

Some thoughts on Kohlberg's hierarchy of moral reasoning and its relevance for accounting theories of control

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Abstract

Kohlberg's hierarchy of moral reasoning has been widely used to assist accounting students in rationalizing the essence of hypothesized moral dilemmas as well as their own moral reasoning towards those dilemmas. This article adopts an analytical approach towards Kohlberg's moral hierarchy, reviewing some of the significant criticisms which have been levelled against the assumptions upon which the hierarchy is based. However, even Kohlberg's critics acknowledge the strengths of the framework and this article moves on to consider Kohlberg's work in terms of the assumptions about human behaviour and moral reasoning which are both explicit and implicit within many accounting theories of control. The article concludes that the moral reasoning and behaviour assumed of both those who are subject to accounting controls and those who effect these controls is at the lower levels of Kohlberg's hierarchy. Accounting and its associated technologies are argued to act as a constraining and limiting influence upon individuals' personal moral development.

Keywords: moral reasoning, moral behaviour, Kohlberg, accounting controls, accounting theories

Introduction

The Kohlbergian analytical framework, a hierarchical moral ladder, can be employed as a diagnostic tool within the pedagogic process when considering levels of moral reasoning to given situations (e.g. Geary & Sims, 1994, Welton *et al.*, 1994 and Gray *et al.*, 1994). The purpose of this article, however, is to consider the ethical base which managerial accounting concepts and techniques assume of both those administering management accounting systems and those being monitored by such systems. The ethical and moral base of managerial accounting systems is argued to be one which can undermine notions of moral agency and inhibit graduation to the higher levels of moral reasoning and the Kohlbergian hierarchy is helpful in acting as a series of benchmarks against which the levels of moral reasoning, which are implicit within much of what constitutes a management accounting syllabus, can be interpreted.

In the following section, both the levels and stages of Kohlberg's hierarchy are explained, providing a foundation for the later sections. However, because the hierarchy is

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often presented as an unproblematic framework, the discussion then moves to a consideration of the principal criticisms which have been levelled against Kohlberg's work. Despite these criticisms the work of Kohlberg remains widely used within the pedagogic process (e.g. Elm & Nichols, 1993; MacLagan, 1990; MacLagan and Snell, 1992; Rest, 1973, 1979 and 1984; Weber, 1990) and the penultimate section of this paper reflects upon the relevance of a Kohlbergian analysis to some of the underlying assumptions of accounting theory and practice.

The levels and stages of Kohlberg's hierarchy

Although as early as 1974 Kohlberg was postulating a seventh stage to his framework, most writers (including Kohlberg himself) now tend to contain their use of the framework to six stages. These stages are in turn subdivisions of three broad levels – each level containing two stages. Whilst the more recent writings of Kohlberg have tended to ignore the seventh stage, he has also modified some of the claims he originally made concerning stage six (Kohlberg, 1986).

Level 1 – The pre-conventional level

At this first level the individual is responsive to cultural rules and labels (e.g. good, bad, right, wrong), but in a purely selfish, myopic fashion. The decision criteria employed are the avoidance of pain or personal gain. As with the two higher levels, Level one is subdivided into two stages:

Stage 1 – At stage one the individual displays heteronomous morality. Right is seen as the non-breaking of rules which are enforced by punishment. The physical consequences of action determine its goodness or badness, irrespective of the wider, social consequences of the action. There is an unquestioning deference to power and reference to any underlying moral order is absent. Notions of fairness, justice and autonomy are not part of the decision criteria.

Stage 2 – At stage two the orientation of the individual is described as the instrumental relativist. Once again the 'right' action is that which satisfies one's own needs. Human relations are viewed as those of the market place. Elements of fairness, reciprocity and equal sharing can be present, but they are (always) interpreted in a physical or pragmatic way. Reciprocity is 'you scratch my back, I'll scratch yours' rather than emanating from feelings of loyalty or (more importantly) justice. The world is perceived as one in which everyone looks after their own interests, including oneself. In recognizing the many conflicts which are likely to arise as a consequence of the myriad of interests, morality is considered to be a purely relative term.

Level 2 – The conventional level

At the conventional level a much greater awareness of one's position within a social community is evident, although that awareness manifests itself in a desire to maintain social cohesion by complying with and maintaining rules and procedures, whether they be local group arrangements, or nationally agreed laws. Morality tends to be externally determined in terms of the rules and behaviour specified as acceptable. The two subdivisions of the conventional level are as follows:

Stage 3 – This stage is often referred to as the ‘good boy/nice girl’ orientation. Reasoning at stage three may well display care and compassion for others, but the behaviour is driven by a desire to please others, rather than an innate sense of fairness and justice. One wants to be ‘good’ by keeping mutual relationships such as trust and loyalty and showing concern for others, but principally because there is a need to be seen as a good person, both in one’s own eyes and in the eyes of others. There is a sense of reciprocity in terms of ‘putting oneself into the shoes of others’ which is borne from a strong conformity with the golden rule, i.e. behave towards others as you would wish them to behave towards you.

Stage 4 – At stage four the emphasis is upon maintaining socially determined rules and laws – respect for the authority of the law dominates. Laws are to be upheld except in extreme cases where they conflict with other fixed social duties. The maintenance of social order is important and duty is a key characteristic, in sympathy with a ‘King and Country’ philosophy. The individual is seen very much as part of a group (as distinct from level one reasoning where the social radius around the individual is extremely small), but stage four reasoning makes the individual subordinate to the interests of the group, to the point that group or social cohesion can override notions of respect and justice for the individual.

Level 3 – The post-conventional level

At the post-conventional level there is an increasing effort to define moral values and principles of behaviour which recognize and respect the sovereignty of others. This recognition moves from a contractual notion of social relationships to a more elevated, spiritual awareness of social independence and interdependence. Moral reasoning within level three is likely to reflect a high degree of maturation on the part of the individual and Kohlberg argues that such stages of moral reasoning should not often be expected until people are into their late 20’s, 30’s and beyond. This, however, assumes that individuals will indeed graduate to level three reasoning. The level of maturity and humility inherent within stage six (and stage seven the more so) are to some extent at odds with a culture (and a discipline – accounting) which emphasizes material well-being and a predominant focus upon the self.

Stage 5 – Moral reasoning at stage five displays notions of a social contract. There is still a legalistic feel and moral behaviour is reflected in compliance with laws and standards which have been socially determined, although not necessarily in statute. There is a recognition of relativism in personal values and whilst there is respect for legally defined behaviour, ‘unjust’ laws should be challenged through the available legal channels. Whilst relativism is recognized, certain non-relative values, e.g. life and liberty, must be upheld in society regardless of majority opinion. There is a feeling of a contractual commitment, freely entered into between family and friends involving trust and obligations. The underlying philosophy at stage five is that of utilitarianism, i.e. the greatest good for the greatest number.

Stage 6 – This is known as the ‘universal ethical principles orientation’. At stage six reasoning is guided solely by the criterion of justice. Whilst maintenance of law and order are deemed to be appropriate because they will tend to have been socially determined and therefore just, inequities can exist and where they do the offending laws

can be challenged, not merely via legally defined channels (as per stage five), but by 'extra-parliamentary' means if necessary. Justice is regarded as having a higher social status than unjust laws and thus unjust laws can be broken. 'The perspective is that of any rational individual recognising the nature or the basic moral premise of respect for other persons as ends, not means' (Kohlberg, 1986, p.489). The concept of respect for others is central to the moral reasoning at stage six, reflecting the basic tenet of the categorical imperative.

Stage 7 – This takes the debate increasingly towards the philosophical (without losing sight of the psychological) level of debate. Moral reasoning at this stage embraces more forcibly than stage six the spiritual and religious spheres of human existence. Its source is despair, borne from a recognition of our individual insignificance within a cosmic perspective. From this despair comes humility and a worldliness (or more appropriately a 'universalness') which allows the individual to understand fully the interdependency of individuals and the interrelatedness of human activity. Some of the principal issues relating to a seventh stage are explored in the following section.

Criticism of the Kohlbergian hierarchy

It is important to recognize that Kohlberg's research has been concerned with moral reasoning. His empirical studies of (male) children of different ages, cultures and socio-economic backgrounds have focused upon the children's responses to hypothetical ethical dilemmas over many years of study. Any assumptions regarding moral development and behaviour go beyond Kohlberg's research, although Kohlberg does argue that moral reasoning both precedes and informs moral judgement and action. Pursuing this issue a little further, it is important to recognize that to move from moral reasoning to moral behaviour brings into play many factors, and a term to describe the elements which might explain this transition is the individual's 'moral atmosphere' (Kutnick, 1986). There are many components of a moral atmosphere (it goes beyond the immediate and local context of the individual), but for any 'professional'¹ the taken-for-granted assumptions of her/his discipline, the basis of the theories upon which practice is founded either explicitly or implicitly, will play a contributory role in shaping the particular moral atmosphere of the individual – and those who are affected by the actions of that individual.

Justice as the determining factor explaining levels of moral reasoning

The guiding principle upon which the hierarchy is based, the criterion which is employed to determine whether one level of moral reasoning is judged to be superior to another, is justice. The outcomes to moral dilemmas are not seen as zero sum situations and judgements have to be made between competing claims. Other possible criteria such as care or compassion are not considered within the Kohlbergian schema as equivalent to justice. In defining justice Kohlberg (1986) cites fairness as the principal determinant from

¹ The literature on professions is considerable and it is not intended to rehearse in this article whether there is such a phenomenon as a profession and if so whether accountancy can claim to be a profession. The quotation marks are employed merely to indicate the contested nature of the term.

amongst four justice orientations. Fairness is itself defined by the qualities of respect, reciprocity, equality and 'balancing perspectives'.

The use of justice as the overriding criterion has been criticized by Gilligan (1982) (a former student of Kohlberg's), for ignoring the cultural and social backgrounds of those who are being assessed within the Kohlbergian framework. In particular Gilligan is concerned that in the formative years the role of women within the family unit is often that of peacemaker, or that they are often required to compromise in order to retain immediate family unity. From the female perspective disagreements are often resolved in such a way as to ensure that, as far as possible, no one is seen to be totally guilty or rejected. The 'voice' of care, as Gilligan refers to it, was not formally recognized within the original Kohlbergian analysis and this, argued Gilligan, was likely to explain the apparent lower levels of moral reasoning displayed by some females studied using Kohlberg's hierarchy. Gilligan does not claim that care has a higher moral standing than justice – merely that it was different. Thus, reasoning which seeks to find a compromise is not necessarily a reflection of a limited notion of social interdependencies or personal weakness, but rather a different values-driven orientation to resolving complex social dilemmas. Justice, argues Gilligan, is a masculine decision orientation to conflict resolution. In response Kohlberg (1986) has recognized care and compassion to be important concepts within a framework of moral reasoning, although he retains allegiance to the notion of justice as the dominant criterion and cites the work of Snarey (1985) and Walker (1984) to support the belief that once allowances are made for educational and socio-economic status, no identifiable gender differences remain when assessing moral reasoning.

Straughan (1986) also raises some concerns about the pre-eminence of justice over all other criteria of behaviour. In justifying the supremacy of justice, Kohlberg (1970) writes:

'Justice is not a rule or a set of rules, it is a moral principle. By a moral principle we mean a mode of choosing which is universal, a rule of choosing which we want all people to adopt in all situations. We know it is right to be dishonest and steal to save a life because it is just . . . We know it is sometimes right to kill, because it is sometimes just . . . There are exceptions to rules, then, but no exception to principles . . . A moral principle is not only a rule of action but a reason for action' (p. 69–70).

As Straughan observes it is not clear who *we* are that we *know* what is just; when a law is a bad law and deserves to be broken; when it is just and right to take a life. However, as Kutnick (1986) observes there has to be a difference between rules and principles. Blind observance of rules is a precursor to dictatorial regimes. There have to be principles at the bedrock of rule construction to allow 'bad' rules to be challenged. It is the issue of who determines which rules are bad, how those rules are judged to be bad and the form the challenge takes which raise difficult and contentious questions.

Petrovich (1986) is equally challenging in taking issue with psychologists in general (rather than just Kohlberg in particular) when he observes, '... different philosophies of life embrace different values and moral principles and the way psychologists are normally educated does not confer upon them a prerogative to decide which of these are morally more adequate than others. Thus, their primary task must be to find out whether someone's

reasoning is guided by any principles at all and, if so, specify them' (p. 97). Essentially Petrovich takes issue with a psychologist (Kohlberg) mixing philosophical and psychological constructs together in an unacceptable fashion (unacceptable, that is, to Petrovich). This is close to the 'is to ought' fallacy (Kohlberg, 1971), the former being seen as the domain of psychology, whilst the latter is seen to be the domain of philosophy.

Autonomy and respect for others

Petrovich takes issue on two counts with the (too) general treatment of the concept of autonomy employed within Kohlberg's hierarchy. The first relates to autonomy being seen by many psychologists, including Kohlberg, as the differentiating characteristic of higher levels of moral reasoning, without being analytical about different categories of autonomy. Operating within the philosophical tradition, Petrovich draws upon Kantian notions of autonomy to identify three distinct variants – autonomy of the individual; autonomy of the standard (or principle); and the domain of morality. Paraphrasing Petrovich, an autonomous *individual* is seen to be a person whose actions reflect a purposeful and rational choice to follow the universal law freely (Paton, 1983), or who rationally imposes upon him/herself the moral law or the categorical imperative (Hebblethwaite, 1981). When s/he makes decisions s/he does so by adopting the principles of similarly autonomous, but more experienced individuals (Hare, 1972). The tension in this last sentence regarding the notion of an autonomous individual following the guidance of (autonomous) others is overcome if decision selection is based upon autonomous standards or principles. In contrast to the criterion of the autonomous individual, the emphasis of autonomy relating to a *standard* is the standard itself which, if autonomous, should not depend on any external factors or ulterior motives but should be valued for its own sake. Finally the *domain* criterion judges morality to be independent of all other domains, such as history, social customs, science or religion. As an autonomous *discipline* morality is said to have a form and structure of its own, as well as unique concepts that are irreducible to concepts of the empirical sciences, especially psychology, or metaphysics (Ewing, 1961; Macquarrie, 1967).

The second concern is that whilst Petrovich agrees that autonomy in moral judgement is a necessary prerequisite for moral development, he questions its sufficiency as the defining principle of morality. Petrovich asks whether autonomy equates with claims of maturity and consequently respect for others (the latter being a cornerstone of Kohlberg's belief in justice as the determinant of superior levels of moral reasoning). As Petrovich illustrates, decisions can be made by evil people which, whilst being autonomous decisions, display a total disregard for the well-being of others. To overcome these concerns and employing the three part classification of autonomy, Kohlberg's work can be seen to be drawing upon both individual and standard orientations of autonomy. The idea of evil people being classified within the third level of moral reasoning merely because they displayed autonomy in their decision making would be an anathema to a Kohlbergian ethos. Thus, for autonomy to be seen to be supporting the principle of justice (via respect for others), autonomy needs to embrace both the individual and standard/principle orientations.

Kohlberg's interpretation of justice and hence morality displays a strong Kantian influence, although unlike Kant, who viewed heteronomous morality (level one in Kohlberg's hierarchy) as distinct from and unconnectable to autonomous morality (level

three in Kohlberg's hierarchy), Kohlberg regards heteronomy as a *stage* in moral development which necessarily precedes *and can lead to* autonomous morality. Thus, Kohlberg sees moral reasoning (and behaviour) as a function of nurture, whereas a Kantian belief would see moral reasoning as a function of nature (i.e. a function of genetics rather than education).

The similarity between Kohlberg's hierarchy and Kantian ethics is the former's adherence to the categorical imperative. As observed by Boyd (quoted in Kohlberg, 1986), 'the 'motivational' heart of this structure (Kohlberg's hierarchy) is summarised in the attitude and principle of respect for others – of recognising and acknowledging the other as an equally unique subject of his or her own experience, *including* the experience of myself and my ends and of acting toward each other as if the other's interests and ends were my own' (emphasis in the original).

It is respect for others which is the principle upon which stage five (to a limited extent), but particularly stage six are founded. Whilst Rawls (1980) displays a strong commitment to the categorical imperative when he argues that, 'the principles of justice manifest in the basic structure of society, men's desire to treat one another not as means but as ends in themselves' (p. 179), Kohlberg's employment of the principle as the basis for his moral reasoning hierarchy makes his attachment to the principle more emphatic. Kohlberg cites Habermas when he asserts, 'a Kantian respect for persons is a precondition for argument among philosophers and in this sense it justifies itself as the ultimate moral principle' (Habermas, 1982). The reference to Habermas is also apposite when considering what is literally meant by justice at stage six reasoning, i.e. what are the qualities/characteristics/benchmarks against which reasoning (and possibly practice) should be gauged? Kohlberg (and in a similar vein Rawls) avoid the trap of prescribing *a priori* rules, which would otherwise undermine the notion of autonomy. Instead Kohlberg appeals to a type of ideal speech act in which autonomous individuals (operating within the principle of the categorical imperative) determine their social practices via a process of open and respectful dialogue.

The seventh stage

Petrovich (1986) sees stage seven as possibly the most interesting of the stage developments postulated by Kohlberg. Petrovich argues that one of Kohlberg's major reasons for positing a seventh stage was the problem Kohlberg had with the question, 'why be moral'? Some higher order response seemed to be required. 'Such a morality requires an ultimate stage of religious orientation and moves people towards it' (Kohlberg, 1981, p. 344). However, stage seven has never been developed significantly in terms of Kohlberg's research and the stage remains 'only a metaphor', used to imply a cosmic rather than a universal perspective on life and morality. Tomlinson (1986) views the introduction of the seventh stage as something akin to a *deus ex machina*, i.e. the introduction of a 'god' to resolve a conundrum, although MacLagan (1993) has suggested that the postulated seventh stage of Kohlberg's hierarchy might be a unifying point for Kohlberg and Gilligan. One of the issues arising from any consideration of a seventh stage is the question of differentiating stage four reasoning from stage seven, i.e. distinguishing between dedication of the individual to externally developed laws as opposed to internally determined choices borne of free will to follow an external force or power.

Notwithstanding the above criticisms and modifications to his work², Kohlberg's moral hierarchy remains a well-used framework for both conducting research into moral reasoning and to investigate moral issues within the pedagogic process. Despite Petrovich's (1986) criticisms, she remarks that Kohlberg's hierarchy and theories, '... should be of substantial value in generating future research based on some ideas genuinely novel in the field' (p. 86).

This paper now moves to a consideration of moral reasoning in the context of accounting. Drawing upon the above discussion the characteristics of respect for others, reciprocity and fairness are taken forward to the next section as the hallmarks of justice – the guiding principle in Kohlberg's hierarchy of moral reasoning. Whilst autonomy (of both the individual and the standard) is in evidence at the third level (the post-conventional level) of Kohlberg's hierarchy, all of the above factors are important elements when considering the level of moral reasoning assumed within many accounting techniques and approaches.

Accounting and organizational theories of control set within the Kohlbergian hierarchy

There exists a variety of perspectives on organizations and the accounting systems employed within organizations. The organization as a 'system', with the accounting system(s) as its nerve centre, displays accounting as being amoral. This implied neutrality is problematic, but it is a debate which will not be explored here (see Tinker, 1985; Laughlin and Puxty, 1986; Roberts 1991, as examples of sources of debate on this issue). Labour process theory and, more particularly, agency theory have overt values bases and the compatibility of many of the assumptions of agency theory with those implicit within many theories of accounting controls makes it an appropriate focus of attention.

Geary and Sims (1994), recount the case of a Chief Executive Officer (CEO) who, when addressing a group of accounting students, berated the American authorities who would judge him a criminal and imprison him for an act which in another country would only attract a fine. The CEO's reasoning suggested that contamination of a river could be justified if the cost savings achieved by using the river rather than the legally required waste disposal systems outweighed the fines imposed by the authorities for such criminal acts. The CEO's argument would be that 'society' should raise the fines to such an extent that it becomes financially worthwhile for him to use official waste disposal services. In effect (financial) penalties for law breaking reflect societies' assessment of the severity of the 'crime'.

The CEO was arguing for morality to be quantified and for his moral behaviour to be exclusively externally determined. In terms of Kohlberg's framework, the CEO's reasoning was at stage one, i.e. the avoidance of pain (the fine) being the sole determinant

² Kohlberg has redefined his work as that of a 'complementary thesis' (in line with Habermas' analysis) and away from an identity claim. In doing so he refutes a number of the claims made in Kohlberg, 1971 and 1981. Kohlberg has also modified his views with regard to the supremacy of the deontological justice ethic over the utilitarian ethic on the basis that a rational argument concerning this supremacy can no longer be sustained. These modifications should be seen as signs of strength rather than weakness. They reflect the considerable interest which Kohlberg's work has generated amongst and between psychologists and philosophers in general and specific individuals in particular. Kohlberg refers on a number of occasions to the close association he has developed with Jürgen Habermas.

of moral reasoning, and in this case moral behaviour. This example highlights the limitations of 'the market' to determine moral behaviour. Countries with weak economies may allow certain business practices which may have been outlawed in the home country of the multinational organization, because the inducements are deemed necessary for the developing country to attract inward investment. In addition, the political markets of countries are often far from perfect. Large business interests can carry considerable influence in the corridors of power and thus are likely to be able to influence legislation which is sympathetic to their interests.

The exclusive shareholder orientation of accounting's decision-making models and control techniques leads to the development of theories, one of which, agency theory, explains relationships within and without organizations as those of principal and agent. Principals are assumed to be able to keep agents acting on their behalf by either allowing the agent to participate in part of the principal's gains (the side-payments issue), or by implementing effective control systems which keep the agent under constant 'surveillance' (see Knights and Collinson, 1986), highlighting adverse performance (and possibly behaviour) as speedily as possible. In practice it is likely that a combination of these approaches will be found in organizations. Underpinning such thinking is the assumption that all individuals are self-seeking, untrustworthy and inherently lazy, characteristics of level one reasoning of human behaviour. This analysis would apply to both those being controlled by accounting information and those effecting that control.

The assumption of accounting controls, i.e. that those being monitored will wish to avoid having adverse performance detected and highlighted by the system, encouraging them to perform in line with agreed budgets, suggests a stage one (avoidance of pain) level of reasoning on the part of the controlled. If acceptable budgetary performance is also linked with a financial bonus then a stage two ('you scratch my back, I'll scratch yours') orientation seems to be in evidence. A stage three or four level of reasoning could be imputed to the controlled if it is assumed that compliant behaviour with the financial controls is a reflection of either a need to maintain the respect and allegiance of the controlled's peers and superiors (stage three), or a perception that the budget represents the organization's 'law', and compliance with the law is of paramount importance in that it supports equilibrium and stability of the organization's systems (stage four).

It is also possible to place interpretations on the behaviour of the controllers as the logic of adherence to the financial budgets is pursued within an organization. A stage one interpretation would see the accountant as the 'rooter-out of inefficiencies and adverse performance', because to do otherwise would suggest the accountant is not up to the job and should be replaced. A stage two interpretation would see the accountant reasoning that the revealing of others' inefficiencies, or finding ways of reducing costs, irrespective of the implications of such actions, is the way to personal advancement. A stage three interpretation would see the accountant's actions as ones which were (perceived to be) necessary to retain the support and admiration of peers and superiors, whilst a stage four interpretation would view the accountant as reasoning that in the hard, commercial world of the late twentieth century 'this is the way it is – one complies with the laws of business logic because to do otherwise would jeopardize the livelihoods of many people'.

For either the controlled or the controllers to move into the post-conventional stages of moral reasoning would, for example, require a challenging of a (perceived) unrealistic budget by arguing for possible relaxation of budgetary constraints (i.e. permitted overspends) because injustice is considered to underpin the current budgetary limits. This

would reflect a stage five scenario in which the individual/s employ existing forums within the organization (e.g. budgetary meetings, or formal channels of representation) to effect a change in financial constraints. The argument would be that there is a broader responsibility to maintain quality of product, say, rather than sanction a reduction in budgetary expenditure in order to meet head office demands for cost efficiencies. The evidence of stage five reasoning is reflected in the recognition of (implicit) responsibilities of the organization and the decision makers to a public beyond the senior management of the organization, but also a recognition to retain the argument within well-defined and acknowledged channels of communication.

Stage six reasoning would acknowledge that in exceptional circumstances, the breaking or ignoring of internal strictures on, say, cost control, could be justified. The justification would reflect an argument that some broader social good, e.g. product safety, was threatened. Alternatively the exploitation of an international transfer pricing situation, where asymmetry in knowledge between a business organization and an overseas government allowed financial payments to be denied the host government could be grounds for bringing the matter to general public knowledge should internal procedures prove inadequate to resolve the issue. A further example could be the refusal by an accountant to sanction cost reductions in a health care organization because all the available evidence pointed to a significant reduction in patient care (or significant increases in mortality rates) if the cost reductions were to be implemented.

These brief scenarios are portrayed in simplistic terms and the reality of situations is likely to be more complex and messy than neat case examples might suggest. However, available evidence suggests that not all organizations welcome moral reasoning from employees which could be interpreted as at the post-conventional level. Case examples exist of organizational management placing the 'interests' of their organization (or maybe just themselves), above that of the safety and well-being of the general public (e.g. Cash Mathews, 1988; De George, 1986; Glazer, 1983; Miceli and Near, 1992; Near and Miceli, 1986; Perrucci *et al.*, 1980; and Winfield, 1990). Most significantly, where individuals within these specific organizations raised concerns over the offending corporate behaviour, those individuals were without exception victimized, ostracized and sacked by their employing organizations for the moral stands taken. Subsequent evidence has shown that the individuals victimized in these cases had legitimate causes for their concerns which involved the safety or well-being of the general public (i.e. their grievances could not be dismissed as the rantings of malcontents).

In terms of interpreting levels of moral reasoning from hypothesized dilemmas or, as in the cases referred to above, actual situations, no one explanation is superior to others (as an explanation). For example, whether the engineers who blew the whistle on life-threatening design faults of the San Francisco Bay Area Rapid Transit System were motivated by stage four, five or six reasoning is difficult to discern (following internal rejection of their concerns the engineers blew the whistle externally with the assistance of external consultants), (Perrucci *et al.*, 1980). However, it is instructive for accounting students to wrestle with these possibilities and what they might suggest about the underlying moral philosophy of organizational and accounting life.

As Gray *et al.* (1994) observe, '... in agency theory, in positive accounting theory, in the capital asset pricing model (CAPM), in assumptions about investor behaviour in response to financial accounting; and in a predominance of management accounting analysis, self-interest, masquerading as the rational exercise of utility maximisation, is an

essential assumption' and later, '... the indoctrination can only claim the ethical high ground to the extent that one believes that self-interest and profit-maximising behaviour produce the greatest good for the greatest number within a pristine neo-classical framework' (p. 62).

In its assumptions about the role of individuals within organizations accounting takes its lead from economics, within which O'Boyle (1986) argues the atomizing and dehumanizing of 'the social' is ubiquitous and the approach is taken to the point of abstraction whereby resources are classified as either persons or nature, but this blending '... does not elevate nature, it reduces persons' (p.39). The constant pursuit of economies and improved organizational performance sees responsibility and accountability as mechanisms for identifying individuals charged with achieving the required financial goals, and those individuals in turn construct their own lines of responsibilities and accountabilities. Such 'hierarchical forms of accountability, in which accounting plays a central role, serve to produce and reproduce an individualised sense of self as essentially solitary and singular, nervously preoccupied with how one is seen' (Roberts, 1991, p.355). Accounting focuses upon, and emphasizes, the vulnerability of the individual. In the contexts described by O'Boyle and Roberts the highest level of reasoning which can be attributed is stage three (i.e. 'preoccupied with how one is seen'). However, if the 'nervousness' (of the controlled) is borne out of a fear of reprisal for 'inferior' financial performance, a stage one reasoning is inferred. If the reporting of 'inferior' performance of others is seen as a way of demonstrating effective performance (by the controller) and a pathway to personal advancement - then stage two appears to be in evidence. Jos (1988) suggests that '... modern organisations require workers to do things they might not otherwise do'. But further than that, business organizations '... undermine the capacity of workers to make their own judgement about what they should do. By uncritically deferring to others, workers may become party to immoral or illegal activities and policies. In short, it is the worker's *autonomy*, his status as a chooser, that is at stake' (p.323) (emphasis in the original).

The educator's challenge

Rules and guidelines

If a pedagogic process is to do more than heighten awareness of the type of ethical dilemmas which can exist within organizations, the question arises as to whether student accountants should be provided with rules, or at least decision frameworks, to guide them through the quagmire of organizational and commercial life. Such a belief betrays the desire for externally created solutions to complex social, economic and political problems (see Warren, 1993, for a discussion of the nature of ethical codes of conduct). The whole essence of progression within the Kohlbergian hierarchy towards moral maturity, autonomy and an intellectually emancipated notion of the self, is the increasing ability of the individual to reason independently, unfettered by worries of power differentials which might inhibit and frustrate the desire to express a deeply held belief. Whilst concepts such as obligation, duty, justice, care and equity need to be rigorously and regularly debated, the rigidity of a Kantian-style ethics is not appealing within a notion of discourse ethics.

Habermas (1993) sees the process of discourse ethics, whereby norms of socially acceptable behaviour arise out of discourse (in which the effects of decisions on all others are taken into account), as a way of holding on to a notion of universalizable (as distinct

from universal) norms, without suffering the rigidity and impractical nature of Kantian ethics. In Habermas' conception of ethics the norms are created by the members of society with no *a priori* assumptions concerning behaviour or rights, although this is clearly an issue in itself for debate. Discourse ethics requires for each individual to possess the ability to debate and reflect, but also to be free of factors which inhibit intellectual emancipation. It is this sense of debate amongst equals in arriving at agreed norms of behaviour which would allow a stage six level of moral reasoning to be more widely attainable. That is, a consensus being achieved amongst autonomous individuals.

Personal development and the concept of dwarfing

Seedhouse (1988) discusses the concept of dwarfing, that is reducing the status and integrity of the individual, within the context of health care. Health care, argues Seedhouse, has as its primary and dominant objective the well-being of patients, which is seen as the end towards which a health care organization's energies and resources should be directed. The ethical base of health care and its practitioners is seen to be the antithesis of dwarfing.

At the heart of Seedhouse's analysis is the concept of justice, a notion which is noticeable by its absence from a consideration of accounting and its associated technologies. The tendency of accounting and other organizational controls to compress moral reasoning within the first four stages of Kohlberg's hierarchy (and possibly within the first two stages), treating individuals as means rather than ends (the financial targets becoming the ends), has far greater resonance with the notion of dwarfing. The earlier reference to Jos (the autonomy of the worker is the issue at stake) is apposite in this context. When accounting controls are mixed with the organizational setting of health care the ingredients for considerable strife and tension are present. Whether such behaviour manifests itself in actual organizational life is an empirical question. However, the point being made here is that organizational practice, as typified by the theoretical explanations to be found in most accounting textbooks, portrays an image, either explicitly or implicitly, of managerial practice which assumes low levels of moral reasoning on the part of both the controlled and the controllers. The levels of moral reasoning implicit within most theories of organizations and accounting techniques can be argued to act as constraints on personal development, creating a dwarfing effect on individual moral reasoning and development.

Whilst at an empirical level such behaviour may be regretted, it can be argued that from an educational perspective, the low level of moral reasoning inherent within accounting theories of human behaviour (i.e. the individual as moral agent) is not a problem. Focusing upon the issues raised in this article provides a mechanism for raising the level of debate about accounting practice amongst undergraduate or postgraduate students, whose primary educational aim can be argued to be their personal intellectual development, as exemplified by the attributes of reasoning, analysis, argumentation and reflection. The desire to extend accounting education beyond shallow learning (i.e. the remembering of 'facts' and techniques, rules and procedures, with only limited and specific analysis) into the more demanding area of deep learning can be facilitated by a focus upon the ethical and moral base of accounting.

Whilst the above might seem a long way from a traditional accounting education programme, challenges such as the development of environmentally orientated accounting

systems, the self-regulatory status of the profession, an understanding of what constitutes the 'public interest' for a profession such as accounting, or the protection a profession might/ought to seek for its members suffering victimization by employing organizations for refusing to condone or participate in illegal organizational practices – these and other fundamental issues all have basic ethical and moral questions at their bedrock. These are not esoteric, ephemeral issues. They represent profound questions for any 'profession', but they also represent excellent subjects for study on accounting programmes to develop deep learning and to stimulate the personal growth of students, allowing them the ability to participate and develop in a broader social context. In the process, accountants might be elevated from the status of clever technicians to something more reflective, contributing to societal development in ways beyond the current parameters.

Reflections

Whilst no argument is being made that the root of all (perceived) immoral behaviour within business organizations will have its origins in accounting, it is too glib to excuse accounting, its practices and assumptions as merely reflecting the morals of the time. It might also be tempting to belittle the significance of accounting as inconsequential in the broad scheme of things, but it would be unwise to dismiss its relevance completely. Organizations represent the settings in which the vast majority of people spend some, and in many cases the majority, of their waking lives. If human beings have strong social, psychological and emotional needs then much of that satisfaction needs to be obtained within the organizational environment. As a result organizational control systems become potentially important elements within the development of everyday people and intriguing mechanisms in effecting 'desired' behaviour. As a result those information and control systems become vulnerable to the influences of both the controllers and the controlled of those systems.

Accounting controls can be argued to have, inherent within their base assumptions of human behaviour and human activity, a pessimistic rationale. Human activity is assumed to require coercing and constant vigilance because individuals are assumed to be untrustworthy and lazy. However, where the existence of accounting controls actually deters individuals from committing illegal acts, accounting can be said to be contributing towards improved moral behaviour and thus a force for good. Whilst the stage of moral reasoning displayed by someone who is deterred from committing immoral acts within organizations by the mere existence of accounting controls can be said to be no higher than stage one, this does not detract from the point that the outcomes of accounting controls are not all negative.

Notwithstanding the above caveat, human activity is interpreted within accounting as only one resource (means) within a mix of inputs which are combined together to produce the organizational outputs. Control is most easily effected by isolating responsibility with specific individuals and *ipso facto*, isolating the individuals concerned. Such is the pressure for continually improving organizational performance, the attainment of financial objectives can become the 'end' of managerial activity, i.e. the production of the goods or services merely being the processes by which the 'financial goods' are achieved. Notions of justice, borne of fairness, respect for others, reciprocity, intellectual autonomy and the categorical imperative are rarely part of business or accounting vocabulary.

It is reasonable to ask whether the aforementioned concepts are tenable within modern business organizations and whether an overly negative portrayal of accounting's moral base ignores the reality of business life. If the assessment of O'Boyle (1986) is accepted, i.e. that accounting takes its lead from (monetarist) economics, then equity is a term which belongs exclusively to the balance sheet and notions of respect, autonomy and justice are difficult to maintain in an overtly exploitative environment. However, research continues to reflect versions of organizational life which are far more complex than that suggested by pristine monetarist economics. Debates concerning the 'theory of the firm' go back over decades and continue to stimulate argument, debate and further research. The commercialization of the public sector in the UK and other countries increases the political sensitivity of accounting information and brings the ethical issues raised in this article into an increasingly public arena. As mentioned above, organizations, whether public or private, represent important (sometimes central) aspects of many people's lives. To be part of a 'community' in which moral reasoning is not expected or required to move beyond stage four, and quite possibly to exist at stage one or two, is a contention worthy of debate. If conventional accounting is unproblematic, then its advocates must explain how it achieves its moral base.

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