



Ethics Always Applies

Doing what's right isn't always easy, especially if a business issue is ambiguous or complicated. But you can look to IMA® for help in being ethical.

Ethics is an important component of business. We all strive to behave ethically, and we expect ethical behavior from those with whom we work. Most of us loosely define business ethics as doing what's right, so business ethics would be simple if every situation we encountered were black and white. Unfortunately, things usually aren't that simple. While elements of ethical behavior are sometimes black and white, most often the choices with which we're presented fall into the broad range in between—that large swath of grey. The trick, then, is to know the point at which the grey becomes so dark that it's black and, equally important, how to behave in that situation.

An ethical perspective is also an important characteristic of a strong professional management accountant. Good technical skills are learned in school; ethical principles are learned as part of character education at home and in places of worship. But because business situations are often complex, and ethical analysis can be complicated, IMA includes

ethics courses as a continuing professional education requirement for its certified members. Yes, most of us know the difference between right and wrong. What the courses help with is the development of an “ethical sense,” that feeling that helps you recognize quickly when you're faced with a situation in that range of grey. This “ethical sense” helps you decide how to navigate through the situation to actions that maintain the high standards we management accountants pride ourselves on.

That sense of high ethical standards is very important to how we view ourselves. Once a person has compromised his or her high standards, he or she knows that something is different. I've always viewed this as “conscience.” If you know you've compromised your ethics, it changes the way you look at yourself.

I used to give a standard ethics speech to my finance staffs. It went like this: “Your job is to tell the truth, as determined by GAAP and internal controls, to whoever asks. Telling the truth to someone who doesn't like the message could mean that your job is at risk. Remember, there are other jobs out there, but you can

only compromise your ethics once. You can give away your good name only once. Once it's gone, you never get it back. So choose carefully.”

Sometimes adherence to ethical standards can lead to tense, confrontational situations. Here's a personal example: A company I worked for managed its capital equipment spending with, among other things, a “capex” budget. Spending against this budget was reported regularly to the board of directors by the CEO. At the end of one year, a large budgeted project wasn't complete and was only completed in the next fiscal year. Complicating this was a significant “capex” budget in the next fiscal year and the need to not exceed next year's budget with overages from the prior year. When I discussed our “capex” spending for the year with the CEO, he questioned me about the missing project. I explained the capitalization rules and told him this project would be capitalized in the next year. He told me firmly that he wanted this project capitalized in the current year, not the next year, and reminded me that our compensation could be affected by

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this treatment. After tense discussion, he told me that *he* was the CEO and he wanted this project capitalized in the current year. My response to him was that he didn't get to make that decision; I was also prepared to resign if I needed to. He backed down, and the project was capitalized in the next year.

This situation was important for three reasons: We, the accounting staff, knew the right treatment. We knew what had to be done, and we knew that the organization was watching. My accounting staff knew the correct course of action, and I, in turn, knew that how I handled the situation would send a message to all. This was significant because once you compromise your ethics, you're changed forever.

For guidance, IMA has published the *IMA Statement of Ethical Professional Practice* and other material about professional ethical responsibilities. In addition, IMA has resources available to support its members. These include excellent ethics courses (a new two-credit course, titled "IMA Ethics Series: A Pathway to Excellence," is available this month), webinars, and an ethics hotline. Visit the portion of the IMA website devoted exclusively to ethics (www.imanet.org/resources_and_publications/EthicsCenter.aspx) for help in finding the resources you need.

Please share your thoughts with me at wknese@imanet.org. **SF**