



Challenges to Professional Independence in a Relational Society: Accountants in China

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Abstract

This study examines the tensions between the western concept of professional independence and accountants' commitment to significant others under the care perspective of *guanxi*. The principle of professional independence is founded on arm's-length transactions to avoid undue influence on professional and ethical judgement. However, in the relational society of China, social interactions based on Confucianism elicit a duty of care and concern towards significant others in important relationships. For a professional accountant, the commitment to persons with whom they have *guanxi* is potentially at odds with their commitment to professional independence. Data collected from interviews with Chinese accounting professionals, accounting academics and expatriate accountants working in China provide insight on how Chinese accounting professionals discharge their obligations under *guanxi*. Notions of *guanxi* and the rules of exchange identified in Hwang's (Knowledge and action: A social psychological interpretation of Chinese cultural traditions, Sin-Li, Taipei, 1995) model of "Confucian ethics for ordinary people" provide the lens to explain the ethical dilemmas facing Chinese accountants. The findings suggest that accounting professionals prioritise the interests of their superiors and clients over the users of financial reports. Despite accountants' moral obligation to protect the public interest, personal and professional obligations in China struggle to extend beyond client or employer interests mostly because of the absence of a formal relationship or connection with the public. This contrasts sharply with the notion of professional independence practised in western societies, where accounting professionals must be independent of their clients and superiors and commit to a duty to protect the public interest. The outcome of this study demonstrates the impediments to transplanting western concepts to different cultures.

Keywords Professional independence · Guanxi · Confucianism

Introduction

The ethical dimension of 'professional independence' in accounting rests on the role of corporate accountants and auditors to ensure the accuracy and veracity of financial statements so that organisational transactions reflect a 'true and fair' view of economic reality. The faithful presentation of financial information is to facilitate decision making in financial matters for individuals, business and government.

In this way, accounting professionals serve the public interest. The profession's commitment to the public interest is proclaimed in the Code of Ethics (CoE): "...a distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. Therefore, a professional accountant's responsibility is not exclusively to satisfy the needs of an individual client or employing organization" (IFAC 2018, s100.1A 1). It is critically important that accountants consciously refuse to subordinate their judgement to that of their clients or others. Independence, when it becomes a state of mind, empowers accountants to 'tell the truth' and refrain from acting in self-interest (Carey 1946, p. 7). However, the principle of 'professional independence' presupposes individuals are autonomous human beings, free to make decisions based on abstract moral principles, whereas Chinese cultural traditions conceive individuals as relational beings where decisions are made within inter-dependent relationships (Dien 1982).

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Professional accountants in China face an ever-present ethical tension between the concept of independence derived and developed in a western context and the notion of interdependence rooted in cultural relationalism, where individuals are committed to the interests of those with whom they have a relationship, more formally known as *guanxi*. This study explores the challenges in upholding the principle of independence and commitment to professional ethics where interpersonal relationships in China are fundamental to the work environment. Specifically, the study will examine how *guanxi* (relationships) between accountants and significant others (superiors in the workplace or clients in audit relationships) inhibit the application and commitment to the principle of independence in accounting.

The preponderance of research in accounting on *guanxi* is linked to auditor independence and implications on audit quality. Such research was brought to the fore in the 1990s when the Chinese government acknowledged the lack of independence in auditing and sought to reform audit practice with the ‘disaffiliation program’. Historically, accounting firms in China were state-owned and evolved from government departments or universities, creating a direct or indirect dependent relationship with their original sponsors (Lin and Chan 2000; Xiang 1998). The appearance of independence under threat from its past resulted in the disaffiliation program in 1997–1998 to sever relationships with their original sponsors (Gul et al. 2009; Yang et al. 2001). Gul et al. (2009) infer heightened audit independence and audit quality when the number of qualified audit reports increased significantly following the implementation of the disaffiliation program. However, enhanced independence in China and its benefits were also accompanied by a weak demand for independent auditors (Chen et al. 2010; DeFond et al. 2000). China’s weak investor protection and highly concentrated public ownership are important factors limiting the demand for independent audits (Wong 2006; Xiao et al. 2004). Empirical evidence finds that the propensity to issue unqualified audit reports are related to state-owned clients or when managers are connected to the audit firm (Liu et al. 2011); clients’ executives and auditors attended the same university (Guan et al. 2016); or when members of the client’s audit committee have social ties with the auditor (He et al. 2017).

The quality of the audit function in China, questioned in audit research, is potentially based on questionable financial reports developed from a system that gives respect to superiors and organisational imperatives, more than it shows concern for investors. Furthermore, the research noted above deals with *guanxi* as a variable appearing in a mathematical formula, demonstrating little understanding of *guanxi* beyond its literal description and proxy measurement. However, *guanxi* is richer than mere connections, it is a way of being and living. Rather than treat *guanxi* as a variable measured numerically as a proxy from secondary

data, or examining evidence from a governance or institutional perspective, the present study develops a deeper understanding of the role of Chinese relationalism in accounting professionalism using the interview method of data collection to examine the decision-making rationale of accountants in China. The current study offers insights from the perspective of Chinese accounting professionals involved in *guanxi*. Through dialogue with professional accountants in China, this research examines how *guanxi* and related social norms connected to gift-giving, typically considered threats to professional independence, lack relevance or applicability in China where adherence to independence threatens relationships and careers. The present study gives attention not only to accountants in audit practice but also to accountants responsible for preparing financial reports. This research will examine the implications of *guanxi* and interconnected relationships in the practice of financial accounting and implications for financial statement integrity.

The interview data are analysed using Hwang’s (1995) theoretical model outlining different types of *guanxi* and corresponding obligations. Hwang’s (1995) model titled ‘Confucian ethics for ordinary people’ postulates how individuals respond to different rules of exchange based on proximity and the strength of *guanxi*. The Confucian ethical principles of *ren* (benevolence), *yi* (righteousness) and *li* (propriety) are implicit in this model showing how individuals devote themselves to others and demonstrate reciprocal behaviour influenced by the proximity and hierarchy of members in different relationships. Data collected from 23 interviews with accounting professionals in China acknowledge the presence of *guanxi* with superiors and clients exerting a self-imposed obligation to assist those with whom they have *guanxi*. Combined with the lack of *guanxi* with users of financial reports, accounting professionals appear to express little concern for their commitment to the public interest. At first glance, one might question the commitment of Chinese accounting professionals to protect the public interest and commitment to professional responsibilities; however, accountants in China prioritise the interests of superiors/clients because of the cultural commitment that cares for significant others in hierarchical relationships. The findings of this study illustrate the intricate decision-making rationale of accounting professionals in *guanxi* relationships.

The next section describes the relational nature of China as a society and presents Hwang’s (1995) theoretical model explaining how people with different types of *guanxi* interact and evidence presented in extant literature related to *guanxi*’s influences on auditors. This is followed by a description of the method of data collection in section three, the presentation of the findings in section four, and the discussion and conclusion in the final section.

Literature Review

Chinese Relationalism

Chinese relationalism refers to a body of work conceptualising people's social existence and connectivity, not as individual beings but as relational beings (Fei 1992; Ho 1998; Hsu 1971; Huang et al. 2017; Hwang 2012; Yang 1995). The relational form of human existence can be traced to the philosophy of Confucianism where harmonious relationships are maintained through individuals behaving in ways consistent with their role performance in different relationships (Ho 1998; King 1991). Confucianism holds the view that a child is born not as an individual, but as someone's son or daughter, brother or sister (Fan 2010). The role of the child in the parent–child relationship requires the child to practise filial piety to their parents. Defined as “respect and reverence for one's parents...” (Rainey 2010, p. 24), filial piety is practised because a child's life is given by their parents and the child is obligated accordingly (Hwang 1999).¹ Only when a child practises filial piety will they become loyal to their elders and entrusted with greater responsibilities in society (Fan 2010). Moral obligations towards others is a learned behaviour cultivated within families and gradually extended to individuals outside of the family group (Rainey 2010). Therefore, unlike western traditions of ethical behaviour where moral obligations are based on rules of conduct or consequences, moral obligations in a relational society are embedded in one's relationships where an individual's status is defined (Provis 2008). Relationships in China comprise dyadic roles, with each role carrying moral obligations and tenets of proper behaviour. The detailed moral duties attached to an individual's role in the Five Cardinal Relationships are recorded in the *Book of Rites* (*Liji*, 礼记) Chapter 9 (*Liyun*, 礼运) (as cited in Hwang 1999, p. 169):

What are the things which humans consider righteous? Kindness on the part of the father, and filial duty on that of son; gentleness on the part of the elder brother, and obedience on that of the younger; righteousness on the part of the husband, and submission on that of the wife; kindness on the part of the elders, and deference on that of juniors; benevolence on the part of the rule, and loyalty on that of the minister. These are the ten things which humans consider to be right.²

¹ Confucianism does not believe in a deity figure like God who created life on earth as Christianity or Judaism claims. Therefore, a child's life is given by its parents and the child is thus obligated to be reverent to the parents.

² The *Book of Rites* (*Liji*, 礼记) Chapter 9 (*Liyun*, 礼运): 何谓人义? 父慈、子孝、兄良、弟悌、夫义、妇听、长惠、幼顺、君仁、臣忠十者,谓之人义。

Dyadic relationships vary in intensity and commitment, influenced by the degree of closeness and one's position in the social hierarchy. The particularistic nature of Chinese relationalism can be traced to the relationships among the Confucian ethical principles of *ren* (benevolence), *yi* (righteousness) and *li* (propriety) depicted in a passage in the *Doctrine of the Mean* (*Zhongyong*, 中庸) Chapter 20:

Benevolence (*ren*) is the characteristic attribute of personhood. The first priority of its expression is showing affection to those closely related to us. Righteousness (*yi*) means appropriateness; respecting the superior is the most important rule. Loving others according to who they are and respecting superiors according to their ranks gives rise to the forms and distinctions of propriety (*li*) in social life (cited in Hwang 2001, p. 187)³

Ren refers to love but such love is not imparted indiscriminately; it is influenced by proximity in hierarchical relationships, described by Fei (1992, p. 39) as “the concentric circles formed when a stone is thrown into a lake”. The distance from the centre to each ring is different, the closer a ring is to the centre, the greater is the intensity of the relationship. In practical terms, a person will prioritise the needs of those who are close over those who are distant. The virtue of *yi* means to treat others appropriately and to respect superiors by virtue of their position in the relationship. The principle of *li* obliges people to perform proprieties according to established social norms, distinguished by the level of superiority and the closeness of the relationships (Hwang 2000, 2001, 2006). This tendency to favour significant others is rooted in the solidarity of traditional Chinese families in ancient agricultural society (Chai and Chai 1962; Cheng 1944).

Evolving out of the relational culture is the practice of *guanxi*, in which social interactions within relationships occur within a loop of reciprocal behaviour demonstrated through an exchange of gifts and favours. *Guanxi* generates high levels of trust, loyalty and altruism towards another not generally extended to persons outside the *guanxi* relationship (Hui and Graen 1997). Individuals with *guanxi* protect and safeguard each other's interests (Wong 2010). *Guanxi* is widely considered a critical factor contributing to business

³ The passage in Chinese: 仁者人也、親親爲大。義者宜也、尊賢爲大。親親之殺、尊賢之等、禮所生也。 There are different translations available for the passage. For example a translation by Ames and Hall (2001) is: Authoritative conduct (*ren*, 仁) means conducting oneself like a human being, wherein devotion to one's kin is most important. Appropriateness (*yi*, 义) means doing what is fitting, wherein esteeming those of superior character is most important. The degree of devotion due different kin and the degree of esteem accorded those who are different in character is what gives rise to ritual propriety (*li*, 礼). This paper chose Hwang's translation because it adopts Hwang's theoretical model.

success in contemporary China, described by researchers as the lifeblood of business and the lubricating oil of business transactions (Wong and Leung 2012). Research evidence finds that *guanxi* provides competitive advantages for business, such as reducing transaction costs, sourcing cheaper suppliers, securing resources and information, and enhancing trust and efficiency by circumventing bureaucratic rules to get things done (Ambler 1994; Luo 1997; Tsang 1998; Vanhonacker 2004; Xin and Pearce 1996; Yeung and Tung 1996).

Guanxi, in its nuanced forms, is a universal phenomenon practised in many cultures (Gold et al. 2002). For example, the western saying “who you know is more important than what you know” (cited in Ma 2011, p. 25) highlights the importance of relationships in one’s career. However, the assimilation of *guanxi* in China is pervasive and integral to the socio-cultural environment. For example, Yang (1989) labels the practice of *guanxi* in China as a gift economy, which “subverts the dominant mode of [the] economy”. Furthermore, Butterfield (1983) observes that people in China instinctively divide people into two groups: those with whom they have *guanxi* and those with whom they don’t. “*Guanxi* operates like a series of invisible threads, tying Chinese to each other with far greater tensile strength than mere friendship in the West would do... *guanxi* also helps explain how a nation of one billion people coheres” (Butterfield 1983, p. 74). *Guanxi* has a profound effect in China because it is culturally embedded in self-identity and a way of living (Ma 2011).

Confucian Ethics for Ordinary People

Chinese relationalism is illustrated in the theoretical framework of ‘Confucian ethics for ordinary people’ developed by Hwang Kwang-Kuo, a prominent theorist in the field of social psychology in China. Hwang (1987) constructed a theoretical model titled ‘Face and Favour’ to show how the principles of *guanxi*, *renqing* (empathy), reciprocity and *mianzi* (face) work in dyadic relationships. Hwang (1995) then incorporated the Confucian ethical principles of *ren-yi-li* in the “Face and Favour” model to produce “Confucian ethics for ordinary people” (Hwang 1995; see also Hwang 2000, 2001). *Guanxi* (illustrated in the left column in Fig. 1) is classified into three types, referred to as expressive; mixed; and instrumental ties. The categorisation of the three ties is determined by the mix of two components: expressive component (shaded area), representing interpersonal affection between two parties; and an instrumental component (unshaded area) indicating how people interact with others to obtain necessary resources required to satisfy their desires (Hwang 1987, 1999, 2000). The agents in this relationship are referred to as the ‘petitioner’ (one who seeks favours) and the ‘resource allocator’ (one who grants the favour). When a resource allocator is expected to perform a

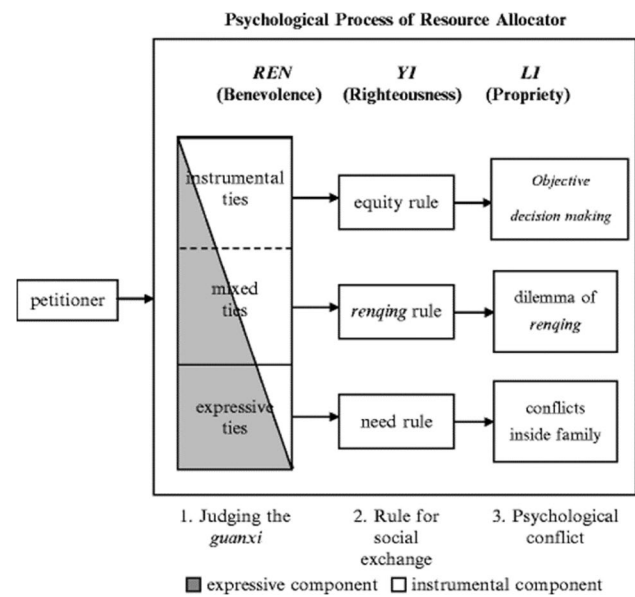


Fig. 1 Confucian ethical system of benevolence–righteousness–propriety for ordinary people (adapted from Hwang 1995, p. 233)

favour for the benefit of the petitioner, the resource allocator first considers the type of *guanxi*. This consideration, which demonstrates the principle of *ren*, leads to different rules of exchange based on norms of justice, namely the need rule, equality rule and equity rule (Deutsch 1975; Greenberg and Cohen 1982; Leventhal 1976). The selection of a rule appropriate for the type of *guanxi* reflects the principle of *yi*. Each rule leads to a different outcome in the social interaction. The resource allocator’s action or behaviour should be polite, conforming to the requirements of *li*.

A judgement about the nature of the tie between the petitioner and the resource allocator determines the rule of behaviour. If *guanxi* is an expressive tie, the ‘need rule’ applies, where the resource allocator grants the petitioner’s needs regardless of whether the petitioner is deserving of the favour or gift (Greenberg and Cohen 1982; Lerner 1977). An expressive tie exists mostly in family members, close friends and other congenial groups, where social relationships are permanent and stable. The expressive component in this tie is highest among the three types of relationships bonded by deep affection. At the other end of the *guanxi* spectrum is the instrumental tie, based on temporary relationships created to attend to a transaction or a short-term goal for mutual benefit. Examples of this type of *guanxi* include the relationship between salespersons and customers, bus drivers and passengers, nurses and patients. It is not necessary for the petitioner and resource allocator to be familiar with one another to commit to the obligations created by their relationship. The expressive component in instrumental ties is minimal, if at all present. The equity rule applies in exchanges with people who are focused on achieving a fair deal.

Mid-way between the two polar ends is the ‘mixed tie’, typified by relationships with neighbours, classmates, colleagues, teachers and students. This tie is personal and exists alongside the social connections, such as that which exists between accountants and their clients or superiors. Within the mixed tie, the rule of exchange is *renqing* (人情), a multi-faceted concept consisting of three interwoven elements. First, *renqing* entails an ability to empathise with the emotions of others, such as happiness, sadness or anxiety.⁴ Second, *renqing* includes a resource element such as a gift, a meal or the provision of assistance; for instance, when people gift money in a wedding or funeral, in turn creating *renqing* for the donor. In this sense, *renqing* is a social capital (or social indebtedness) bonded in reciprocity. Third, *renqing* connotes a set of social norms that allow one to get along with others. This social behaviour includes keeping in contact with acquaintances through an exchange of gifts, greetings and visits from time to time, and offers help when an acquaintance is in need. As a result, interpersonal harmony is maintained and *renqing* is deepened. People who neglect *renqing* are considered uncivilised and unreliable.

Hwang (1987) argues that the rule of *renqing* is a variation of the universal equality rule in justice theory, where benefits and costs are allocated equally among members regardless of their contribution. However, the emphasis of *renqing* is not in the equality of distribution, but the reciprocation of favours or gifts to discharge *renqing*. Individuals are morally obligated to repay social indebtedness generously, reflected in the Chinese proverb “If you have received a drop of beneficence from other people, you should return to them a fountain of beneficence” (cited in Hwang 1987, p. 954). If the resource allocator grants a favour to the petitioner, they can anticipate reciprocal behaviour. The reciprocity in social interaction is opined in the Book of Rites⁵; “when one receives a gift but gives nothing in return, it trespasses against the principle of *li*”. Chinese people view the future with great uncertainty, but the exchange of gifts provides a level of security stemming from a source of future benefits. This in turn provides motivation for individuals to accumulate *renqing* for protection against future uncertainty (Bond 1991). However, due to the affection involved in *renqing*, it is difficult to calculate how much *renqing* to repay, so the value of exchange increases and *guanxi* becomes stronger and exchange continues. In essence, the expressive component in the mixed tie is used for instrumental purposes.

⁴ *Renqing* is originally defined in the *Book of Rites* as the seven natural emotions people acquired at birth such as happiness, anger, sadness, fear, love, hatred and desire. 何谓人情?喜怒哀惧爱恶欲七者,弗学而能.

⁵ The *Book of Rites* (礼记), Chapter 1 礼尚往来. 往而不来,非礼也;来而不往,亦非礼也.

The reason to perform a favour lies in anticipation of reciprocation (Hwang 1987). However, the timeframe and the form in which the favour is returned are unknown to both parties. This creates the “dilemma of *renqing*” in contemplating whether or not to grant a favour to the petitioner (Hwang 1987, pp. 957–958). The dilemma of *renqing* is mitigated or exacerbated by three factors: the cost to the resource allocator; the anticipation of the petitioner’s reciprocation; and the social evaluation of people in the same interpersonal network. Firstly, the cost to the resource allocator in helping the petitioner includes giving up resources and possibly suffering protests from people whose interests are damaged, along with potential legal consequences. Secondly, the anticipation of a reciprocation is based on the reputation and power of the petitioner. If the petitioner is in a strong social position and has a reputation for being generous in repaying favours, the possibility of reciprocation is high. Thirdly, the resource allocator may also pay attention to other persons related to the petitioner. If the petitioner associates with people in power who have direct or indirect influence over the resource allocator, the resource allocator is likely to grant the favour considering the *guanxi* of the petitioner with the third party. In sum, the resource allocator calculates the net cost of helping the petitioner based on the three factors.

Audit and Accounting Research

The presence and implications of *guanxi* in accounting research is evident in auditing where relationships have implications for audit independence and audit quality. Research in China on the impact of *guanxi* (proxied) takes one of two paths: by examining institutional or individual connections that threaten independence proxied by the propensity to issue a unqualified audit opinion; or the influence of individual and institutional relationships on the quality of financial reporting measured by examining the level of discretionary accruals or misstatement. For example, research shows SOEs are more likely to receive an unqualified opinion. Particularly, SOEs controlled by local government are likely to receive clean audit opinions issued by domestic audit firms (Chan et al. 2006; Liu et al. 2011; Wang et al. 2008). This is because local government officials are incentivised to seek favourable or compliant auditors when advancement in their political careers is evaluated based on the region’s economic development, which, in turn, is linked to the financial performance of SOEs (Chan et al. 2006; Li and Zhou 2005; Wang et al. 2008). Furthermore, local audit firms rely on local government to allocate clients dependent to some degree on personal links. Auditors were consequently motivated to maintain *guanxi* among local government officials who may be lenient in their role as auditors to clients controlled by local bureaucrats (Chan et al.

2006; Wu and Ying 2016). This is evidenced by SOEs that, after having received a qualified audit opinion, were likely to switch to local auditors for successful opinion shopping (Chan et al. 2006). Opinion shopping occurs when a client is displeased with the auditor's and seeks an alternative auditor to obtain a view favourable to their position and uses this position to apply pressure on the existing auditor. Non-SOEs may rely on social ties (i.e. management affiliation or alumni networks) to increase the possibility of receiving unqualified opinions (He et al. 2017; Liu et al. 2011).

In terms of financial reporting quality, research finds a number of associations between *guanxi* and individual characteristics. Professional independence is impaired and financial reporting quality is questioned when *guanxi* is proxied by the connectivity between auditors and client management. For example, Du (2017c) found that financial statements are more likely to contain a material misstatement if the signing auditor and CEO possess the same family name. Similarly, a higher level of discretionary accruals in pre-IPO financial reports was detected when the signing auditor speaks the same dialect as the CEO (Du 2017a). A higher level of discretionary accruals and higher audit fees were detected when members of the top executive and the signing auditor attended the same university (Guan et al. 2016). Discretionary accruals in Chinese listed firms have also been associated with hospitality provided by clients (Du 2017b).

This body of research implicitly assumes or infers that individual or institutional relationships between auditors and clients threaten professional independence, in turn compromising audit and financial reporting quality. While this research informs the implications of *guanxi*, it neglects to examine the views and experiences of the individual accountant. In one exception in which the research relied on interview data, Wu and Ying (2016) found that Chinese auditors are pressured to lower audit fees and issue an unqualified opinion within an economic and social context where *guanxi* is pervasive, competition is intense and legal risk is low. However, their study did not specifically focus on *guanxi*. The present study will add to this literature by reporting on the *guanxi* experiences of individual accountants to understand its implication for professional independence and judgement.

Data Collection and Analysis

A total of 23 interviews (11 females and 12 males) were conducted ranging between 45 min and 2 h. The participants possessed an average of 15.5 years of relevant work experience (see Table 1). These interviews' data were collected over the period from June 2010 to July 2012. The interviewees were categorised into three groups: Chinese Practitioners (CP); Foreign Practitioners (FP) worked in China;

Table 1 Sample description

	Accounting academics	Chinese practitioners	Foreign practitioners	Total
Number	7	12	4	23
Gender				
Male	3	6	3	12
Female	4	6	1	11
Age				
Average (years)	42.1	37.1	36.3	38.5
Work experience				
Average (years)	18.3	14.4	13.8	15.5
Position				
Low	1	0	0	1
Middle	4	7	2	13
High	2	5	2	9

and Chinese Accounting Academics (AA). The perspectives of academics were gathered because not only are they observers of accounting practice, but they are also involved in the accounting standard-setting process and regularly interact with accounting practitioners. Interviews were also conducted with non-Chinese accounting practitioners who worked in China for a period between 1.5 and 2 years providing an opportunity to gather perceptions from accountants on working and living in China from a non-Chinese cultural background. Although foreign practising accountants in China may not fully understand or assimilate local mores, being 'outsiders' they provide useful observations on cultural differences that may be taken for granted by Chinese accounting professionals. Chinese accounting practitioners were the largest cohort in the sample. They ranged in experience between 6 and 38 years and held positions with varying levels of responsibility (e.g. manager, accountant, CFO, audit partner) in different functional areas of financial accounting and auditing in different contexts (e.g. SOEs, private and foreign entities). During the interviews, it became evident that professional training and qualification programs ensured all interviewees were exposed to and understood the obligations of professional ethics, including the concept of independence and its underlying rules. The participants, therefore, had knowledge and expertise in the relevant issues of independence.

Data collection relied on semi-structured face-to-face interviews to obtain the views and experiences of accountants in China, with an emphasis on independence. The physical presence of both the interviewer and the interviewee enhanced rapport to yield authentic and deep descriptions of interviewees' experiences (Polkinghorne 1994). Semi-structured interviews were considered particularly appropriate for exploring sensitive topics relating to relationships, where participants may not openly raise such issues. The interviews

consisted of several key questions to help define the areas under investigation, while allowing the interviewer the flexibility to deviate from key themes and pursue responses in more detail. While the primary researcher led the interview with opening questions, the participants were free to direct the conversation but were redirected by the interviewer if they strayed from the research topic. This approach allowed participants the freedom to discuss issues that were relevant and important to them (Alvesson 2003). The interview questions were designed to identify and understand the tensions that threaten professional independence based on three key themes: How are western notions of independence applied in China? How do superior-subordinate relationships affect the way accountants do their jobs? How is *guanxi* applied in work-related activities? Two pilot interviews were conducted: one with a Chinese accounting professional and the other with a foreign accounting professional who had worked in China for 18 months. The results from the pilot studies led to further refinement of the interview questions to avoid ambiguity.

The interviewees were recruited through maximum variation and snowball sampling (Patton 1990). The interviewees were introduced by the primary researcher's relatives, friends and acquaintances through affiliated Chinese universities. Although snowball sampling reduces the possibility of accessing a truly random sample of participants (Brand and Slater 2003), sample bias was reduced by the multiple avenues of recruitment and interviewees from different organisations, sectors and places. The limitations of the interview method of data collection include the interviewees' ability to recall (Liedtka 1992) and a social desirability bias that may distort the interviewees' interpretations of their experiences (Randall and Fernandes 1991). These limitations were mitigated by seeking information on the participants' recent experiences and reassuring the interviewees about the researcher's obligation to maintain confidentiality of data. Furthermore, the background of the interviewing researcher, employed in a non-Chinese university, appeared to encourage open responses. Interestingly, *guanxi* was voluntarily brought up by some Chinese interviewees following questions eliciting their views on the principle of independence.

The interview data were analysed in three stages. Firstly, the interviewer and primary researcher listened to the recording, then read and reread the transcripts to identify recurring ideas or language, patterns of beliefs and actions (Rossman and Rallis 2012). Familiarisation with the data in stage one permitted the researcher to develop preliminary themes. Secondly, the data were coded based on recurring themes identified in the transcripts, for example, hierarchy, tax matters, competition, gifting and *guanxi*. From a Chinese relationalism lens, it is important to classify interpersonal relationships as the basis for analysis (Ho 1998; Ho et al. 2001); the themes identified were then grouped according

to accountant–employer relationships, in which accountants work in a corporate setting with a responsibility for preparing financial information; and auditor–client relationships, in which accountants in audit firms provide services to clients. Some themes are split among the two types of accountant relationships. Thirdly, attention was paid to social interactions (such as gifting and favours) between the accountants and other parties mentioned in the interviews. The social interactions resemble the rule of *renqing* in Hwang's (1995) model.

To minimise the risk of information being 'lost in translation', transcripts were recorded in Mandarin and analysed in their original language. For the purpose of reporting, excerpts were translated into English and appear as quotes in the findings presented below. Translated quotes were checked by an independent academic to ensure accuracy in translation. The quotations selected from interviews were based on the most "representative", "vivid" or "compelling", with an eye on balance and truthfulness (Gillham 2000).

Findings

The findings are presented based on Hwang's (1995) model of 'Confucian ethics for ordinary people'. The first step in this model is to identify the type of *guanxi*, referred to as ties. The data suggest that the type of *guanxi* experienced by interviewees is consistent with the 'mixed tie' in which accountants have a formal and social, but not personal relationship (e.g. family) with their significant others.⁶ The rule of *renqing* associated with the mixed tie is then used to explain and discuss the nature and types of interactions in formal and social relationships. The rule of *renqing* and the nature of interactions in professional relationships from the perspective of the accountant as the resource allocator is presented below and described separately for accountants in corporate relationships and accountants in public practice. The impact of *renqing* on decision making and professional independence is explained in the section titled the 'dilemma of *renqing*'.

The Rule of *Renqing* in Corporate Relationships

The concept of *renqing* consists of three intertwining components comprising empathy, gifts/favours and social norms, all working together to build strong *guanxi*. Strong *renqing* comes from an ongoing accumulation of personal favours and gifts, which, in turn, leads to good *guanxi*. As resource

⁶ In many Chinese businesses, accountants can be family members. However, in this study, interviewees were not family members of their superiors. Therefore, expressive ties do not apply.

allocators, *renqing* is evident among the participants in this study. The interview data show that accountants assist their superiors by being obedient and using their knowledge and personal *guanxi* to favour or benefit their superior or the employing organisation. Many participants highlighted how superiors expected accountants to be obedient, similarly to the way a father expects obedience from their child. The frequency with which the phrase ‘listen to’ was used by participants was notable in the data. The Chinese translation of this phrase ‘*ting hua* (听话)’ is used by parents towards their children when they extol or demand obedience. One interviewee drew on this analogy to equate obedience to one’s employer with obedience to one’s parents:

Organisational culture [in China]... is ‘one man rule’. It is about working around the boss and listening to him. You obey your boss as you obey your parents. As long as you are obedient, you will be fine (AA6).

The concept of filial piety within family relationships is translated in business as obedience and loyalty to one’s superior. The problem in accounting is that obedience may come at the expense of professional obligations. One Chinese accounting practitioner pragmatically points out the dilemma created when obedience conflicts with professional obligations:

The [Chinese] accounting law requires accountants to battle against all actions that violate the law and accounting ethical requirements. However, accountants are paid by their employers. Whether or not you have food to eat depending on your employers... can you not listen to them? (CP10)

The dilemma created by obedience and violation of the public interest is evident in the assessment and payment of corporate tax. For example, when the amount of tax liability is pre-determined by the employer, the accountant will tailor the accounts accordingly. Many Chinese practitioners report regular incidences of gift-giving from businesses to local tax officials to maintain good *guanxi* to avoid undue scrutiny or to speed up the processing of tax refunds. Conversely, if a business does not have *guanxi* with tax officials, the business may unexpectedly be reviewed by the taxing authority and subsequently called to account for a higher tax liability combined with penalties. Foreign practitioners also noted incidences of tax liability assessment determined by discussion and arrangement between corporate representatives and tax officials facilitated by *guanxi*. One Chinese practitioner illustrated using *guanxi* with tax officials to benefit the employing organisation. The practitioner employed by a foreign software company was engaged to construct the accounts to portray the service firm as a manufacturer to take advantage of tax incentives available to foreign manufacturing entities. The tax official with whom the accountant had

guanxi allowed the entity to benefit from the tax incentive. When good *guanxi* is established with offers of gifts, the tax official will advise the accountant on how to minimise tax liability.

Accountants also use their knowledge to mask non-compliant expenses so they appear as conventional business expenses; one Chinese practitioner narrated an example:

A business needed to give RMB200,000 to an official [to win a project]. So I said I can solve the problem, you go ahead and I deal with the rest. I went to the Tax Bureau to ask for an official receipt for 200,000 for labour service fees. I paid tax on the 200,000 labour fees at 5.57%, which is about 10,000 yuan. As a result, I ‘legitimised’ the 200,000 yuan expenditure. I can balance the accounts now. We are all happy (CP6).

The fee paid to win the project was not a legitimate business expense but a gift, for which the superior was unable to obtain a formal receipt. As an accountant, the interviewee obtained a receipt from the Tax Bureau to help his superior account for the gift. The accountant understood what was needed for the business to survive in a gift-giving culture, where the widespread practice of gifting and reliance on *guanxi* in business is considered normal practice (Tian 2008). Therefore, they expressed genuine concern with the success of the business and the superior, which demonstrates *renqing*:

At the same time, I sympathise with him [my boss]. If he does not pay the money, he will not win the project. It is reality. As accountants, we too want the business to do well (CP6).

When accountants legitimise spurious expenditure, accountants are seen to grant favours creating *renqing* owed by superiors to their accountants. To repay the *renqing*, superiors reward their accountants with bonuses, overseas travel and promotions. The exchange of *renqing* aligns the interests of accountants with their superiors so that the interests of accountants are intrinsically linked to the interests of their superiors, like “two grasshoppers on the same string” (AA5). One Chinese practitioner states:

Accountants are very important to the leaders of SOEs, because accountants know the secrets of their leaders. Normally, if there is a change in top management, there will be a change in accounting personnel. Leaders normally take their accountants with them. If the leaders are promoted, so are their related accountants. If the leaders are demoted, their accountants go down with them (CP1).

Performing favours primarily aims to benefit superiors, but *guanxi* between the accountants and superiors enables mutual benefits in long term. The extent of *renqing* is

linked to the closeness of the accountant–superior relationship. Strong *renqing* reflected in regular exchange helps to strengthen *guanxi* between the superior and accountant, who work together to facilitate business processes.

The Rule of *Renqing* in Auditor Relationships

The *renqing* in auditor–client relationships manifests in many forms including gifting and hospitality with clients, assistance rendered to clients, and a client-centric approach to auditing with a tendency to please clients. Domestic audit firms engage in gift-giving to strengthen *guanxi* to improve client retention and the opportunity for the provision of additional services. Moreover, regular banquets between members of the audit team and clients are common. The gifts and hospitality between clients and auditors create *renqing*, raising the anticipation of auditors to expect a return in the form of business with clients. In turn, clients use the same auditors to accumulate *renqing*.

Currently, in addition to inviting clients for banquets, it is very popular to give them shopping cards, particularly during different festivals. These shopping cards are given to all relevant personnel in [the client's accounting departments]. This amount of gifting is only for renewing a financial audit engagement. If it is for an IPO, there are many departments involved; the auditors need to give gifts to managers of all levels. It must be a Partner of a firm to deliver the gifts. Managers of the firm are not senior enough [to deliver the gifts] (AA1).

Interview participants claim that their clients appreciate stability in auditor appointments because they have accumulated an understanding of their clients' business. Even though partner rotation is a professional requirement to avoid the potentiality of a familiarity threat in which auditors develop empathy for their clients, audit clients in China find ways to rotate among the auditors with whom they have a relationship. This is consistent with Chen et al. (2010) who found that clients followed their auditors to other firms after the merger of one of the Big 4 firms with a large domestic firm. In addition to gift-giving and hospitality, auditors offer additional services pro bono as favours to their clients in an expectation of winning additional work. For example, following the convergence of the Chinese accounting standards with International Financial Reporting Standards, auditors offered to prepare financial reports without charge to help clients adapt to the new reporting requirements. This created a potential self-review threat to professional independence when audit and financial reports were prepared by the same firm entailing the review of one's own work. The CoE clearly prohibits auditors from offering services related to the generation of

financial data, because it is considered difficult to evaluate without bias one's own work or that of the firm. Accountants are perceived to face a conflict of interest if they provide a service in which they essentially are functioning in the managerial aspects of the client's business. Despite this threat, auditors expressed concern or sympathy for the well-being of their clients more than they expressed commitment to professional responsibilities:

“...if we don't help them, they really don't know how to do it. They can't finish the accounts; we can't complete the audit either” (CP5).

In spite of the threats to independence, accountants do not see favours or actions that compromise audit quality as questions of competence or negligence, but from *renqing* reflected in a desire to please clients: “... it is Chinese culture, always tendency to want to please, so you want to please the client” (FP4). More troubling is the release of clean audit opinions when financial reports contain material errors. For example, FP4 recalled an incident in which they declined to sign off on a client's audit, only to discover that the client hired another accounting firm to sign off the audit.

It was surprising because we did the audit and that [something] was wrong. And they [the client] got a local firm to sign off their local accounts. They [the local firm] worked through the year and tried to sort some of the things out and put several significant adjustments through. When the local firm came back, they still signed their next year's accounts with no prior year adjustments. Despite the fact that several adjustments went through last year... and the speed with which they did it, is just unbelievable.

The threat of intimidation by switching auditors has a controlling effect over the power imbalance between auditor and clients, colloquially referred to as ‘opinion shopping’:

If I issue a qualified opinion, [the client] will not use me anymore.... They just needs to find another accounting firm. It is a matter of finding a firm that can issue you with a clean report (CP9).

This type of intimidation drives auditors to *guanxi* with clients leveraging from *renqing* to be able to compete in such markets. One interviewee stated:

...small domestic auditors want to retain you as clients, so they help us with the level of profits and tax we want to report (CP1).

It is for this reason that auditors may not scrutinise the financial statements with scepticism—rather they work to benefit their clients. *Guanxi* was a notable concern for foreign practitioners working in China:

The biggest difference [between China and the West] I suppose would be the relationships. A lot of things get done over a drink or lunch whatever... if you've got the right contact, it will get you there (FP 4).

The Dilemma of *Renqing* and Professional Independence

Based on Hwang's (1995) theoretical framework, in mixed ties accountants face the "dilemma of *renqing*" when they contemplate whether they should grant a favour. The motivation for performing a favour lies in the anticipation of reciprocity; the resource allocator (accountant) needs to consider both the cost of granting the favour and the possibility of reciprocation. The notion of reciprocity infers self-interest in which accountants are motivated by the benefits derived from the exchange of *renqing*, though few interviewees explicitly expressed any anticipation of return. When the superior seeks a favour from an accountant that is inconsistent with professional responsibilities, the cost to the accountant is the violation of the principles of the CoE. The data in the present study are littered with examples that are clearly in breach of the CoE. However, such breaches are rationalised as insignificant, giving legitimacy to accountants' conduct by attributing their behaviour to circumstances beyond their control. One interviewee articulates the ethical dilemma and justification:

For example, I earn RMB3,000 a month in a company, the leader asked me to pay less tax this year. I carefully obey the instruction, so I cook the books. Once the accounts are done, he is happy, and so am I. Perhaps, I could get a pay raise next year and my job is secure. However, I let my professional ethics slide. By contrast, if I adhere to my professional ethics, [I] do not cook the books. I don't care if I am fired. However, who applauds my decision? If I had a union that supports and compensates me because I did the right thing, I would do the right thing. However, I am too weak to uphold professional ethics by only myself [while no one else supports me to do the right thing] (CP6).

This view is also shared by accounting academics and practitioners, according to AA4: "Chinese culture does not encourage independence". If the accountant adheres to professional obligations and maintains an objective approach in their dealings with the superior and, in doing so, is disobedient to their superior, the result is damaged *guanxi* and potentially severe consequences: "You lose your job" (CP2). CP10 further claimed: "...not many people worry about professional ethics in China;" and "by law, the financial statements are ultimately the leaders' responsibilities. You are just an accountant" (CP12). Accountants in these circumstances

escape responsibility conforming to the expectations of others. One interviewee shared their personal experience when they refused to deal with a non-compliant expense claimed by their superior. The interviewee was transferred out of the accounting department to a non-accounting position. They reflected on the experience and stated:

The point is that it only takes one word from my supervisor to remove me from my job; what is the point in having accounting ethics standards... (CP8)

Reinforcing much of the evidence presented in this study, CP8 felt that the ethical principles underpinning the CoE were subordinated to the power of one's superior. This participant explained that she was not dismissed, because her aunt held a high position in a State-Owned Bank, with which the participant's employing organisation conducted business. Dismissing the participant would have damaged *guanxi* with the interviewee's family. This evidence illustrates possible limits on the superior's power through other *guanxi*. If not for the *guanxi* with the aunt, the accountant is likely to have lost her job. In this sense, *guanxi* with different parties may restrain the *renqing* of one relationship with another.

By granting a favour to a superior, accountants invest in *renqing* owed by their superiors and can anticipate good reciprocation. Reciprocation from superiors comes in the form of a banquet, promotion, bonus, overseas travel opportunities or external assistance (i.e. the superior may help the accountant's family to attend a good school or find a good doctor). As *renqing* between the parties is deepened, *guanxi* is strengthened and harmony is maintained. Overall, the costs of breaching ethical standards are well compensated by reciprocation from accountants' perspectives. However, the conflict created when superiors expect behaviour inconsistent with professional responsibility may at times be rejected by accountants when there is a blatant contravention of the law:

You require accounting personnel to abide in ethics? But if I do so, no one will hire me. What can I do? The best way is to bend the rules without breaking the law. I will not falsify invoices [because it breaks the law], but I can think about other ways [to work around laws] (CP6).

Professional independence in auditing is critical because of the auditor's role in holding corporations to account for the faithful representation of economic events reported in their financial statements. However, like corporate accountants, the violation of independence is justified by giving into the circumstances of *guanxi* and *renqing*. The audit is the principal check by which the financial statements can be relied upon for economic decision making. In China, auditing is a mandatory statutory requirement imposed on all companies. This differs from countries with well-developed

markets, where the role of the audit evolved from the agency problem in which investors seek protection from opportunistic managers. The findings in this study suggest that audit clients in China see the audit as a process of certification arising from a purchase transaction with an auditor, making the audit report a symbol to legitimise the activities of the clients. The notion of an independent audit in China is “for show” only (AA3). This explains in part why demand for independent audits in China is weak (e.g. DeFond et al. 2000). Within this context: “why would you offend your clients to uphold independence?” (AA1). Chinese auditors are more concerned with establishing *renqing* by providing gifts, offering complimentary services and even going so far as to issue unmodified audit opinions when the financial statements contain material misstatements. When contemplating the dilemma of granting or requesting a favour, the cost associated with the violation of independence is not high, particularly when legal risk is low. But the anticipated reciprocity is highly probable, which may come in forms of client retention, selling additional services, and potential employment opportunities with clients. Working for medium to large clients provides upward social mobility, particularly for audit managers who have migrated from less developed regions.⁷

Despite the need to introduce and assimilate internationally accepted standards of conduct and practice, accountants also recognise the difficulty in implementing principles developed in a different socio-cultural environment. Professional ethics in China appear abandoned when accountants act in favour of significant others at the expense of professional obligations. Although the data suggest that Chinese accountants are aware of the dilemma between professional ethics and *guanxi*, they feel that they did not have a choice because everyone else practises *guanxi*. If they do not, they would feel being left out and disadvantaged. In empathy of local accountants, accounting academics pointed out that Chinese practitioners are neither greedy nor bad people: “China is a *renqing* society” (AA1), and “they [auditors] have no choice but to survive” (AA2). The activities narrated by interviewees could be interpreted as “network corruption” (Granovetter 2007, p. 162) where people circumvent legal or other standards in order to honour obligations to

others they know. However, the survival of auditors depends on networks and *guanxi* when the market is highly insecure. The perceived corruption is neutralised in a culture where duties of loyalty and commitment to significant others matter a great deal (Granovetter 2007).

Discussion and Conclusion

This study investigates challenges to professional independence in the relational society of China by examining the realities of *guanxi* faced by Chinese accounting professionals in corporate and audit working environments. The investigation was conducted using semi-structured interviews with Chinese accountants and the data were interpreted using Hwang’s (1995) framework of “Confucian ethics for ordinary people”. Widely cited in research on *guanxi*,⁸ Hwang’s (1995) model is novel in accounting research, bringing explanatory power to individual behaviours in professional relationships. The instrumental component in the mixed tie is implicit in the exchange of services and the expressive component is reflected in the actions of gifting, obedience, loyalty and expressions of empathy. The ability to demonstrate performance or conceal questionable activities makes the accountant critically important in professional relationships. When employers have a desire to conceal financial transactions, take advantage of tax regulation, or tailor their accounts to portray a pre-determined position, they turn to their accountants for assistance. Accountants are similarly important in auditing, where clients rely on their auditors to report favourably on the operating efficiency of the business and the veracity of financial reports. In these relationships, accountants assume the role of the resource allocator because their expert knowledge places them in a position to achieve the desired ends of the superior or client (the petitioner). When a favour is requested, accounting professionals give *renqing* to employers or clients and, in doing so, lose their objectivity by subjugating to significant others. The giving of *renqing* also allows accountants to anticipate returns in the future. Their commitment to *guanxi* reflected in a strong legacy of continuous reciprocity to accumulate and to discharge *renqing* highlights an ethical dilemma to uphold professional ethics.

The notion of independence has existed since the inception of auditing as a mechanism to mitigate the agency problem. Independence, as a principle, is ever evolving but was brought to the fore with high profile corporate collapses prompting government, professional and regulatory agencies to revisit this principle. Independence is critically important

⁷ Some clients (particularly SOEs) have the power to register *hukou* (户口) for their employees. *Hukou* is a system of registration of residence in China, which is an institutional system to control population movement. Migrant workers are disadvantaged in large urban cities without local *hukou* (Liu 2005). For example, an accountant’s hometown is in Shang Xi, but he/she works in Beijing. Without a *hukou* in Beijing, the accountant cannot access medical insurance, cannot enrol his/her children in schools in Beijing, etc. *Hukou* in Beijing or other major cities is perceived to be a privilege. Some state-owned companies can register *hukou* for their employees and this is very attractive to migrant workers.

⁸ Hwang’s (1987) paper titled “Face and Favour: the Chinese power game” has over 2300 citations as per Google Scholar.

to accounting because financial reports assume that they are prepared and assured by accountants with an independent state of mind. However, the problem for accountants in China is that their relationship with clients and employers create a bias against their professional obligations. As a result, they are not only complicit in their clients or employers demands but also be an advocate in matters of taxation and other associations with bureaucracy.

In auditing, the attribute of independence and its related concepts of objectivity, integrity and scepticism are the basic principles to ensure audit quality. An auditor is independent when they have no stake or interest in the person on whose statements they express a professional opinion. Auditors must use their professional judgment free from the direction or influence of others and detached from the risk of a benefit because of the service provided by the auditor. If the auditor is inappropriately linked to the company or its officers, the auditor's opinion will hardly appear credible. By certifying the financial reports depict a corporation's financial status, the auditor assumes a public responsibility that transcends their contractual relationship with the client. However, the evidence in this study suggests that auditors' autonomy is denied when they become complicit in the practice of *renqing*.

Corporate accountants have a responsibility to perform their professional obligations outlined in the CoE but they also have a responsibility to their employer to ensure that they do their best to meet the objectives of their employing organisation and perform duties to the satisfaction of their managers. While the concept of independence is not an explicit requirement in the contractual employer–employee relationship, it does not absolve corporate accountants from their professional duty to act with integrity and objectivity. Corporate accountants like all employees have a responsibility to support the legitimate and ethical objectives established by their employers but there are times when a professional's responsibilities to the employing organisation conflicts with their professional obligations. The evidence suggests that a commitment to *guanxi* and *renqing* challenge the faithful representation of the company's financial performance or position when the pressure to collude with managers is too great to resist, particularly when success is judged on the manager's performance. Ideally, accountants must refuse to collude with superiors on matters of deceptive conduct and may report to a higher authority. However, *guanxi* places accountants in a difficult position when they damage *renqing* and face possible repercussions such as delayed promotion or termination of employment for challenging their employer. As suggested above, *renqing* is seen by accountants as normal practice, suggesting that accountants in China have been desensitised to the ethics of professional independence.

As China ventures into global capital markets and trade, it has to adapt to western ways of business to participate in a global economy. The adoption of western accounting, auditing and ethical standards is part of China's strategy to advance economically on the world stage by attracting and engaging in international business. However, China has a unique political and cultural setting reflected in its economic structure and social system. The Chinese equity markets feature strong government domination and weak investor protection (Wong 2006; Xiao et al. 2004), resulting in low demand for high-quality published financial reports (DeFond et al. 2000; Xiao et al. 2004). Extant research proceeds from this assumption and relies on structural or institutional factors to understand the impact of *guanxi* on independence, particularly as it relates to the auditing function. The outcome of the present research suggests that professional independence, at least in terms of direct relationships, is not well supported in a relational society. The introduction of abstract moral obligations based on western principles has less prominence in relational societies such as China where moral obligations of a relational being are embedded in the role responsibilities within *guanxi*. Within Chinese relational society, the absence of *guanxi* between accountants and the public indicates that Chinese accountants have little concern for the public interest. However, cultural change in China is evolutionary and, as such, the commitment to professional independence is likely to be subordinated to the cultural obligations attached to *guanxi* for at least a while longer. Meanwhile, foreign investors and other users must be mindful of these issues when relying on financial reports to make decisions about the state of business in China. Chinese policy makers and standard setters probably pay attention to developing infrastructures to reduce the reliance on *guanxi*.

The study extends and contributes to existing *guanxi* and accounting literature in the following ways. First, extant research using archival data relies on proxies (i.e. state ownership, name sharing, social ties) to demonstrate the impact of *guanxi* on audit independence and audit quality. This stream of research is wide-ranging but gives limited attention to accountants involved in such activities; thus, it gives little depth to understanding how *guanxi* impacts on intricate decision-making processes of individual accounting professionals. *Guanxi* does not exist independently from the agents involved and the nature of *guanxi* determines the action of the agents. Therefore, from an individual accountant's perspective, the study shows what *guanxi* looks and feels like through anecdotes described by interviewees. The real-life experiences of Chinese accountants highlight the struggles and ethical dilemma they face. It shows how difficult it is to maintain independence and how easy to let professional ethics slide. Independence (or the lack of) is applied by individual accountants who make a judgement situated on

the relationship and interactions between accountants and superior or client. The issues around independence cannot merely be addressed by revising or introducing accounting regulation, law or institutional arrangements (Guénin-Paracini et al. 2015). Similarly, the findings concerning auditors in the present study are consistent with Wu and Ying (2016)'s evidence but, rather than examine the broad institutional context within which Chinese auditors operate, the present study examines the challenges to independence from the lens of Chinese relationalism.

The generalisability of the findings in this study should be interpreted with caution. Firstly, interviewees were recruited through referrals and located in regions based on the East coast of China, including Beijing, Tianjin and Shanghai. These regions are economically developed compared with other parts of China. Furthermore, based on the dominant age groups represented in the demographic data, most interviewees were raised during China's economic reforms. Participants living on the east coast and exposed to economic reform and could have developed different perspectives on western concepts such as independence. Having said this, the data suggest that the participants in this study have not fully embraced western ways of thinking. Finally, the data were collected and analysed assuming accounting professionals were resource allocators, but accountants and superiors engage in a continuous loop of exchange to strengthen *guanxi* by adopting the roles of both petitioner and resource allocator.

This research highlights the difficulty in operationalising independence in practice given that people naturally develop *renqing* in working relationships. Some important questions on understanding *renqing* in professional ethics in accounting can be raised in future research. First, within a relational society, should professional ethics and rules of exchange apply to a *guanxi* in addition to individuals? Second, as indicated in one interviewee's experience where her family relationship restrains the power of her superior, it will be useful to understand how *guanxi* may be used to leverage on connections to reject illegitimate requests from superiors or clients and reduce the repercussions from "disobedience". Finally, interpersonal relationships in mixed ties are rarely linked by blood relations; they are, therefore, temporary and will cease unless nurtured with ongoing *renqing*. Further research could examine the role of accountants as petitioners as well as resource allocators or compare accountants in mixed ties with those in expressive ties.

Compliance with Ethical Standards

Conflict of interest Gina Xu declares that she has no conflict of interest. Steven Dellaportas is an editor of Journal of Business Ethics.

Ethical Approval All procedures performed in studies involving human participants were in accordance with the ethical standards of the institutional and/or national research committee and with the 1964 Helsinki declaration and its later amendments or comparable ethical standards.

Informed Consent Informed consent was obtained from all individual participants included in the study.

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