

THE POWER
OF ONE



The CA and the organisation





THE POWER OF ONE

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

CAs are required to comply with the five fundamental principles of the ICAS Code of Ethics - integrity, objectivity, professional competence and due care, confidentiality and professional behaviour - but as employees, partners or directors, CAs are also required to comply with the code of conduct and values of their respective organisations. Following on from ICAS's The Power of One – Organisational culture and values publication, this paper seeks to align the ethical principles incumbent upon every CA with those organisational values. It concludes upon the fundamentally important role that ethics and the habits that individual CAs have in ensuring an appropriate culture within an organisation.



The Power of One

The power of the individual – ‘The Power of One’ – cannot be underestimated and encapsulated within it is the ability to lead and influence others to do the right thing.

ICAS The Power of One – Personal Responsibility and Ethical Leadership

ICAS’ **The Power of One** initiative calls upon CAs to demonstrate ethical leadership and in so doing influence the business environment in which they work. Organisations often promote their organisational values, but there is a need for the individuals within organisations to actually live those ethical values. Values therefore need to be more than rhetoric - printed or spoken - they must be demonstrated every day in every way. It is the individuals within an organisation that shape its culture and that is where individual CAs in organisations – at all levels – are able to play an important role.

CAs are bound by the five fundamental ethics principles in the ICAS Code of Ethics (which is substantively based on the Code of Ethics published by the International Ethics Standards Board for Accountants (IESBA)).

These are defined as follows:

- a. Integrity - to be straightforward and honest in all professional and business relationships.
- b. Objectivity - not to compromise professional or business judgements because of bias, conflict of interest or undue influence of others.
- c. Professional competence and due care – to:
 - i. Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation; and
 - ii. diligently and in accordance with applicable technical and professional standards.
- d. Confidentiality - to respect the confidentiality of information acquired as a result of professional and business relationships.
- e. Professional behaviour - to comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know might discredit the profession.

Each individual CA has personal responsibility for upholding these five fundamental ethics principles, and with that duty comes an obligation to challenge others when their behaviour is considered questionable. CAs therefore have a key role to play in challenging, influencing, and directing the culture within organisations.

ICAS fundamental ethics principles and corporate values – a comparison

Most listed companies and other large organisations identify their corporate values on their websites, and it is these corporate values that organisations often use to define their ‘corporate culture’, or at least the corporate culture they seek to emulate. However, following various corporate scandals, it has become questionable whether the reality of the corporate culture within some organisations reflects the rhetoric on their websites.

Corporate values

A review of the websites of 25 FTSE 100 companies was undertaken in late 2016 in order to identify the corporate values promoted by these organisations. The selection was not undertaken on a statistical basis but was designed to ensure that companies from different sectors were included.

Some companies’ values were easily found on their websites; others were not. Some companies published lots of information on their values; others did not. Nevertheless, a wide array of values were quoted by the organisations selected. Certain values were unique to individual companies, but there was also a great deal of common ground. In particular, a common theme was that the majority of organisations cited values which had some form of ethical connotation, for example through the following words:

accountability	balanced	compliance
courage	decent	dependable
do the right thing	excellence	fair dealing
honesty	honour	integrity
open	quality	reliable
reputation	respect	responsible
service	sustainable	transparent
trust	truthful	valued

In Autumn 2020 a review of the same 25 companies was carried out to see if there had been any significant changes. As in 2017, there was a range of information provided on corporate websites in relation to values. Many of the 25 companies had the same, or similar, values on their websites to those they had in 2017.

Whilst ‘diversity’ and ‘inclusion’ are inherent in several of these values, some companies specifically note ‘diversity’ as a component of their stated values such as ‘doing the right thing’, being ‘open’ and showing ‘respect’. For example, with effect from 1 January 2021, the ICAS Code of Ethics highlights the importance of CAs respecting values of equality, diversity and inclusion. These amendments do not represent a change in the substance of the Code but do highlight that upholding these values is in the spirit of what it means to be a Member of ICAS.

Corporate values and the ICAS fundamental ethics principles

If one then examines the five ICAS fundamental ethics principles to assess how easily each of these would be applicable to individuals within the corporate entity the following is noted:

Fundamental Principle	Applicability to individuals within a corporate entity
Integrity To be straightforward and honest in all professional and business relationships.	Integrity is seen as a core ethical corporate value. Therefore the value imposed on the professional accountant readily transfers to the corporate entity. The ICAS Code of Ethics states that “integrity implies fair dealing and truthfulness”. With effect from January 2021, ICAS highlights in its Code of Ethics that fair dealing includes respecting values of equality, diversity and inclusion. Organisations should also adopt, promote and embed a culture of fairness, including respect for values of equality, diversity and inclusion.
Objectivity Not to compromise professional or business judgements because of bias, conflict of interest or undue influence of others.	‘Objectivity’ was not a term specifically identified by any of the companies selected in the review process – although ‘fair dealing’ and ‘balanced’, were recognised as values by some. Objectivity, or being ‘free from bias’, could therefore, to some extent, also be equally applicable to the corporate entity. For example, individuals in corporate entities have to manage conflicts of interest, just as practising accountants do. They may also have to promote their organisation’s position, which could conflict with the principle of objectivity, however objectivity would generally not be compromised provided any statements made are not false or misleading. And so, whilst not necessarily seen as a key corporate value, we do not believe this would conflict with such a value being placed on individuals who work for an organisation.

Fundamental Principle	Applicability to individuals within a corporate entity
Professional competence and due care To: i. Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation; and ii. diligently and in accordance with applicable technical and professional standards.	Whilst professional competence and due care may be specifically aimed at the individual, the meaning behind the value also applies equally to the corporate entity. One assessment of competence would be to expect the corporate entity to be producing or delivering services for which it had the appropriate capability and resources - one would not expect an organisation to be promising to deliver goods or services for which it did not have the capability. Companies should also be expected to act responsibly and exercise due care when selling goods and services, both in terms of quality (identified as a value above) and health and safety. Reliability and dependability were also values identified by some of our selected corporates – qualities which would also be expected of an individual CA.
Confidentiality To respect the confidentiality of information acquired as a result of professional and business relationships.	One would expect that companies would not divulge private information (e.g. personal details of customers) unless required to by law or other regulatory requirements. However, to be 'open' and 'transparent' were values identified by some of the selected corporates. So how does the concept of transparency sit with the concept of confidentiality? There is an increasing onus on companies to be more transparent, not just in relation to normal corporate financial communications, but on communications on many other subjects, such as their approach to corporate social responsibility and equality, diversity and inclusion. This is an area which will continue to evolve over time.

Fundamental Principle	Applicability to individuals within a corporate entity
Professional behaviour To comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know might discredit the profession.	Professional behaviour has a particular resonance for individual CAs. But, with increasing importance being placed by stakeholders on corporate responsibility, there is some merit in a corporate entity having values enshrining 'professionalism' such as the need for consideration of the public interest; providing a knowledge base to employees (training); and having codes of ethics or conduct. ⁱⁱ One also expects corporate entities to comply with applicable laws and regulations. With effect from January 2021, ICAS highlights in its Code of Ethics that 'professional behaviour' includes avoiding any conduct that would be counter to values of equality, diversity and inclusion. As noted in 'integrity' above, the adoption, promotion and embedding of a culture of fairness, including respect for values of equality, diversity and inclusion, is an important element of an effective ethical culture within an organisation.

As has been seen from the above analysis, the ICAS fundamental ethics principles generally align, or at least are not inconsistent with, the values stated on a significant number of large corporate websites. One can therefore infer that if a CA takes individual responsibility for demonstrating good ethical behaviour in every aspect of his or her daily life this will not only reap benefits for the CA's own personal reputation, but also, by influencing those around them, the CA could assist organisations to actually live the ethical values to which they aspire.

It is also of note that some companies highlighted the need for courage, and the safeguarding of the organisation's reputation.

They identified that, when faced with difficult circumstances, courage is often required by individuals to stand up for what one believes in - to 'do the right thing'. Since 1 November 2017, the need for Chartered Accountants to have 'courage to act morally' has been 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.

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** ⁱⁱⁱ (published as part of **The Power of One** series of ethics themed papers) provides a more detailed discussion about this topic.

There was also recognition that everyone in the organisation has a collective responsibility for protecting an organisation's reputation - that the consequences of an individual, or group of individuals, not 'doing the right thing' could bring an organisation's continued success, and indeed perhaps even its existence, into question. Personal Reputation is discussed further in the ICAS paper published as part of The Power of One series of papers on ethical leadership^{iv}.

The Power of Many

Neither by nature, then, nor contrary to nature do the virtues arise in us; nature gives us the capacity to receive them, and this capacity is brought to maturity by habit.

Aristotle ^v

The ICAS ethical pillars of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour should be inherent in everything a CA does. High standards of ethical or moral behaviour should be second nature to every CA – a habit - developed through hard work, attention to detail and continual practice. Whether newly qualified, or on a Board of Directors, the small things that CAs do to demonstrate their personal ethics on a daily basis will be influential on those around them and could help set a standard for others. The CA doesn't have to aim to change everything all at once; small steps at a time could be sufficient. But such small steps can have enormous power - they become a steady application of a small advantage and this brings bigger achievements within reach.

The CA is in a better position than most to be able to challenge, and influence, the behaviour of others. This is a very powerful quality and one which will help CAs assist with organisations living the ethical values that they state they wish to achieve, and in so doing help towards restoring the trust lost in business in recent years. Ethical principles upheld by one CA can influence many – indeed, The Power of One can become The Power of Many.

ICAS calls on every CA 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.

ICAS: The Power of One ^{vi}

Endnotes

- i <https://www.icas.com/professional-resources/ethics/resources-and-support/personal-responsibility-and-ethical-leadership> (accessed 19 October 2020), 'The Power of One – Personal responsibility and ethical leadership', published by ICAS
- ii https://www.icas.com/data/assets/pdf_file/0014/10580/3-Ethics-and-the-Individual-Professional-Accountant-McPhail-ICAS.pdf (accessed 19 October 2020) Ethics and the Individual Professional Accountant: A Literature Review, Ken McPhail, first published by ICAS 2006, Figure 2.1, page 42
- iii <https://www.icas.com/professional-resources/ethics/resources-and-support/moral-courage> (accessed 19 October 2020), Moral Courage, published by ICAS
- iv <https://www.icas.com/professional-resources/ethics/resources-and-support/personal-reputation> (accessed 19 October 2020), 'The Power of One – Personal Reputation', published by ICAS v Aristotle, Greek philosopher, 384 BC- 322BC, Oxford Dictionary of Quotations, Seventh Edition, page 27, number 9, often quoted in the form 'We are what we repeatedly do.'
- vi <https://www.icas.com/professional-resources/ethics> (accessed 19 October 2020), 'The Power of One', launched by ICAS in November 2015

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