

THE POWER
OF ONE



Personal Reputation





The Power of One calls on all CAs to place ethical leadership at the heart of their professional responsibilities, to shape the culture and values of their organisations, to help re-establish ethics at the core of business practices and to rebuild public trust in business.

In turn, ICAS is committed to providing new resources and support for members on ethics. Since 2015, ICAS has published a series of publications, guidance and resources as part of the Power of One initiative.

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Summary

- Chartered Accountants (CAs) have a responsibility to themselves, their profession, society, and their organisation to demonstrate the highest standards of ethical behaviour.
- A professional's reputation is his or her personal brand – it is how well the professional is regarded, and how he or she will be remembered. Reputation takes a long-time to build, but can be lost in an instant.
- If others within an organisation are behaving unethically then the CA has an obligation to highlight this, and seek to influence, and modify, behaviour going forward. It is recognised that it can be difficult to take the ethical stance - a CA has to have 'moral courage' to exert ethical leadership and stand up against others who are not behaving ethically. However, the reality is if a CA suspects impropriety and does nothing, the CA could be found guilty of condoning it, and could potentially be implicated in a scandal at a later date. Ultimately, 'turning a blind eye' could lead to reputational ruin for both the individual and their organisation.



Introduction

It takes 20 years to build a reputation and five minutes to ruin it. If you think about that you'll do things differently.

Warren Buffett¹

Unethical behaviour has been at the root of recent scandals involving both individuals and corporations. A clear principle is that leadership and good habits are about taking personal responsibility. If you look in the mirror who do you see? Professionals live by their reputation. This is their behavioural capital, their personal brand, what they will be remembered for. It takes a lifetime to build a reputation but only one moment to lose it.

How do you want to be remembered?

How do you want to be remembered? What will be your legacy? These are fundamental questions for everyone. Self-reflection is a very important part of reinforcing ethical concepts. Whilst with the pace of business it can sometimes be difficult to catch your breath, there is little doubt of the need to take time to reflect – to consider whether your actions and decisions are building up your personal reputation, and are not building up problems which could destroy it.

The premise of the current ICAS strategy is that becoming a CA is not simply about acquiring a qualification. It is very much focussed on the role of the individual. Gaining the CA qualification is just the beginning – it is the foundation of a career for life. It is also a signpost of ethical leadership.

Will someone be happy to be remembered as the person who made the most sales, or presided over the highest profits, or earned the biggest bonus, but whose business practices were, at best, questionable? How we are remembered at various stages in our life will be influenced by a number of factors. Memories of success are short, but memories of ethical failure are long lasting. You can provide years of good service to a company, but if you do one thing wrong you may be remembered for that.

Abuse of power by senior figures in an organisation is a common failing in corporate and other scandals. In the Satyam Computer Services corporate scandal in India, the Chairman and Chief Executive, Ramalingam Raju commented that: “It was like riding a tiger, not knowing how to get off without being eaten”ⁱⁱ in reference to the fact that once he started manipulating the financial performance and position of the entity there was no turning back, without having to face the consequences of discovery.

By way of contrast, Michael Woodford, former CEO of Olympus, is an example of a business person who gained his reputation for demonstrating ethical leadership and moral courage when he exposed the financial irregularities at Olympus in 2011, a corporate scandal referred to by The Wall Street Journal as “one of the biggest and longest-running loss-hiding arrangements in Japanese corporate history”ⁱⁱⁱ.

The circumstances faced by Michael Woodford were extreme; however, if every CA demonstrates similar qualities of ethical leadership and moral courage in their career, their own personal reputation, as well as their organisation’s reputation, and the reputation of the accountancy profession, can be safeguarded.

Personal Reputation

A different world

There is little doubt that the mood of the public has changed. The public's attitude towards business has hardened, including in relation to perceptions of excessive executive remuneration and aggressive tax avoidance. Ultimately, the success of business is based on trust – the trust of customers, but also the trust of a range of stakeholders and that of society which provides business with the mandate to operate. Once trust is established, it can have many benefits for business; once it is destroyed it is very hard to regain.

The 'think before you act' mantra also has heightened relevance for social media. One only has to look at the scandals which have been blown up in the media out of inappropriate comments made on Twitter. The undoubted benefit of social media, that is, the ability to communicate with a large group of persons almost instantaneously, is also its biggest danger.

If you look in the mirror who do you see?

Behaviour is key to everything that we do in life. Ultimately, for most of us, the best judge of our own behaviour is likely to be ourselves. It is the process of self-reflection. Can you sleep at night? Is your conscience clear? The decisions that people make can be influenced by several factors including their own personal relationships, as well as social and organisational pressures. However, at the end of the day, the question is whether an individual can look at themselves in the mirror and be satisfied with the decisions that they have made.

But, even then, personal biases can come into play - individuals can have a propensity to see what they want to see, not what is actually there. People can easily convince themselves that their interpretation of the law, or ethical principles, justifies what they have done, or want to do. A mistake can start off small, easily be argued away in the mind of the perpetrator, but what happens when it snowballs into a bigger issue? When is the tipping point for a person to admit, even to his or her self, that there is a problem? Also, some people will have higher tolerance levels for impropriety than others.

However, the bar is set high for CAs. They are employed because of the professionalism and values they bring to an organisation – not just technical capability and business acumen, but the ethical values of integrity, objectivity and independence of mind – values and behaviours that should help to promote the long-term best interests of the organisation. The **2021 ICAS Code of Ethics** (paragraph 200.5 A3)^{iv} specifically states: “To the extent that they are able to do so, taking into account their position and seniority in the organisation, accountants are expected to encourage and promote an ethics-based culture in the organisation.”

Examples of actions include engendering a supportive and collaborative environment where people are encouraged to ‘speak up’ if they have concerns; and promoting and upholding a culture of fairness, including respect for values of equality, diversity and inclusion.

In the UK all company directors, irrespective of their company’s size, have a duty under Section 172 of the Companies Act 2006 to promote the long-term success of their company. Directors must also have regard to the interests of not only shareholders but a range of stakeholders (including employees, suppliers, customers, the community and environment) as part of the board’s decision-making process. If organisations do not do what is right for their employees, customers and other stakeholders, they will not survive in the longer-term. The Section 172 reporting obligations^v should assist Boards in ensuring that, not only do their directors comply with their statutory duties, but also that shareholder, employee and other stakeholder considerations are properly considered in the Board’s deliberations.

CAs are obligated to uphold the highest levels of ethical standards. Influences which might mitigate questionable decisions include Codes of Conduct, training, and mentoring. Everyone makes mistakes; however, the secret is to own up to, and take responsibility for, those mistakes and seek to correct them as soon as possible.

Loyalty versus objectivity

Loyalty is a much treasured attribute. However, care has to be taken to ensure that one's loyalty is not misplaced. CAs need to assess a situation based on the available facts and not because they feel a loyalty towards a specific individual or group of individuals. It is this ability for a CA to remain objective that in part makes them highly valued individuals. Undoubtedly, 'misplaced loyalty' could be a threat to one's objectivity and integrity.

Reputation is everything

As discussed in the ICAS research **Speak up? Listen Up? Whistleblow?**^{vi}, whistleblowing / 'speak up' mechanisms within organisations are vitally important – they encourage and empower individuals to 'speak up' if they encounter ethical issues and give them the confidence to promote good behaviour and influence others. Speaking up allows issues to be dealt with at the earliest opportunity before they escalate. Listening is also important – if someone speaks up but nobody listens, then the speaking up will not be effective. There is therefore a need for managers to 'listen up' – concerns need to be listened to and then action taken to investigate the issue. Sometimes an investigation will show that there are no issues, sometimes people will be mistaken, but they need to know that matters will be investigated so that issues of concern do come to light.

If others within the organisation are not behaving ethically then the CA has an obligation to highlight this and seek to influence, and modify, behaviour going forward – a CA cannot just stand by and watch it happen. It is recognised that this will not always be easy - it can be difficult to take the ethical stance, and to stand up against others if their behaviour is inappropriate. Ethical leadership requires moral courage. Since 1 November 2017, the need for Chartered Accountants to have 'courage to act morally' is highlighted in the ICAS Code of Ethics to reflect that ICAS recognises that often 'doing the right thing' may not be easy and the ICAS belief that 'moral courage' is an underpinning qualitative characteristic required of a CA in order to be able to uphold the five fundamental principles.

The ICAS Code of Ethics is substantively based on the International Ethics Standards Board for Accountants (IESBA) Code of Ethics. With effect from January 2022, following an IESBA project to promote the role and mindset expected of professional accountants,

new application material is being added to the 'Integrity' principle within the Code of Ethics which contains the substance of the concept of 'moral courage' emphasising that integrity includes having the strength of character to act appropriately when faced with challenging circumstances. ICAS views this as reinforcing the message of moral courage. ICAS intends to retain moral courage as an enabler and this will work together with the IESBA enhancements to the fundamental principle of integrity.

The ICAS paper **Moral Courage**^{vii} (published as part of The Power of One series of ethics themed papers) provides a more detailed discussion about this topic.

No matter a CA's role in an organisation, whether newly qualified or an experienced Finance Director, if they suspect impropriety and do nothing, they could find themselves being guilty of condoning it, and could then be implicated in a potential scandal at a later date. You need to ask yourself: what could the impact be on my personal reputation? What could be the impact on my long-term career? On occasion, your career in the short-term may need to suffer in order to protect your longer-term future. Such decisions are not easy, but may need to be made to protect your personal reputation.

CAs also have a responsibility to take into consideration the public interest and to maintain the reputation of the accountancy profession. Personal self-interest must not prevail over those duties. Failure to do so may lead to a CA becoming liable to disciplinary action. CAs are bound by the terms and the spirit of the ICAS Code of Ethics. The fact that particular conduct does not appear among a list of prohibited courses of action might not prevent it amounting to misconduct.

The old maxim of 'if it's too good to be true – then it's probably not true' comes to mind. Could you stand in front of a disciplinary committee, or a court, and explain your actions to a judge? Likewise, could you explain to an Annual General Meeting (AGM) of shareholders why you adopted a certain course of action, or explain on camera to the public at large? When faced with a difficult dilemma, these are usually good questions to ask yourself to help focus the mind and determine the 'right' course of action.

People are judged by their actions. It is recognised that the optimal decisions will not be made every time, but there is a need for every CA to seek to uphold the highest of ethical standards, and in so doing safeguard not only their own reputation but also that of their organisation, and their profession.

The purest treasure mortal times afford
Is spotless reputation; that away,
Men are but gilded loam or
painted clay.

Richard II, William Shakespeare ^{viii}

Endnotes

- i <http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/8381363/Warren-Buffett-his-best-quotes.html>, Warren Buffett, b. 1930, American businessman, The Telegraph, “Warren Buffett: his best quotes”, on-line (accessed 7 June 2016)
- ii <http://news.bbc.co.uk/1/hi/business/7815031.stm> BBC, “India IT boss quits over scandal”, on-line, (accessed 9 October 2020)
- iii http://www.wsj.com/articles/SB10001424052_970204190704577024680506345936 The Wall Street Journal “Olympus Admits to Hiding Losses”, on-line (accessed 9 October 2020)
- iv <https://www.icas.com/professional-resources/ethics/icas-code-of-ethics> (accessed 16 October 2020)
- v https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/755002/The_Companies_Miscellaneous_Reporting_Regulations_2018_QA_-_Publication_Version_2_1_.pdf, (accessed 16 October 2020), Department for Business, Energy and Industrial Strategy, Corporate Governance, The Companies (Miscellaneous Reporting) Regulations 2018 Q&A, November 2018, page 4
- vi <https://www.icas.com/professional-resources/ethics/Publications-and-guidance/speak-up-listen-up-whistleblow-in-their-own-words-insights-into-the-ethical-dilemmas-of-icas-members>, (accessed 16 October 2020), “Speak up? Listen up? Whistleblow? A survey of ICAS members”, Paisey, C, Paisey NJ and Tsalavoutas, I (2019) and “Speak up? Listen up? Whistleblow? In their own words – Insights into the ethical dilemmas of ICAS members”, Paisey C (2019)
- vii <https://www.icas.com/professional-resources/ethics/resources-and-support/moral-courage> (accessed 16 October 2020)
- viii William Shakespeare, Oxford Dictionary of Quotations, Seventh Edition, Richard II, page 730, number 2

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