ETHICAL DECISION-MAKING AND DELIBERATION TIME IN PROFESSIONAL ACCOUNTING: A CRITICALLY APPRAISED TOPIC

RICKI W. LIVINGSTON, DBA, MSA, MBA
University of Connecticut School of Business
2100 Hillside Road, Unit 1041
Storrs, CT 06269
Tel: (706) 767-2093
e-mail: rlivingston@uconn.edu

ETHICAL DECISION-MAKING AND DELIBERATION TIME IN PROFESSIONAL ACCOUNTING: A CRITICALLY APPRAISED TOPIC

ABSTRACT

Ethical decision-making is central to the study of professional accounting practice. When a professional accountant engages in decision-making without consideration of ethics, decision quality may decline, and stakeholders may suffer severe financial implications. Situational factors such as the length of time available for deliberating decisions may influence the accountant's ability to make a sound ethical decision. The result of compromised ethical decision making is an increased potential for fraudulent behavior. Recent disruptive trends in professional accounting, such as workforce reduction may and automated technologies, alter the time for decision-making. Together, these trends result in a change in workload and a new variation in decision time. However, despite these substantial changes to the work situation, financial stakeholders continue to demand sound ethical decision making. This analysis synthesizes peer-reviewed articles exploring how decision time impacts ethical decision quality and identifies a need for workload optimization in professional accounting.

REVIEW QUESTION

The review question is this: Does decreased time for deliberation yield increased ethical decision quality in professional accounting? The scope of the question using the PICOC framework is shown in Table 1.

Table 1 PICO Framework

PICOC Term	Review Question Components
Problem	Compromised Ethical Decision Making
Intervention	Decreased Decision Time
Comparison	Increased Decision Time
Outcome	Increased Ethical Decision Quality
Context	Professional Accounting Workforce

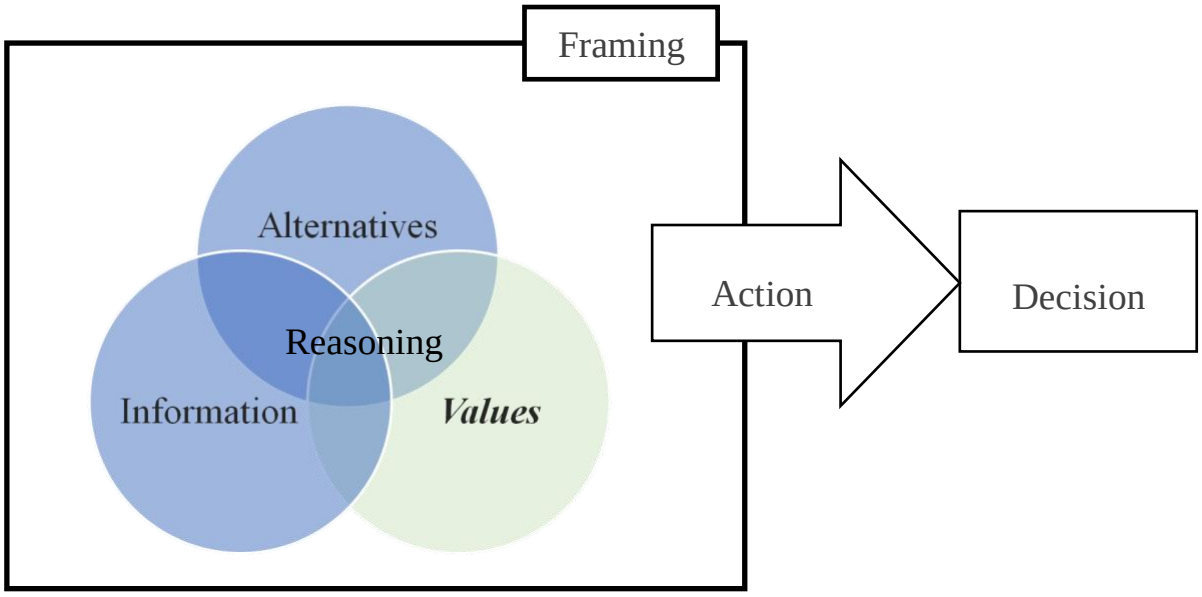
BACKGROUND

In 2021, the Bureau of Labor Statistics report substantially adjusted their estimate of job growth rates for the accounting and auditing profession. Originally, the growth rate was predicted to be 10.7% from 2014 to 2024. The adjustment now reflects an actual growth rate of only 4% in the years 2022 and 2023. This reduced growth rate is predicted to hold until 2032. This decline in growth is estimated to occur through consolidations of current positions or suspension of restaffing vacant positions. As a result of the reduction in the workforce and the adoption of new automated technologies, accountants are tasked with a variation in number of decisions and amount of time for decision making (Carpenter, Mahoney, & Palmrose, 2000). Variation in decision time arises impacting the opportunity to deliberate decisions and analyze ethical implications. Due to the fiduciary nature of the profession, public accountants are held to strict ethical standards as measured by the AICPA Code of Professional Conduct and governed by the Securities and Exchange Commission (SEC).

Scholars define *decision quality* as the judgement of quality at the moment the decision is made. Decision quality is not measured by the action that follows as the result of the decision (Howard 1988, Raiffa, Hammond, & Keeney, 2002). Decision quality is composed of six elements: *framing, alternatives, relevant and reliable information, clear values and tradeoffs, sound reasoning,* and *commitment to action* as shown in Figure 1. *Framing* provides specifics about the issues to be decided. Within the frame, *alternatives* define the choices available; *information* details knowledge and assumptions associated with the alternatives; and *values* reflect the morals, desires and goals for achievement. *Reasoning* combines *information, alternatives,* and *values,* forming the decision basis. *Action* is the election of the choice leading to the decision

(Matheson & Matheson, 1998). The point at which deliberation time affects the decision quality process occurs during the step of *reasoning*, as reasoning is a function of deliberation.

Figure 1: Elements of the Decision Quality Process



From the Decision Quality Process model, ethics presents as *values*. The word *ethics* used in isolation is often inappropriately assumed to inherently possess a directional characteristic that is either "right" or "wrong". However, the term originates from the Greek word *ethos*, simply meaning "custom, habit, character or disposition" (Merriam-Webster, 2019). The term used in isolation does not self-postulate behavior as right or wrong, rather it requires a referent system as a basis for judgement. Simply stated, ethics is a set of moral values or principles (Corts, 1968). *Morals* are "principles of right and wrong behavior and the goodness or badness of human character" (encyclopedia.com, 2021). It is within the referent system, comprised of moral principles defining right and wrong, that an ethical decision may be judged right (high quality) or wrong (low quality). Therefore, the term ethics is neutral until a specified set of moral principles

is applied to the context of the decision. In this analysis, the referent system of moral principles used to determine ethical decision quality in the early-career accounting profession is the AICPA Code of Professional Conduct (CPC).

The AICPA CPC was first introduced in 1973, revised in 1988, and updated in 2014. It is composed as a principles-based standard, versus a rules-based standard, and is applicable to all members of the AICPA. The principles inform general norms providing a framework for more specific rules. Though there are various codes of conduct within professional accounting, the AICPA code is the most widely adopted code by the states for the organization of certified public accountants (CPAs).

SEARCH STRATEGY

The behavioral nature of the research question spans both social science and business research. Therefore, the systematic search strategy was implemented on a step-wise basis (see Figure 1). Selected articles served to answer the research question. Step 1 required the use of the general university library search form. The Boolean query entered was *(ethical decision-making or ethical behavior) AND (time pressure or reaction time).* This returned 1,835 results. To further focus the results related toward business and professional accounting, Step 2 filtered the databases to one, EBSCO Business Source Complete, as the subject matter is accounting centric. This database includes key journals covering the research focus including *Journal of Business Ethics*, *Journal of Decision Sciences* and *Behavioral Research in Accounting*. This yielded 30 results. To capture the results related to decision quality, Step 3 appended the phrase, *AND (decision quality or moral or honesty or lying or deception)* to the initial Boolean query. The query yielded 23 results. Step 4 limited the publications to scholarly, full-text, peer-reviewed journals yielding 13 results. Step 5 established the time horizon of research published from

2010 to present, yielding 11 results. Each of the 11 articles were reviewed for relevancy to the accounting profession. Four articles were applicable to the review question (see Table 2).

Figure 2: Flow of Search Strategy

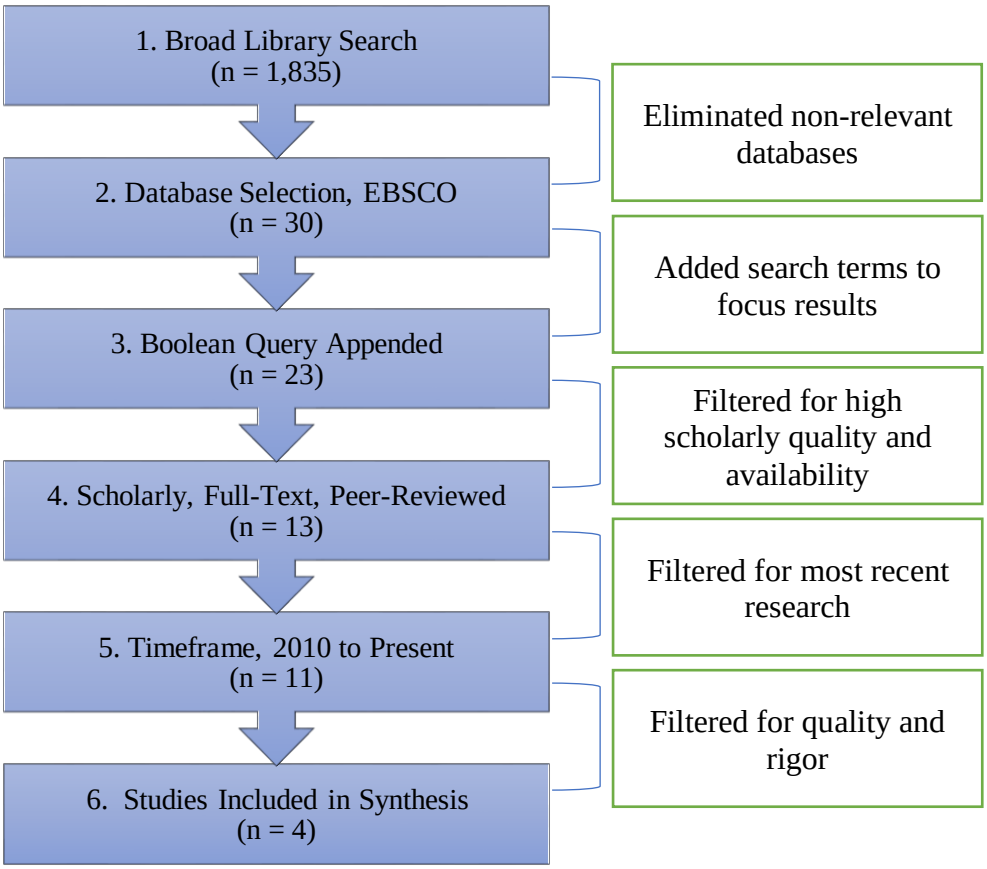


Table 2: Search Results

Study No.	Study
1	Koh, H. P., Scully, G., & Woodliff, D. R. (2018). Can Anticipating Time Pressure Reduce the Likelihood of Unethical Behaviour Occurring? *Journal of Business Ethics*, 153(1), 197–213.
2	Lai, M.Y,K. Sasmita, A, Gul, F.A, Foo, Y.B., & Hutchinson, M. (2018). Busy Auditors, Ethical Behavior, and Discretionary Accruals Quality in Malaysia. *Journal of Business Ethics, 150*(4), 1187–1198
3	Shalvi, S., Eldar, O. & Bereby-Meyer, Y. (2012). "Honesty Requires Time (and Lack of Justifications)." Psychological Science, 23.10: 1264-270. Web.
4	Zhong, CB., Ku, G., Lount, R.B. *et al.* (2010). Compensatory Ethics. *J Bus Ethics* 92, 323–339.

Table 3 details the critical evaluation of the four selected articles.

Table 3: Critical Evaluation

#	Author, Year	Research Approach	Empirical Basis	Analysis Method	Overall Validity
1	Koh, H. P., Scully, G., & Woodliff, D. R., 2018	Lab experiment	Data collected from 60 undergraduate business school students at an Australian university. "A 'scenario-based' mixed design laboratory experiment was conducted with time deadline pressure (anticipated versus unanticipated) as a between-subjects variable and the moral intensity of the plagiarism act manipulated at three levels (major, moderate and minor) as a within-subjects variable" (p. 200).	Statistical inference	ANOVA results produced a significant F test
2	Lai, M.Y,K. Sasmita, A, Gul, F.A, Foo, Y.B., & Hutchinson, M., 2018	Formal model	Data collected on 2,803 observations of auditor's client information and financial data. "The research sample consists of Malaysian public-listed companies (hereafter known as clients) from 2010 to 2013. The clients' information and financial data are obtained from the Compustat Global database. Furthermore, we collect the names of the audit partners from the Independent Auditor's Report section in the annual report of each client" (p. 1190).	Statistical inference	Multiple regression analysis produced a strong r^2.
3	Shalvi, S., Eldar, O. & Bereby-Meyer, Y., 2012	Lab experiment	Data was collected on 76 first-year students in private settings with various time constraints and number of observations. Students performed a die-under-cup task with financial incentives tied to results. "As participants' rolls were anonymous, we detected lying by comparing the observed distribution with the expected distribution of a fair roll" (p. 1266).	Statistical inference	Multiple regression analysis produced significance.
4	Zhong, CB., Ku, G., Lount, R.B. *et al.*, 2010	Lab experiment & modeling	Data collected from 141 MBA & EMBA students at a business schools from the United States, Germany & Canada "We manipulated deliberation time by varying the time intervals between introducing the vignette and requesting participants' responses" (p. 325).	Statistical inference	Multiple regression produced significance, but a low to moderate effect size.

FINDINGS

I summarize the findings derived from the research papers and offer a collective translation of findings in Table 4. The four articles selected provide an answer to the research question related to decision time and ethical decision quality in professional accounting. Of the four articles selected, three agreed the a shorter decision time resulted in lower ethical decision quality. Articles by Lai, Sasmita, Gul, Foo, and Hutchinson (2018), Koh, Scully, and Woodliff (2018), and Shalvi, Eldar, and Bereby-Meyer (2012) find that decreased decision time reduces ethical decision quality. In the study by Lai et al. (2018), findings show that the size of an individual auditor's client base is associated with auditor decision quality. Larger client bases result in lower auditor decision quality as proxied by the number of audit failures.[1] Koh, et al. (2016) reports that decreased decision time has a negative impact on ethical decision quality in a business environment, though the ethical decision quality is somewhat higher if the decreased decision time is anticipated. Shalvi, et al. (2012) posits that people are automatically self-interested, and finds ethical decision quality may increase with the passage of time, but only when justifications exist.

Conversely, Zhong, Ku, Lount, et al. (2010) finds that a longer timeframe for deliberation resulted in lower ethical decision quality. In their study, prolonged introspection diverted respondents away from initial affective reasoning and ethical reactions. This finding is also in agreement with the Fraud Triangle Theory which posits that time for rationalization leads to increased chances of justifying unethical decisions (Cressey, 1973).

[1] Audit failure is viewed as an ethical lapse in the accounting profession.

Table 4: Key Findings and Synthesized Recommendation

#	Author, Year	Findings	Comments	Synthesized Recommendation
1	Koh, H. P., Scully, G., & Woodliff, D. R., 2018	Decreased decision time has a negative impact on ethical decision quality in a business environment, though the ethical decision quality is somewhat higher if a time constraint is anticipated.	Further research is needed to include antecedents of time pressure. Potential antecedents are sources of time pressure (career or personal), location of ethical decision (remote work versus collocation), ethical sensitivity (prior indoctrination), and various other situational and demographic factors.	Firms should consider the situation of the individual accountant from a holistic perspective. Measures may be taken to fairly reconcile job expectations with personal concerns. Firms may consider strategies for optimizing workload across the accounting staff. These strategies may include adopting technologies such as robotic process automation (RPA) to balance decision time. Continuing Education requirements for CPA licensure may include programs offered by National Accounting of State Boards of Accountancy (NASBA) Center for Public Trust. Academic institutions may enhance curriculum to include further ethical training and competency skills.
2	Lai, M.Y,K. Sasmita, A, Gul, F.A, Foo, Y.B., & Hutchinson, M., 2018	Auditors with multiple clients are associated with lower earnings quality as proxied by the size of total accruals and discretionary accruals.	Audit failure is seen as an ethical lapse in the accounting profession. Auditors are charged to remain competent and unbiased. Further research should be conducted to optimize auditor client base size.	
3	Shalvi, S., Eldar, O. & Bereby-Meyer, Y., 2012	People's natural self-serving tendency may be overcome with ample decision time and without the ability to justify dishonesty.	This experiment is based in psychology, but relies on a financial incentive test and time to answer the research question. Aggregated data does not allow for the assessment of individual differences. Anonymity excludes factors such as fear of detection.	
4	Zhong, CB., Ku, G., Lount, R.B. *et al.*, 2010	A longer timeframe for deliberation resulted in poor ethical decisions due to extensive introspection as a distraction from initial affective reasoning and ethical reactions.	This is also in agreement with the Fraud Triangle Theory which posits that time for rationalization leads to increased chances of justifying unethical decisions (Cressey, 1973).	

CONCLUSION

Translations of the key findings suggests that ethical decision quality may be compromised when accountants are faced with decreased decision time. However, one author found that time allowed for extensive deliberation may also lead to rationalization and justifying an unethical decision. Though these findings identify a potential area of weakness, none of the articles recommend a specific remedy. However, I conclude that time management is one natural step to deter problems of ethical decision making. Workload optimization provides for a collection of strategies that serve to improve employee efficiency and effectiveness. As a result workload optimization is one essential practice to mitigate ethical decision quality.

RECOMMENDATIONS

Accounting firms who are seeking to reduce their workforce should carefully consider the time constraints placed on their staff from the increased workloads. Short-term, myopic efficiencies may result in long-term negative economic impact through poor ethical decision quality. Accounting firms may consider strategies for optimizing workload across the accounting staff. These strategies may include adopting technologies such as robotic process automation (RPA), flexible work arrangements, or improved alignment between individual accountant expertise and job assignments. Further work must be done to solve the problem of decision time and ethical decision quality in the face of increased workloads. At the academic institution level, accounting degree programs should ensure that students are aware of ethical implications. Incorporating ethical training within the curriculum and providing instruction on the principles of the AICPA CPC is essential. At the accounting profession's level, continuing professional education (CPE) requirements may incentivize accountants to elect for ethics-based training. Programs offered by National Accounting of State Boards of Accountancy (NASBA) Center for Public Trust could

serve to provide ethical certification. The role of the professional accountants as gatekeepers of financial information integrity will continue for the foreseeable future.

LIMITATIONS AND FUTURE RESEARCH

Further research should be conducted to better understand strategies for optimizing accounting staff workload. Factors such as religious position should be considered as religion has a basis in ethical teaching. Foucault (1977-8) reminds us that even the German police understood the concept of *Polizeiwissenschaft* which posits that a set of laws governing the care of buildings, squares and paths cannot be enacted without consideration to "religions and manners" (p. 342). Other behavioral implications are found in groups such as conformity, co-policing, behavior normalization and intensification of attitudes. Therefore, it should be noted that, due to conformity, lower ethical decision quality may result from working in the presence of other people who are unethical. This proposition may be examined through a future study on work location factoring in measures of ethical in-betweenness, as well as other variables of interest. Additionally, further research is needed to include antecedents of decision time. Potential antecedents (career or personal) may include the location of ethical decision (remote work versus collocation), ethical sensitivity (prior indoctrination), area of expertise, and various other situational and demographic factors.

Finally, the extent of ethical training and competence should be considered. Though ethics training is required for CPA licensure, competencies vary by state board. Programs offered by organizations such as National Accounting of State Boards of Accountancy (NASBA) Center for Public Trust may increase ethical decision quality, even in the face of decreased decision time. At the university level, accounting programs may also consider including components of ethical instruction in multiple courses in the curriculum.

REFERENCES

Bureau of Labor Statistics, U.S. Department of Labor, (2021). Occupational Outlook Handbook, Accountants and Auditors, at https://www.bls.gov/ooh/business-and-financial/accountants-and-auditors.htm (visited January 06, 2021).

Carpenter, B. , Mahoney, D. , & Palmrose, Z. (2000). The report of the Panel of audit Effectiveness: Recommendations and implications. *The CPA Journal* , *70* (8)

Corts, Thomas E. (1968) The derivation of ethos, Speech Monographs, 35:2, 201-202, doi: 10.1080/03637756809375583.

Cressey, D.R., (1973). Other People's Money, *Montclair*, Patterson Smith, 30.

ethos. (2019). In *Merriam-Webster.com.*
Retrieved December 23, 2019, from https://merriam-wesbster.com/dictionary/ethos

Foucault, M. (1977-78). Security, territory, population. Course at the Collège de France, Paris: Gallimard / Seuil ("Hautes Études" Collection), 2004, 435 p.

Howard, Ronald A. (1988). Decision Analysis: Practice and Promise. *Management Science*, *34*(6), 679–695. https://doi.org/10.1287/mnsc.34.6.679

International Monetary Fund. (2021). World Economic Outlook Update, at https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update (visited January 06, 2021).

Koh, H. P., Scully, G., & Woodliff, D. R. (2018). Can Anticipating Time Pressure Reduce the Likelihood of Unethical Behaviour Occurring? *Journal of Business Ethics*, 153(1), 197–213.

Lai, K. M. Y., Sasmita, A., Gul, F. A., Foo, Y. B., & Hutchinson, M. (2018). Busy Auditors, Ethical Behavior, and Discretionary Accruals Quality in Malaysia. *Journal of Business Ethics*, *150*(4), 1187–1198.

Matheson, D., & Matheson, J. (1998). The Smart Organization: Creating Value through Strategic R&D. *Harvard Business School Press*, Boston, MA. 298 pp.

moral. *The Oxford Pocket Dictionary of Current English*. (2021). Retrieved January 12, 2021 from Encyclopedia.com: https://www.encyclopedia.com/humanities/dictionaries-thesauruses-pictures-and-press-releases/moral-1

Raiffa, H., Hammond, J. S., & Keeney, R. L. (2002). Smart Choices: A Practical Guide to Making Better Decisions. In *Harvard Business School Press Books* (p. 1).

Shalvi, S., Eldar, O. & Bereby-Meyer, Y. (2012). "Honesty Requires Time (and Lack of Justifications)." Psychological Science, 23.10: 1264-270. Web.

Zhong, CB., Ku, G., Lount, R.B. *et al.* (2010). Compensatory Ethics. *J Bus Ethics* **92,** 323–339