

ETHICS AND THE BRAIN

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Ethics reflect a moral choice as to how we behave, the process of critically analyzing the impact of values related to everyday life. Every decision is a choice, with choice being the ability to contemplate our decisions.

The frontal lobe of the brain is where ethical values reside and function, and it is where the process of reflective thought takes place. Understanding how ethics work within the brain is an effective and efficient way of using the brain to know how values are shaped. It is an internal sense of understanding an individual's traits, feelings and behaviors. The process is the frontal lobe concept.

This article provides key insights from a study that analyzed the impact of the brain on organized thoughts and its ability to control behavior that prevents or at least minimizes the occurrence of accounting scandals. The question that arises: Is training in organized ethics at all levels of the organization the answer?

As depicted by the illustration in Figure 1, there is a relationship between the brain and ethical

values.² The mind, the frontal lobe, is the faculty of human reasoning and thoughts.

The frontal lobe links and integrates all components of behavior at the highest level. This involves the ability to project future consequences resulting from current actions, the choice between good and bad actions – known as conscience. It involves the override and suppression of socially unacceptable responses, and the determination of similarities and differences between things or events.³ This all occurs in the cerebrum or cortex, which is associated with higher brain function.

Ethical Values

For the study, the author chose 12 ethical values as depicted in Figure 1. These ethical values have been developed over the past 20 years in teaching ethics to practicing CPAs and accounting students as a requirement for the CPA Exam. They reside in the frontal lobe of the cerebral cortex.

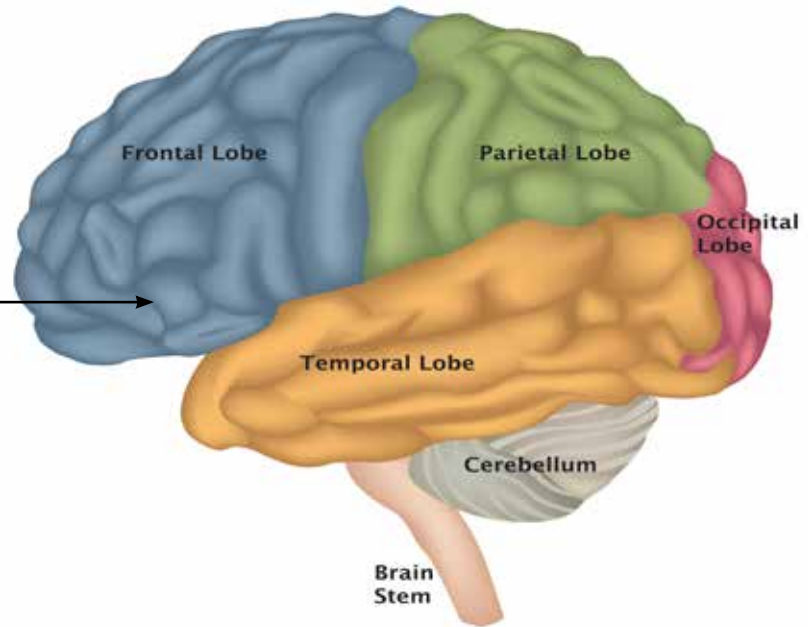
The main value question is, "Am I an Honest Person?" To be honest is to refrain from falsehood, embezzlement, cheating or other

WHAT IS ACCOUNTING FRAUD?

"Accounting scandals are political or business scandals that arise with the disclosure of financial misdeeds by trusted executives of corporations or governments. Such misdeeds typically involve complex methods for misusing or misdirecting funds, overstating revenues, understating expenses, overstating the value of corporate assets or underreporting the existence of liabilities, sometimes with the cooperation of officials in other corporations or affiliates. In public companies, this type of 'creative accounting' can amount to fraud and investigations are typically launched by government oversight agencies, such as the Securities and Exchange Commission (SEC) in the United States."¹

Figure 1. Cerebral Cortex

Responsibility	_____
Respect	_____
Cooperation	_____
Due Process	_____
Justice	_____
Competency	_____
Professional Judgment	_____
Lack of Greed (Altruism, Magnanimity)	_____
Perseverance	_____
Courage	_____
Compassion	_____
Honesty	_____



deceitful activities. When we are honest, we build strength of character that allows us to be of great service to ourselves and to humanity. Truth as an obstacle triggers a values check. It is essential to understand that we cannot control the truth with a lie, but we can limit the damages of a lie with the truth.

To evaluate your degree of honesty, it is necessary to understand your sensitivity to the other values as they relate to honesty and ethical values. The sensitivity to these values is the foundation of an ethical way of life. An honest individual continually engages the cerebral cortex by asking the following questions:

- Am I **Responsible** – Do I make a choice even when I am not sure of what the right choice is and then stand by it despite criticism from others?
- Am I **Respectful** – Do I embrace differences, uniqueness and fundamentally accept the existence of others?
- Am I **Cooperative** – As part of the group, do I sync my individual contributions and work towards a common goal?
- Do I Practice **Due Process** – Do I accept the fundamental right of

expression within the constraints of organizational objectives?

- Do I Practice **Justice** – Do I embrace the concept of workplace reward and punishment?
- Am I **Competent** – Do I possess the key skills to perform the identified task and can I deal with change in an intellectual manner?
- Do I Have **Professional Judgment** – Do I have an attitude of skepticism with a mind that questions and critically assesses the evidence? Do I have a sufficient amount of interaction between education and experience?
- Do I Lack **Greed** – Do I have an excessive or rapacious desire? Do I believe in equal work for equal pay, that what I receive should equal what I give, that my debits should always equal my credits?
- Can I **Persevere** – Do I have the mental strength to survive, with a commitment of challenging work through patience and endurance?
- Am I **Courageous** – Do I have core strength that comes from the heart, a firmness of mind and will in the face of opposition?
- Am I **Compassionate** – Do I have the right response to suffering, the right interaction with my fellow human beings?

Ethical Training

Once the above questions are answered, we should engage in a continual process of asking and answering the questions on a frequent basis, such that they become the default process of unconscious action. The research shows that the frontal lobe is associated with reasoning, planning, parts of speech, movement, emotions and problem solving.

A small region of the brain, the prefrontal cortex where most of an individual's thoughts and planning take place, is responsible for the moment-by-moment control of habits that are switched on at any given time.⁴ This is the area of the brain where the default process occurs. Therefore, the more you do something over and over, the easier it is for your brain to create a pattern and automate that response for next time. That is the role of the brain in creating the default process of unconscious action.

Organizationally, this process is accomplished through ethics training. Ethical training is the application of moral principles, standards of behavior, codes of conduct and ethical principles to organizational business transactions

and should occur on a frequent basis. The more this application occurs, the greater the probability the default process will be retained in memory. This is needed to improve ethical outcomes. Can it be taught? The culture of an organization is the reflection of its ethical values and it is believed that education has a considerable influence.

Over 2500 years ago, this issue was debated by Socrates and his fellow Athenians. Their conclusion was that ethics consist of knowing what we ought to do and such knowledge can be taught.⁵

Additionally, the late Harvard psychologist, Lawrence Kohlberg, found that a person's ability to deal with moral issues develops in stages, that a person's ability to deal with moral issues is not formed all at once. Just as there are stages of growth in physical development, the ability to think morally also develops in stages.⁶

Levels of Moral Development

The earliest level of moral development is that of the child, which Kohlberg called the pre-conventional level. The person at the pre-conventional level defines right and wrong in terms of what authority figures say is right or wrong, or in terms of what results in rewards and punishments.

The second level of moral development is the level most adolescents reach. Kohlberg called this the conventional level. The adolescent at the conventional level has internalized the norms of those groups among whom he/she lives.

The third level is reached when a person continues to develop morally. At that point, they reach what Kohlberg labeled

the post-conventional level. The person at the post-conventional level stops defining right and wrong in terms of group loyalties or norms. Instead, the adult at this level develops moral principles that define right and wrong from a universal point of view.

Many factors can stimulate a person's growth through the three levels of moral development. Kohlberg found that one of the most crucial factors is education. He discovered that when his subjects took courses in ethics and these courses challenged them to look at issues from a universal point of view, they tended to move upward through the levels.

Medical and Scientific Support

In addition to the philosophical theory that ethics can be taught, there is the medical/scientific support for this theory, as well: Neuroplasticity. In layman terms, neuroplasticity is the brain's ability to change over time. According to Pascale Michelon, Ph.D.: "For a long time, it was believed that as we aged, the connections in the brain became fixed and then simply faded. Research has shown that in fact the brain never stops changing through learning. Plasticity is the capacity of the brain to change with

learning. Changes associated with learning occur mostly at the level of connections between neurons: New connections form and the internal structure of the existing synapses change."

Michelon says that when you become an expert in a specific domain, the areas in your brain that deal with this type of skill will grow. For instance, London taxi drivers have a larger hippocampus (in the posterior region) than London bus drivers. Why is that? It is because this region of the hippocampus is specialized in acquiring and using complex spatial information to navigate efficiently. Taxi drivers have to navigate around London, whereas bus drivers follow a limited set of routes.⁷

The Organizational Impact

An ethical mind improves leadership by creating servant leaders. Servant leadership as used in this research is defined as leadership that seeks to serve, not to be served, and it focuses primarily on the growth and well-being of people and the communities to which they belong. The servant leader shares power, puts the needs of others first and helps people develop and perform to the extent of their abilities.⁸

An ethical mind fosters creative thinking that is important in an organization. The process of creative thinking is often overlooked in the most critical levels of the organization – upper management. This usually occurs because leaders are generally consumed with the day-to-day pursuit of shareholder wealth instead of the process of making ethical choices to achieve wealth maximization. Therefore, precious little time is spent creatively thinking about organizational values.⁹

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Frontal lobe reasoning, planning and problem solving improve organizational culture. This culture plays a significant role in the way organizations operate in a global economy. When ethical values become the default process of unconscious action, decisions are not only based on rules and the consequences of misapplication of rules, but on an organizational culture where the question of right vs. wrong does not even arise. It is about living your values even when it's extremely difficult, about using your values and purpose as a filter for decisions and daily actions.¹⁰

Frontal lobe reasoning helps eliminate threats to ethical compliance. According to AICPA, CPAs often face risks of encountering relationships or circumstances that could compromise compliance with rules. These risks are divided into six categories.¹¹

- Self-review threat. The threat that a member will not appropriately evaluate prior services.
- Advocacy threat. The threat that a member will promote a client's or employer's position to the

point that his/her objectivity is compromised.

- Adverse interest threat. The threat that a member will not be objective, because his/her interests are in opposition to those of a client or employer.
- Familiarity threat. The threat that because of a long or close relationship with a client or employer, a member will become too sympathetic to their interests or too accepting of their work.
- Undue influence threat. The threat that a member will subordinate his/her judgment to that of an individual associated with a client, employer or other relevant third party, because of the individual's (1) reputation or expertise, (2) aggressive or dominant personality, or (3) attempts to coerce or exercise excessive influence over the member.
- Self-interest threat. The threat that a member will act in a manner that is adverse to the interests of his/her firm.

leaders maintain their ethical focus, starting at the board level. Board members need to be abreast of ongoing research, such as the relationship between the brain and ethical values. Awareness of current research like this and others will help the board and other top management personnel to understand that the brain has the ability to shut off damaging habits and that ethics training can turn unhealthy habits into healthy ones.

Therefore, the board needs to:

- Perform a moral compass analysis prior to accepting board service,
- Be committed to rigorous ethical training,
- Be committed to a broad set of ethical values for the organization, with a commitment to upholding those values at all levels of the organization,
- Understand how ethical values connect them to the broader society.

Leaders need to have a macro vision of organizational operations. This view will keep them focus on the role of ethical values on organizational

Leadership Responsibilities

It is necessary that organizational

Figure 2. Ethics as the Organizational Protector





process, being change agents, and on overall organizational development and growth as configured in Figure 2.

Leaders of organizations, including board members, CPA firm partners, CEOs, and CFOs, should be required to take an ethics class on a regular basis. Ethics training will help them become more people oriented by understanding that there is a universal people connection derived from ethical training.

Ethical values help to connect us as a humanity. The values discussed in this article are common to all successful civilizations. They do not uphold the individual's right at all costs nor do they impose moral solutions in an authoritarian way. They are based on the belief

that strong rights presume strong responsibilities. They transcend differences in culture, ethnicity, religion, and socio-economic status. They help us to know what we really believe and why we believe what we believe.

The study of ethics should inspire, educate and empower people to know that it is very difficult to:

- Be honest, responsible, respectful and cooperative,
- Practice justice and due process,
- Be competent,
- Have professional judgment,
- Lack greed,
- Persevere,
- Be courageous and compassionate, and be unethical. This values

connection is part of the default action stimulated by the brain. The default process has its genesis of ethical brain stimulation long before you become a leader. Your thinking, controlled by your brain, ultimately impacts how you lead, and the benefits of ethical training are a great reinforcement of brain thoughts and behavior.

Effective ethical training is achieved through the actual application or use of ethical successes, failures, ideas, beliefs and methods, as opposed to theories and philosophical discussions lacking in sincerity and meaningful content. Ultimately, choices have consequences and proper training enhances the positive and minimizes the negative. ■

Footnotes

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