPA	18	19.6
	CPA	9	9.8
	Accounting Degree	65	70.7
Total		92	100%
Job Title	Accountant	43	46.7
	Accounting officer	22	23.9
	Head of Accounting Dept	13	14.1
	CFO	14	15.2
Total		92	100%
Experiences	Less than 5 years	16	17.4
	From 6 years – 10 years	36	39.1
	More than 11 years – 15 years	22	23.9
	More than 16 years	18	19.6
Total		92	100%

6.4.3 Smart PLS Results:

The structural model results are shown in Exhibit 2. Examining the path coefficients; the numbers on the screen enables us to determine, that Accounting ethics has the strongest effect on Decision making (0.806), followed by Managers' Behavior (0.803), and the effect between Managers' Behavior and Decision making was (0.175). Moreover, the three constructs explain 63.3 percent of the variance of the endogenous latent construct Managers' Behavior ($R^2 = 0.633$), and endogenous latent construct Decision making ($R^2 = 0.904$). Table 3 illustrates the r square results.

Model Results: Exhibit-2

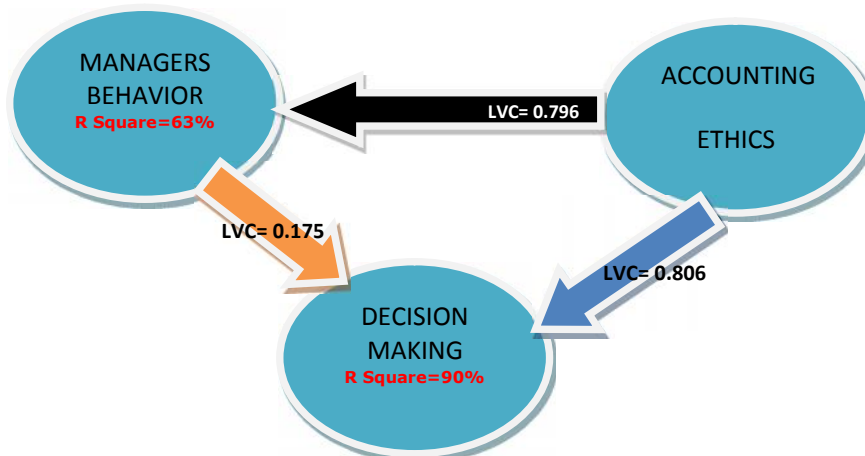


Table-3 the R Square of the Variables

	R Square
Accounting Ethics	
Decision Making	0.903925
managers Behavior	0.633198

The results show that the relationship between the three variables is statistically significant. Based on their path coefficient scores, it would appear that the influence of Accounting Ethics and Managers' Behavior on Decision Making is significant. However, it seems very unlikely that the hypothesized path relationship between Managers' Behavior and Decision Making (0.175) is relatively weak compared to path relationship between Accounting Ethics and managers' Behavior (0.796), and Accounting Ethics and Decision Making (0.806) but still significant, as the findings of Smart PLS rule explains that the path Coefficient is significant if it is above 0.015.

The convergent validity assessment is associated with the Average Variance Estimated (AVE) value. The evaluation of validity criterion in table 4 illustrates that the AVE values of Accounting Ethics (0.565) and Decision Making (0.528) are above the cutoff point of 0.50. Therefore, these two reflective constructs demonstrate high levels of convergent validity. As for the Managers' Behavior construct, although its AVE values is relatively lower than the threshold (.42), this construct has a high composite reliability score (.82), as composite reliability scores could be used as another approach to assess a constructs' convergent validity, and thus demonstrating a valid construct [29].

Table 4: Quality Criteria

	AVE	Composite Reliability	R Square	Cronbachs Alpha
Accounting Ethics	0.565723	0.972605		0.965982
Decision Making	0.528384	0.921204	0.903925	0.900804
managers Behavior	0.423595	0.822338	0.633198	0.779072

6.5 Conclusions & Recommendations

6.5.1 Conclusions

The results show that the relationship between the three variables is statistically significant. Based on their path coefficient scores, it would appear that the influence of accounting ethics and managers' behavior on decision making is significant, so the research hypothesis stating that accounting ethics affects management behavior and decision making is confirmed.

Factors that influence ethics, managers' behavior, and decision making accountants must understand how factors such as values, norms, convictions, integrity, choices and courage interact with each other to impact managers' behaviors and decision making. Also a clear mission and values help create the shared sets of beliefs that guide decision-making. The best ethics guide that staff can follow is their manager's real behavior. Strong ethical values can reinforce the norms of ethical decision-making.

Rewards and sanctions affect ethical behavior, either by increase or decrease effect depending on type of rewards or punishment. Generally they work as an essential approach in responding to positive and negative behavior.

6.5.2 Recommendations

According to the study conclusions the researchers recommend the following:

As accountant's ethics affect managers' behavior and the process of decision making, management should Promote care, courtesy and respect for others, Promote self-esteem, self-discipline, honesty and positive relationships, and Ensure there is fair treatment for all regardless of position, gender, race, ability and disability. In other words management should ensure the highest ethical standards embodied in a strong code of conduct that can maintain high ethical performance by current and future employees. Finally, Management should ensure that the company's expectations of behavior are clear and understood by employees, and stakeholders.

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