

A Comparative Study in Ethical Awareness of Experienced and Novice Tax Practitioners in Guam

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This study aims to assess differences in ethical awareness of experienced and novice tax compliance practitioners in Guam (U.S. Territory). Novices need to be prepared to recognize ethical content and have a thorough understanding of codes of conduct, rules, and standards of practice guided by the AICPA's Statements on Standards for Tax Services (AICPA SSTS) and the Internal Revenue Service Circular 230 (Circular 230). This paper focuses on identifying gaps and vulnerabilities of young professionals associated with ethical sensitivity. First, this study proposes that when newcomers enter the workplace, they rely on a teleological ethical approach based on their own convictions to recognize ethical tax compliance issues. Through the process of socialization, these individuals begin to share organizational and professional values gradually adopting a deontological approach. Second, this study also finds that in the presence of conflicting values between the organization and tax ethical principles, experienced practitioners high on idealism strongly favored the latter. Third, challenges and deficiencies in ethical recognition were identified among novice participants.

Keywords: ethical sensitivity, standards for tax practice, experts and novices, Hunt and Vitell's general theory of ethics

INTRODUCTION

This study aims to assess differences in ethical awareness of experienced and novice tax compliance practitioners in Guam (U.S. Territory). Novices need to be prepared to recognize ethical content and have a thorough understanding of codes of conduct, rules, and standards of practice guided by the AICPA's Statements on Standards for Tax Services (AICPA SSTS) and the Internal Revenue Service Circular 230 (Circular 230). This paper focuses on identifying gaps and vulnerabilities of young professionals associated with ethical sensitivity.

Over the years, various rules and standards have been enacted that guide tax preparers' practice: the AICPA code of conduct, the SSTS, and the IRS Circular 230. All three subject tax practitioners to various levels of disciplinary sanctions in the event of noncompliance or misconduct. The existence of these rules and regulations would imply that tax practitioners have a multitude of guidelines at their disposal to help them manage and ascertain courses of actions when making decisions. Although they provide much needed guidance, their application may prove problematic. The dilemma stems from practitioners' duties and responsibilities promulgated in these standards. For example, in SSTS No. 1, the AICPA acknowledges tax practitioners' dual roles. The standard states as follows: "[w]hen recommending a tax return position, a member has both the right and the responsibility to be an advocate for the taxpayer..." (Tax Executive

Committee, 2009, p. 10). The SSTS further explains that tax practitioners have a duty to taxpayers, but they also have a duty to the tax system. Nevertheless, it stresses that taxpayers have no obligation to pay more taxes than what is rightfully due, and that tax practitioners have the duty and responsibility to help them achieve this result. While the AICPA's standards seem to emphasize tax practitioners' duty to clients, in Section 10.22 of Circular 230, the focus is on the tax professionals' responsibility to act with integrity and diligence as to accuracy in matters of tax compliance, representation, and advisory services. This is a broad concept that encompasses known errors and failure to correct them (Rigos, 2017). Hence, the emphasis of Circular 230 is on the tax practitioners' responsibility and adherence to the tax system more so than to the taxpayer. It is in this context that tax professionals must find a cohesive balance between providing clients with tax savings solutions that are in accordance with enacted tax laws and regulations. This situation is aggravated by the ambiguity of certain laws providing the opportunity for tax practitioners to exploit them for the benefit of their clients. The level of aggressiveness in exploiting these ambiguities varies with each practitioners' risk adversity driven by environmental or personal reasons. As stated, the rules and standards provide broad guidance to tax practitioners, but it would be impossible to cover all possible situations as they occur in practice. It is under these circumstances that practitioners must reflect on their professionalism and ethical framework to act appropriately and in accordance with a self-governed profession.

The study extends past research on Hunt-Vitell's theory of ethics model by developing an ethical sensitivity framework for tax compliance practitioners that includes the following independent variables: organizational affective commitment, accountability, ethical orientation (idealism and relativism), and tax practice standards (AICPASSTS and CIRCULAR 230). This study proposes that when newcomers enter the workplace, they rely on a teleological ethical approach based on their own personal values and beliefs to recognize ethical tax compliance issues. Through the process of socialization, these individuals begin to share organizational and professional values gradually adopting a deontological approach. Second, this study also finds that in the presence of conflicting values between the organization and tax ethical principles, experienced practitioners high on idealism strongly favored the latter. Third, challenges and deficiencies in ethical recognition identified among novice participants were: 1) heavy reliance on immediate supervisor(s) for technical guidance and mentorship; 2) a susceptibility to social influence pressure in their eagerness to forge work relationships; and 3) a propensity to shift responsibility to management ('safety blanket' was the term used by interviewees).

This paper is organized as follows. A literature review and development of hypotheses are presented in the next section including the ethical framework that guides this study. In the methodology section, a discussion of epistemological underpinnings and research design is provided. Next, results from the quantitative and qualitative strands are discussed. An integrative summary of findings from the mixed methodology is offered with some concluding remarks. Finally, limitations of this study are outlined together with opportunities for future research.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Research on Ethical Awareness in Tax Practice

Ethical awareness is the first step in Rest's (1986) four-stage model of ethical decision-making (awareness, judgment, intent, and behavior). This paper focuses on the first step of the ethical decision-making process in the context of tax compliance. Ethical awareness is considered the most important aspect of this process by some researchers (Ferrell and Gresham, 1985; Hunt and Vitell, 1986, 2006; Rest, 1986; Trevino, 1986) because of the intricacies of each individual's moral complexities that may affect the identification process. Tax compliance was chosen as opposed to other tax services (e.g., tax planning) because it is assumed that most newcomers may not have the ability and experience necessary to be tasked with more complex technical issues. Since the study aims at comparing experienced versus inexperienced professionals, tax compliance offers a common ground.

Research on ethical awareness of tax practitioners is limited to the study conducted by Yetmar and Eastman (2000) who investigated the relationship between ethical sensitivity and job satisfaction, role conflict, role ambiguity, professional commitment, and ethical orientation. In comparison research on

awareness is more extensive in other areas of accounting (auditing, managerial accounting, etc.) (e.g., Shaub et al., 1993; Ameen et al., 1996; Karcher, 1996; Cohen et al., 2001; Patterson, 2001; Leitsch, 2004; Chan and Leung, 2006; Manly et al., 2015; Martinov-Bennie and Mladenovic, 2015; Fiolleau and Kaplan, 2017). Research on the last three steps of Rest's ethical decision-making model in tax practice includes judgment (Burns and Kiecker, 1995; Cruz et al., 2000; Doyle et al., 2013; Frecknall-Hughes *et al.*, 2017; Christensen and Woodland, 2018); and intent and/or behavior (Cruz et al., 2000; Doyle et al., 2013; Doyle et al., 2014; Bobek et al., 2015).

Studies focused on accounting professionals (tax, audit, etc.) have examined the influence of several factors on ethical sensitivity. The factors researched include ethical orientation (Shaub et al., 1993; Yetmar and Eastman, 2000; Chan and Leung, 2006; Manly et al., 2015); organizational commitment (Shaub et al., 1993; Patterson, 2001); professional commitment (Shaub et al., 1993); moral intensity (based on Jones' (1991) Issue-Contingent model) (Karcher, 1996; Cohen et al., 2001; Leitsch, 2004); reward structures (Fiolleau and Kaplan, 2017); codes of conduct (Patterson, 2001); personality traits such as locus of control, Machiavellianism, moral development, etc. (Patterson, 2001; Chan and Leung, 2006), and age and gender (Ameen et al., 1996; Chan and Leung, 2006).

Given the rise of tax preparers' misconduct, research on ethical sensitivity in tax practice is needed to enhance our understanding of practitioners' behavior. Although research in other areas of accounting have contributed to our knowledge of possible influencing factors, tax practitioners' relationship with clients is somewhat different than auditors, because to some extent, the former have more latitude and autonomy than the latter. A reason for this is that tax preparers are not required to abide by the AICPA's independence rule in accordance with the code of professional conduct as do auditors. Furthermore, publicly traded companies are required to comply with audit committees, the Security and Exchange Commission, and the Public Company Oversight Accounting Board's rules and guidelines. These committees and organizations provide another layer of assurance to the public and third-party users of financial information. Tax practitioners are not accountable to these oversight bodies other than local, state, federal, and sometimes, international tax authorities and their clients. Therefore, newcomers to the profession need to be adequately prepared to confront the challenges of a new era including identifying and evaluating ethical practices in their working environment.

Theoretical Framework

As previously introduced, Rest's (1986) four-step model of ethical decision-making consists of: 1) the identification of a moral issue (awareness), 2) an assessment of the situation (judgment), 3) a decision on a course of action (intent), and 4) the act itself (behavior). This process is one of the most widespread ethical frameworks (Craft, 2013), and it has been used as scaffolding for the construction of similar models by other researchers (Ferrell and Gresham, 1985; Hunt and Vitell, 1986, 2006; Trevino, 1986; Dubinsky and Loken, 1989; Jones, 1991) with some variations. Certain models have included exogenous and endogenous influencing factors in the awareness stage such as social, cultural, economic, or organizational, and individual characteristics, attitudes and values (e.g. Ferrell and Gresham, 1985; Hunt and Vitell, 1986). Given that prior research in tax practice has identified the influence of two ethical approaches to decision-making: deontology and teleology (Burns and Kiecker, 1995; Frecknall-Hughes *et al.*, 2017), the ethical framework of Hunt and Vitell (H-V model) was relied upon in this study to develop a model of ethical sensitivity for tax compliance of experienced and inexperienced professionals.

The H-V model is only pertinent when the person identifies a present situation as containing an ethical component. This means that if the problem is perceived as other than a moral dilemma, the framework is deemed ineffective (Hunt and Vitell, 2006). Once the individual perceives an issue to be ethical, it kick-starts the process to the next stage of evaluating alternatives based on deontological and teleological philosophical approaches. In other words, ethical judgment is a function of deontology and teleology perspectives (Hunt and Vitell, 2006) depending on the individual, situation, and/or context. A deontological moral philosophy upholds that rules, principles, and duties guide the determination of what is right or wrong when making moral judgments (Mascarenhas, 2019). A deontological moral theory is relevant in tax practice given the various rules and standards previously mentioned. Likewise, a teleological philosophical

approach may be equally regarded as it focuses on outcomes or consequence of actions, and therefore, it affects judgment. Tax preparers face severe civil and criminal penalties for misconduct, and they deal with many stakeholders such as clients and tax authorities that may influence the perception of outcomes. According to the H-V model, judgment leads to intentions and subsequent behavior. Once the action is completed, the individual reflects on the actual consequences, learning from the experience, and perhaps using this knowledge in future situations. The following discussion centers around the external and internal variables that may be associated with the recognition stage.

Exogeneous Variables

Accountability

Accountability is considered part of the professional environment in the H-V model because in tax practice it encompasses practitioners' responsibility to government, clients, colleagues, etc. Tetlock (1983, p. 74) defined accountability as "the need to justify one's views to others". For this reason, it is assumed that accountability leads to improve decision-making. However, in some instances, accountability may influence certain individuals to take sides based on what is acceptable to others that may contradict their values and beliefs. Beu and Buckley (2001) outlined a framework for accountability based on the 'actor's' knowledge of the other person's views. They concluded that accountability could be useful in controlling the conduct of employees in organizations in the same way that ethics is relied upon. Cohen et al., (2001) pointed out the need for researchers to investigate the effect of professional accountability on ethical decision-making of current and prospective practitioners. In public accounting, professionals are accountable to multiple sources with differing interests and preferences (e.g., management, clients, and tax authorities) (Gibbins and Newton, 1994). This study focuses on felt accountability emphasizing a constructivist approach (subjective rather than objective) from the perspective of the accountable person (Hochwarter et al., 2005).

Accountability can have a positive or negative effect depending on the accountable person and who they are accountable to (principal-agent). In this study, it is assumed that accountability would be positively correlated with ethical sensitivity for novices and experienced professionals. It is expected that novices would feel accountable to those that oversee their performance in accordance with standards of practice. When these deviate from the norm, a negative correlation is expected. Similarly, it is expected that there would be a positive association between these two variables when experienced professionals perceive their reputation and that of their firm to be an important aspect of their practice. A negative relation would result when accountability to clients or peers outweigh professional conduct. Thus,

***H1a:** The level of accountability is positively (negatively) correlated with the level of ethical sensitivity for novice tax practitioners.*

***H1b:** The level of accountability is positively (negatively) correlated with the level of ethical sensitivity for experienced tax practitioners.*

Organizational Affective Commitment

Organizational affective commitment variable corresponds to the organizational environment in the H-V model. Meyer et al. (1993) described commitment as a 'psychological state' that defines the relationship between the employee and the organization. This relationship dictates the employee's level of attachment to the entity. When the organization meets the employee's expectations, this relationship strengthens, but conflicting views weakens the link. Affective commitment refers to the person's emotional attachment, obligation, and loyalty to the organization. Organizational commitment is considered an integral part of the socialization process during at which time young professionals are introduced to normative practices and widely accepted values of the accounting profession (Aranya, Pollock and Amernic, 1981; Dirsmith and Covalleski, 1985; Fogarty, 1992; Ponemon, 1992; Sparks and Hunt, 1998).

Prior research found no association between organizational commitment and ethical awareness in auditors (Shaub et al., 1993) or causation between these two variables (Patterson, 2001). In other stages of

the ethical decision-making process, studies in auditing have reported organizational commitment as a positive moderator in mitigating inappropriate behavior related to perseverance in public accounting (Taylor and Curtis, 2010), client pressure related to questionable assets (Lord and DeZoort, 2001), and inappropriate social influence pressure (Clayton and Staden, 2015). Based on socialization theory, it is expected that novices would be committed to the organization in an attempt to fit in and adapt to its environment (Bauer and Erdogan, 2011). Likewise, more seasoned professionals are expected to have a deep attachment to the organization upholding its values and fomenting established practices. In this respect, the following assumptions are made:

H2a: *The level of organizational commitment is positively correlated with the level of ethical sensitivity for novice tax practitioners.*

H2b: *The level of organizational commitment is positively correlated with the level of ethical sensitivity for experienced tax practitioners.*

Professional Standards

Professional standards for tax practice represent the industry environment in the H-V model above. The most widely recognized accounting organization in the United States is the Association of International Certified Public Accountants (AICPA). All members of the AICPA must follow its Code of Professional Conduct and any rules and regulations issued under by their respective state board of accountancy. In 2000, the AICPA issued the Statements on Standards for Tax Services (SSTS). These standards outline tax members' responsibilities to various stakeholders such as clients/taxpayers, government, etc. AICPA members face disciplinary action for noncompliance. In addition to the SSTS, practitioners (CPAs and non-CPAs) must abide by the Internal Revenue Service (IRS) Circular 230, Regulations Governing the Practice of Attorneys, CPAs, EAs, Enrolled Actuaries, and Appraisers before the IRS. The Circular 230 provides tax preparers with guidelines to ensure professional competence, best practices, and adherence to ethical standards meant to protect taxpayers and the IRS.

This study posits that experienced tax professionals would be more familiarized with these standards than inexperienced professionals. It is expected these standards would be ingrained in more experienced practitioners as part of their day-to-day activities and that as a result would be better conditioned to identify ethical content than those that are less experienced who may have a theoretical understanding but have had less opportunities to apply it in practice. Hence, the following hypotheses are proposed:

H3a: *There is no relationship between the level of familiarity with professional standards (AICPA SSTS and IRS Circular 230) and the level of ethical sensitivity in inexperienced tax practitioners.*

H3b: *The level of familiarity with professional standards (AICPA SSTS and IRS Circular 230) is positively correlated with the level of ethical sensitivity in experienced tax practitioners.*

Endogenous Variable

Ethical Orientation

Ethical orientation pertains to the personal characteristics of the individual in the H-V model presented. Based on two moral philosophical systems, deontology and teleology, Forsyth (1980) developed a taxonomy of ideologies in relation to the level of idealism and relativism resulting in four ethical positions: situationists, subjectivists, absolutists, and exceptionists. Situationists have high levels of relativism and idealism and are skeptical about absolute moral principles examining each situation individually. Subjectivists are high in relativism and low in idealism. Like situationists, subjectivists distrust moral rules and consider ethical judgments based on personal feelings. Absolutists are low in relativism and high in idealism. Absolutists based ethical judgments on moral rules considering positive outcomes of these decisions. Exceptionists are low in both relativism and idealism. Although exceptionists uphold moral rules, exceptions are acceptable. In terms of moral attitudes absolutists and exceptionists are expected to endorse

more conservative views when analyzing and dealing with current issues adhering to a strict framework of rules and regulations than situationists and subjectivists.

Consistent with Forsyth's ethical positions (1980), Yetmar and Eastman (2000) posited that tax practitioners with high levels of relativism would be less likely to detect ethical situations due primarily to a rule-based practice. However, their study found no support for this premise. Conversely, Shaub et al. (1993) noted that ethical orientation did indeed influence ethical awareness finding that auditors high on relativism were less likely to recognize ethical issues, and those high on idealism had lower levels of ethical sensitivity. Chan and Leung (2006) also investigated the relationship between ethical orientation and ethical sensitivity in accounting students and reported a positive association between idealism and ethical sensitivity. Likewise, Elias (2002) found a positive association between ethical perception of earnings management and idealism and a reverse relationship with relativism in accounting professionals and students. In other areas of the ethical decision-making process, some studies found no relationship between ethical orientation and ethical judgment, intent, and/or behavior in auditors (e.g. Douglas et al., 2001), or students (Ballantine and Mccourt, 2011).

Based on these findings, this study assumes that novices would be less knowledgeable about tax practice rules and standards and that they would be more likely to rely on their personal values and beliefs to identify ethical issues in line with relativism. However, more experienced professionals are expected to be more proficient in understanding the application of tax practice rules and therefore, are expected to rely on deontological ethics (idealism). Thus, differences between these two groups are anticipated. As such, the following assumptions are made:

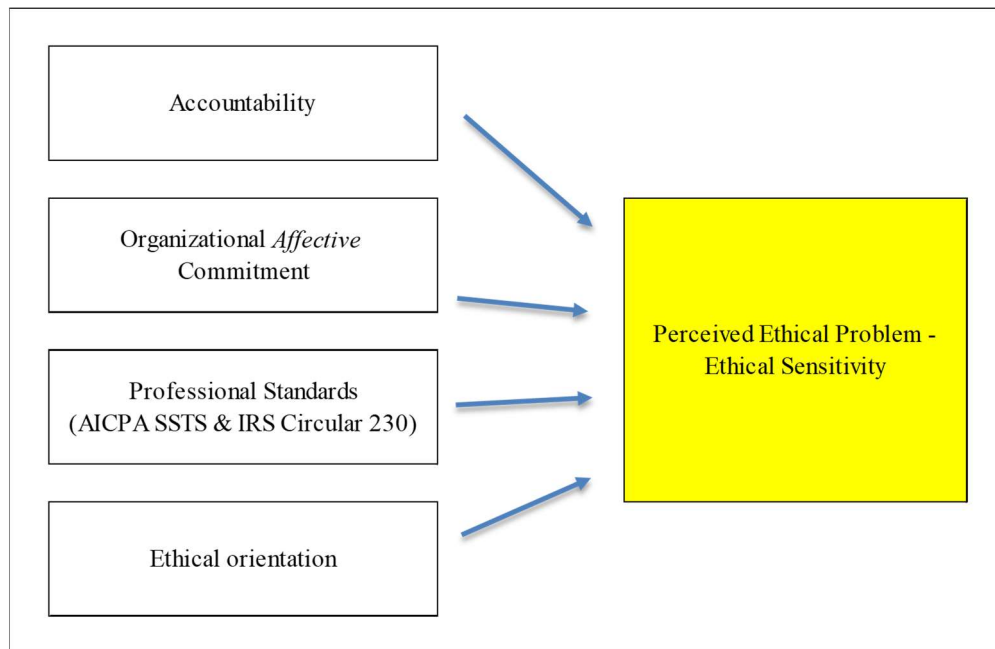
***H4a:** The level of relativism is negatively correlated with the level of ethical sensitivity for novice tax practitioners.*

***H4b:** The level of idealism is positively correlated with the level of ethical sensitivity for experienced tax practitioners.*

Tax Ethical Awareness Model

The tax ethical awareness model shown in Figure 1 is derived from the literature analysis and developed hypotheses based on the H-V framework previously introduced.

FIGURE 1
ETHICAL SENSITIVITY MODEL FOR TAX PRACTITIONERS
(EXPERIENCED AND INEXPERIENCED)



METHODOLOGY

Objective of a Mixed Method Research Design

The study follows a mixed method explanatory sequential research design (Morse and Niehaus, 2009). The quantitative survey questionnaire (Appendix A) was conducted first followed by qualitative semi-structured interviews. The quantitative method was used to collect and analyze the data identifying gaps that would need further clarification. The knowledge gained from the quantitative survey and any remaining unanswered questions were used to design the qualitative semi-structured interview questions (Appendix B). The quantitative survey is also used to identify participants that meet the stated criteria of experienced and inexperienced tax professionals based on the number of years in tax compliance. The purpose of the mixed method approach is to enhance our understanding of the topic by obtaining a more complete outlook from different perspectives (Venkatesh et al., 2013). Hence, the study uses a pragmatic methodology combining paradigms (positivist and constructivist) to achieve its objective. Given the relative small sample (n=35, novice; n=25, experienced) and ordinal measures, nonparametric statistical techniques were relied upon due to their efficiency and reliability when compared to parametric tests under these circumstances (Hollander et al., 2015).

Design and Implementation of the Quantitative Component

A quantitative survey questionnaire was used for data collection. The survey was distributed via Qualtrics in the first and second quarters of 2019. To ensure that the sample was homogeneous, the survey weblink was distributed to the Guam Board of Accountancy, the Guam Society of CPAs, and the Guam Association of Government Accountants for mass distribution to their respective members. University of Guam undergraduate accounting students who were graduating seniors and had completed one semester internship in tax were also invited to participate. The survey's introduction clearly stated that qualified participants must have completed at least one tax season within one year of completing the survey. Participation was voluntary and anonymous. However, an option was provided to those that wished to

volunteer for the qualitative interviews to provide contact information in a separate link. The total number of usable responses were 60 (approximately 40% response rate).

The survey questionnaire included four vignettes adapted from Yetmar and Eastman's (2000) study on ethical sensitivity to fit regional tax requirements. After reading each vignette, survey participants were asked to write in the issue(s) identified. Participants were also asked to rate its significance in a seven-point Likert-type scale (1= very insignificant, 7= very significant). The vignettes included commonly encountered issues that are addressed in the AICPA SSTS and IRS Circular 230. To measure subjects' familiarity with these tax practice standards, they were asked to self-rate their level of knowledge in a ten-point Likert scale (0=extremely unfamiliar, 10= extremely familiar). The instruments used to measure organizational affective commitment, ethical orientation, and accountability variables were adapted (when appropriate) from prior research. For organizational affective commitment, Meyer's et al. (1993) 6-item questionnaire (originally 18-item questionnaire, but this study excludes measures for continuance and normative commitment) was used for this purpose. Ethical orientation was measured using Forsyth's (1980) 20-item questionnaire in idealism and relativism, and Hochwarter's et al. (2005) 8-item scale was used for the accountability variable. For all three questionnaires, participants were asked to rate each item on a seven-point Likert scale (1=strongly disagree, 7=strongly agree). The survey was also used to gather demographic information in ascertaining that participants met the selection criteria and learn more about group differences.

Demographic Profile of Participants

Table 1 shows the demographic profile of participants. In summary, the characteristics of the inexperienced group was as follows. This group was predominantly female, with a 4-year college degree, most were certified public accountants, between the ages of 20 and 34 working in public accounting with 3 years or less of tax experience. The experienced group was mostly male with a 4-year college or graduate degree, a professional accounting certification, between the ages of 45 and 64, more than half were self-employed with more than 7 years in tax practice. Of these group differences, education, certification, employment sector, and years in tax practice were found to be statistically significant ($p < .01$).

The 150-credit hour requirement for Guam CPA licensing will become effective on December 15, 2021. Therefore, differences in age, education, and certifications are somewhat expected between the two groups. Regarding gender, inexperienced professionals in this sample were mostly female, but this is reversed for experienced practitioners. A possible explanation for the low count of males in the inexperienced group is consistent with gender differences reported for conferred bachelor's degrees at the University of Guam. For example, for the school year 2018-2019, 63% of graduates were female and 37% were male (*2018-2019 Factbook*, 2019). Likewise, the greater amount of males compared to females for the experienced group is consistent with the AICPA's 2017 trends where a high percentage of partners in U.S. firms were mostly male (77%) compared to female partners (23%) (AICPA, 2017).

Measures and Statistical Analyses

As previously stated, the questionnaire included four vignettes on tax compliance that address AICPA SSTS and IRS Circular 230 guidelines. The scenarios include the following: (1) unsubstantiated deductions, (2) error made by former tax preparer, (3) exploiting the audit selection process and substantial authority, and (4) failure to correct an error.

TABLE 1
DEMOGRAPHIC PROFILE OF SURVEY PARTICIPANTS

	Inexperienced n = 35	Experienced n = 25	Chi-square (χ^2) (df)	p-value
	No. (%)	No. (%)		
GENDER			1.000 (1)	0.317
Male	11 (31%)	15 (60%)		
Female	24 (69%)	10 (40%)		
EDUCATION¹			34.000 (3)	0.000
Some College	5 (14%)	0 (0%)		
4-year College Degree	30 (86%)	10 (40%)		
Master's Degree	0 (0%)	10 (40%)		
Terminal Degree (JD, DBA, PhD, etc.)	0 (0%)	5 (20%)		
CERTIFICATION			28.500 (2)	0.000
CPA	25 (71%)	20 (80%)		
Other	0 (0%)	5 (20%)		
None	10 (29%)	0 (0%)		
AGE²			2.000 (3)	0.572
20 - 24	20 (57%)	0 (0%)		
25 - 34	15 (43%)	0 (0%)		
35 - 44	0 (0%)	0 (0%)		
45 - 54	0 (0%)	10 (40%)		
55 - 64	0 (0%)	15 (60%)		
EMPLOYMENT SECTOR³			10.500 (2)	0.005
Private, For-Profit	5 (14%)	5 (20%)		
Public Accounting	30 (86%)	5 (20%)		
Self-Employed	0 (0%)	15 (60%)		
YEARS in Tax Practice				0.000⁴
Mean	2.14	18.20		
Median	3.00	20.00		
Std. Deviation	1.15	8.45		

Survey participants were asked to write in the issue(s) referred to in each vignette and rate its importance. Table 2 shows the number and percentage of correct answers. Only answers to issues 3 and 4 were found to be statistically significant ($p < .05$) between the two groups. Surprisingly, the percentage of correct answers among the experienced group was lower than the inexperienced group. Answers left blank or too vague (e.g., “control environment (tone at the top)”, “bargaining positions”, “court cases”, etc.) were marked incorrect. A possible explanation for the unexpected results is attributed to novices more recent exposure to these standards in college and subsequent review to prepare for the CPA examination.

The Mann-Whitney U test is an appropriate nonparametric test when investigating two independent samples and two non-numeric categories such as Yes/No or experienced/inexperienced tax practitioners.

The Mann-Whitney U test is analogous to the parametric t-test. The study relies on this non-parametric test for an independent sample to determine if there is a statistically significant difference between the two groups for the variables analyzed (Laerd Statistics, 2015). For all variables tested, it is assumed that there is no significant difference between the two groups (Wilcox, 2009). Results of this test are shown in Table 3.

TABLE 2
PERCENT OF SURVEY RESPONDENTS THAT CORRECTLY IDENTIFY THE ISSUE

	INEXPERIENCED n = 35	EXPERIENCED n = 25	χ^2 p < .05
Number of fill-in descriptions Unsubstantiated deduction	35 100%	25 80%	0.44
Number of fill-in descriptions Error made by former tax practitioner	35 100%	15 80%	0.44
Number of fill-in descriptions Exploiting the audit selection process	35 86%	15 40%	0.02
Number of fill-in descriptions Failure to correct an error/Client notification (g)	35 100%	15 47%	0.04

For the dependent variable ethical sensitivity (ESENSITIVITY), the mean rank of experienced practitioners (20.90) was higher than the mean rank of inexperienced (16.79) ones. However, these differences were not found to be statistically significant ($p < .05$). This means that both groups agreed on the level of significance of the ethical content presented in the vignettes. Similarly, no statistically significant results were found for organizational affective commitment suggesting the level of connectedness with the workplace is similar for both groups. For the independent variable accountability, the mean rank of experienced professionals of 28.10 is significantly higher than novices' mean rank of 11.54 ($p < 0.001$). It is inferred that because of a hierarchical structure of most public accounting firms, it is expected that most novice professionals may not perceive accountability to be as important as experienced professionals who are ultimately held accountable for their actions. Forsyth's (1980) Ethics Position Questionnaire (EPQ) was used to measure ethical orientation for two dimensions: idealism and relativism. Differences between experienced and inexperienced participants were found to be statistically significant ($p < .05$) for both idealism and relativism. Experienced professionals were found to demonstrate high levels of idealism but low levels of relativism while inexperienced professional were the exact opposite. According to Forsyth's 2x2 matrix, experienced participants could be categorized as 'absolutists' because of the high levels of idealism and low levels of relativism, while novices seem to have 'subjectivists' tendencies because they showed high levels of relativism and low levels of idealism. The last two variables AICPASSTS and CIRCULAR 230 were used to assess tax preparer's perception of their familiarity with these standards of practice germane to individuals in this profession. It is assumed that those participants that have spent several years in tax practice will be more "familiarized" with these standards than novices. These differences were found to be statistically significant ($p < .05$). Although experienced professionals perceive themselves as being more familiar with these standards than inexperienced ones, results from the ethical sensitivity cases (see Table 2) show that novices were able to match each hypothetical scenario with its respective standard, but more experienced professional were less likely to do so. This conflict in data results is examined in more detail in the qualitative phase.

Spearman's rank correlations coefficient and its significance are shown below for novices (Table 4) and experts (Table 5). For the inexperienced group, ethical sensitivity is significantly positively correlated with only two variables: accountability and organizational affective commitment. This means that hypotheses H1a, H2a, and H3a are confirmed by these results. However, for more experienced

professionals, ethical sensitivity is only significantly positively correlated with idealism (H4b). Differences in correlations with other variables are also reported for both groups. For example, accountability in novices is positively associated with organizational affective commitment and idealism, but inversely related to years in tax. The latter may be due to the short amount of time spent in tax practice in comparison with the experienced group where years in tax is positively associated with accountability. There is also a lack of association between professional standards and accountability for the inexperienced group, but a strong relationship for experienced professionals.

TABLE 3
MANN-WHITNEY U TEST COMPARING EXPERTS AND NOVICES AND
CRONBACH'S ALPHA

	U	Z	p < .05	Cronbach's Alpha
ESENSITIVITY	193.5	-1.249	0.212	NA
ACCOUNTABILITY	301.5	-4.676	0.000	0.801
ORGCOMMIT_AC	184.5	-0.888	0.391	0.873
IDEALISM	252	-3.154	0.002	0.863
RELATIVISM	67.5	-3.098	0.003	0.690
AICPASSTS	243	-2.771	0.005	NA
CIRCULAR230	238.5	-2.621	0.008	NA
NOTE: A p-value of 0.000 indicates p< 0.0005.				

Additionally, there is an insignificant negative correlation between relativism and accountability in novices, but a statistically significant positive relationship for experts. The same differences are found between relativism and professional standards where an inverse relationship is present, but statistically insignificant for inexperienced and significant for experienced. Results also differ for organizational affective commitment and idealism where for novices there is positive relationship, but a negative correlation for the experienced group.

RESULTS AND DISCUSSION

The Mann Whitney U test resulted in no statistically significant differences in ethical sensitivity between experienced and inexperienced practitioners. This is attributed to the lack of ambiguity in the four tax vignettes. The reason for including well-defined situations was for the benefit of novice practitioners who may not yet have the technical skills to deal with substantially more complex tax issues. However, as demonstrated by the high percentage of correct responses by inexperienced professionals, it seems that this group was more knowledgeable than expected. It is assumed that these young professionals may have recently or are currently preparing to take the CPA examination and that this contributed to their understanding and easy identification of the ethical issue(s) contained in the vignettes. As a result, both groups agreed as to the level of importance attributed to each of the four dilemmas. Similar results were reported by Fiolleau and Kaplan (2017) whose study compared ethical sensitivity and reward structure

between practicing and student accountants positing that the former would have lower levels of ethical sensitivity compared to the latter. However, findings showed no support for this hypothesis implying that the level of ethical sensitivity was similar between the two groups.

Based on the ethical sensitivity model for tax practitioners presented in Figure 1, the correlation between the dependent and four independent variables was examined for the two groups. Organizational affective commitment and accountability were found to be positively associated with ethical sensitivity only in novices supporting hypotheses H1a and H2a. The organizational affective commitment results are explained in the context of socialization theory. Socialization is a process where an individual assimilates the group's norms, beliefs, and ideals (Fogarty, 1992). Public accounting firms espouse a rigid organizational structure that fosters institutionalized socialization strategies (Bauer and Erdogan, 2011). As previously discussed, organizational affective commitment is likely when the individual assimilates and shares the same organizational values. This link is fomented and strengthened through socialization (Fogarty, 1992). Accounting firms' processes and procedures of technical tasks inform newcomers of widely accepted behavior in the organization and profession. Thus, organization affective commitment is directly related to socialization (Ards et al., 2001). The correlation found in newcomers differs from prior findings on ethical awareness of auditors where no association was reported (Shaub et al., 1993; Patterson, 2001). However, this lack of association coincides with results obtained for the experience group.

TABLE 4
DESCRIPTIVE STATISTICS AND CORRELATIONS AMONG VARIABLES - NOVICE

	Mean	SD	1	2	3	4	5	6	7	8
1. Ethical Sensitivity	6.14	0.36	NA							
2. Accountability	4.43	0.64	0.47*							
3. Org_Commitment (AC)	4.57	0.69	0.53*	0.49*						
4. Idealism	4.57	1.51	0.23	0.80**	0.56**					
5. Relativism	4.29	0.54	-0.14	-0.07	0.19	-0.36				
6. AICPASSTS	3.86	2.08	0.14	0.17	0.48*	0.09	-0.06			
7. CIRCULAR230	4.00	2.19	0.29	0.14	0.29	0.31	-0.32	0.78**		
8. Years in Tax	2.14	1.15	0.13	-0.81**	-0.11	0.79**	0.23	0.48*	0.24	NA

** p<.01 level (2-tailed).
* p<.05 level (2-tailed).

TABLE 5
DESCRIPTIVE STATISTICS AND CORRELATIONS AMONG VARIABLES – EXPERIENCED

	Mean	SD	1	2	3	4	5	6	7	8
1. Ethical Sensitivity	6.40	0.51	NA							
2. Accountability	6.20	0.78	0.30							
3. Org_Commitment (AC)	5.00	1.13	-0.44	0.16						
4. Idealism	6.10	0.21	0.61*	0.56*	-0.73**					
5. Relativism	3.30	0.90	0.00	-0.88**	-0.23	-0.40				
6. AICPASSTS	6.60	2.82	0.15	0.97**	0.16	0.54*	-0.86**			
7. CIRCULAR230	6.60	2.82	0.15	0.97**	0.16	0.54*	-0.86**	1.00**		
8. Years in Tax	18.20	8.45	0.29	0.74**	-0.21	0.71**	-0.45	0.82**	0.82**	NA

** p<.01 level (2-tailed).
* p<.05 level (2-tailed).

In a similar vein, socialization may also explain the positive correlation between ethical sensitivity and accountability in novices. Newcomers learn early on that their behavior is accountable to others especially those in charge of evaluating their performance. The development of technical skills is an integral part of socialization (Fogarty, 1992) especially for newly hired individuals whose job performance dictates future employment security and opportunities. Thus, recent graduates are more likely to focus on their performance more so than experienced employees (Carr *et al.*, 2006). As posited by Beu and Buckley (2001), accountability plays an important role in influencing employees to follow organizational norms.

Hence, novice participants' perceived accountability appears to foment adoption of standards that may influence ethical recognition more so than if the individual was not accountable.

As previously stated, novice tax professionals proved to have a theoretical knowledge of professional standards, however, no correlation was found between these and ethical sensitivity in support of hypothesis H3a. Same results were obtained for the experienced group, therefore, hypothesis H3b is not supported. These results are consistent with Patterson's (2001) reported findings that showed no association between the industry construct (professional regulations, auditing standards, etc.) and ethical sensitivity in auditors. In relation to other variables, only AICPA SSTS was positively correlated with organizational affective commitment in the novice group suggesting that young professionals are more likely to follow these professional standards when they are observed in the workplace. For the experienced group, professional standards were strongly positively correlated with accountability. This is expected since tax practitioners must abide by these rules and may be held liable for failure to comply.

For the experienced group, only idealism was found to be positively associated with ethical sensitivity confirming hypothesis H4b. This result agree with previous findings (Elias, 2002; Chan and Leung, 2006). Results from the Mann-Whitney U test comparing the two samples showed significant differences for idealism and relativism that were associated with two out of the four ethical positions proposed by Forsyth (1980): subjectivists and absolutists. Accordingly, absolutists have high levels of idealism and low levels of relativism and for this reason they uphold actions that follow underlying moral principles. In the context of tax practice, these moral principles encompass widely recognized and implemented standards of practice that outline core professional behavior. Because of their belief in absolutes to guide ethical decision-making, this position closely resembles a deontological perspective (Hunt and Vitell, 1986; Forsyth, 1992). Although novices are classified as subjectivists (high relativism and low idealism), there was a negative relationship between relativism and ethical sensitivity, but this was not statistically significant.

Questions remain as to the lack of association between experienced professionals and other variables included in the model such as organizational affective commitment, accountability, and professional standards. Further clarification of the relationship (or lack of) between ethical sensitivity and these variables will be investigated during the qualitative analysis discussed next.

DESIGN AND IMPLEMENTATION OF THE QUALITATIVE COMPENENT

The purpose of the qualitative component is to explain and validate quantitative findings. It is performed sequentially because results from the quantitative phase were used to design the semi-structured interview questions (Appendix B) (Johnson and Onwuegbuzie, 2004; Morse and Niehaus, 2009; Tashakkori and Teddlie, 2010). Because the overall intent of this study is to gather information to improve the income tax ethics curriculum, a phenomenological approach is best suited to collect participants' rich accounts and experiences with ethical dilemmas embedded in their daily tax practice.

Data Collection

Quantitative survey participants were asked to provide their contact information if they wished to volunteer for the qualitative interviews. Nine individuals met the required criteria (same as the quantitative survey). Of the nine, five were categorized as inexperienced based on the length of time spent doing tax compliance work. As with the quantitative component, this group also included University of Guam undergraduate accounting students in their senior year who had completed a tax internship at a public accounting firm. Three were female and two were male, all between the ages of 20 to 25. None of the novices interviewed were known to me. For the experienced group, two were female and two were male and had between 3 to 20 years of tax compliance experience. Their age ranged from 27 to 60. All interviewees from both groups were either currently or formerly employed in public accounting.

Data Analysis

All interviewees were required to sign an informed consent at the start of each interview. Interviews were conducted face-to-face outside participants' workplace mostly at university to maintain anonymity.

With subjects' consent, interviews were recorded and immediately transcribed verbatim. Braun and Clarke's (2006) framework was used to analyze the data. In an inductive search of categories and themes, each transcript was read multiple times focusing on the phenomenon under study making marginal notes that were later used for initial coding. In vivo coding was used to capture the essence of participants' verbal descriptions (Saldaña, 2009). The assignment of codes was read, reviewed, and refined before beginning the categorization process. The categories were grouped into common themes making inductive and deductive connections with prior theories and the literature (Braun and Clarke, 2006). The raw data and the entire process were reviewed once again, and changes were made accordingly. The themes that emerged from the thematic analysis are ethical frameworks, tacit knowledge, and socialization. A summary of themes and sample interviewees' quotes are reported in Table 6. These are discussed in detail in the next section.

RESULTS

Theme: Ethical Frameworks

Differences in ethical philosophies (teleological and deontological) and other frameworks, such as the participants' perceived intensity of the moral issue or the level of risk tolerance, were identified between experienced and novice participants. Regarding ethical orientation, experienced participants' narratives demonstrated a deontological approach when recounting their experiences. Phrases such as "technically correct answer" and "more likely than not" in accordance with AICPA SSTS standards were peppered throughout experienced participants' interviews. Experts emphasized these standards and quality of technical skills (application of tax law) as guidelines for identifying ethical situations. However, novices' stories were based on a predominantly relativist perspective, more individualistic and dependent on specific situations. When new entrants to the profession are less knowledgeable of its rules and standards, they are expected to rely on their personal value and beliefs system when addressing ethical issues (Doyle et al., 2013). This seems to be the case for these participants. These polarizing differences found in the qualitative analysis support the quantitative results characterizing novices as subjectivists and experienced as absolutists.

Another means of ethical awareness relates to the level of moral intensity perceived by the participant. Jones (1991) ethical decision-making model focuses on the importance assigned to the issue itself (issue-contingent). The model is intended to be complimentary to other models such as the H-V model used in this study. The decision maker would follow the same steps outlined in the H-V model, but he or she would also take into consideration the seriousness of the issue in this process. Results of the qualitative method show that the inexperienced group was only concerned with the identification of "big" ethical dilemmas, ignoring the possibility of micro-transgressions (Reckers and Samuelson, 2016). This way of thinking may be influenced by the curriculum taught in the ethics for accountants' course focusing mainly on noteworthy fraud cases as examples. For the experienced group, the accounts concentrated on their level of risk tolerance when confronted with clients' tax preferences or aggressive measures. The level of risk undertaken was gauged based on accountable others (e.g., tax authorities), compliance with tax laws and regulations, and assessment of any threats to their reputation and their organization. Most common types of risks that are characteristic of tax practice are: tax compliance risks, technical interpretation risk, personnel risk, and reputational (Mak Oi Leng, 2012). For example, Kadous and Magro's (2001) study found that tax professionals take more or less aggressive tax positions depending on whether the client is perceived as low risk or higher risk respectively. Although risk tolerance was not a variable included in this study, experts' views shed some light on aspects that are relevant to practitioners that deserve future consideration.

Theme: Tacit Knowledge

Tacit knowledge is abstract knowledge that is difficult to verbalize and communicate to others (Nonaka, 1991). In a professional environment, theories become tacit knowledge when applied in practice (Freidson, 2013). This knowledge is embedded in the person's knowing and acting. This was evident in experienced

participants but absent in novices. In particular, the experienced group demonstrated an innate ability to recognize client's level of aggressiveness or blatant transgressions almost instantaneously when relating their experiences with ethical issues. For example, they were able to identify clients' attempts to revise financial statements to add tax deductible expenses after being informed the amount of their tax liability. Because of this ingrained knowledge, experts described making decisions almost immediately without following the sequential steps outlined in any of the ethics models previously mentioned. This implies that after encountering the same or similar ethical scenarios the decision-making process takes place automatically. Similarly, Gibbins (1984) posited that each experience is stored in long-term memory in the form of templates. He theorized that upon analyzing the situation, experienced professionals' access pre-existing templates first before improvising on decision-making. The selection of templates is almost automatic and sometimes this is an unconscious process.

Tacit knowledge may help explain the unexpected low percentage of correct answers provided by experienced practitioners when identifying the ethical issue contained in the four vignettes as part of the quantitative survey questionnaire. Although this group was unable to correctly recall the standard(s) addressed in the scenarios, during interviews, they demonstrated an innate knowledge of these rules by the way they investigated clients' discrepancies and the way they handled clients' demands. It may be because these standards and rules are part of well-established organizational practices that practitioners are not consciously aware that they are following these accordingly. Conversely, novices demonstrated a theoretical knowledge of these in the quantitative survey. However, from the analysis of qualitative interviews, it was noted that they lacked practical knowledge, and this negatively affected their level of self-confidence.

Theme: Socialization

Organizational socialization is a process where new entrants to a profession are introduced to widely accepted practices that are fundamental aspects of said profession (Sparks and Hunt, 1998; Bauer *et al.*, 2007). Accountability and organizational affective commitment were found to be statistically significantly ($p < .05$) correlated with ethical sensitivity in novices. The qualitative interviews clarified this association and helped in understanding the link between these two variables. In terms of accountability, newcomers' narratives demonstrated an excessive reliance on immediate supervisors or reviewers usually shifting the responsibility for the recognition of ethical content to these individuals. This lack of initiative left them vulnerable to social influence pressure exacerbated by a reluctance to question management practices either because they lacked the technical skills to discern ethical from unethical or because they did not want to question authority. The latter may be attributed to Eastern cultural influences ingrained in many island societies in the Pacific region (Diaz, 2012).

For inexperienced participants, the quality of their relationship with mainly immediate supervisor(s) facilitated or hindered the adoption of organizational values. Although all felt accountable to those in charge of reviewing their work and performance as discussed above, the quality of this relationship seemed to influence participants' organizational affective commitment. This is also consistent with quantitative findings reporting a positive significant ($p < .05$) correlation between organizational affective commitment and accountability (Table 4). Similar findings were reported previously in relation to job satisfaction being positively associated with ethical sensitivity (Yetmar and Eastman, 2000).

Establishing connections and 'fitting in' was paramount for novices. There is direct relationship between social acceptance and job performance as new employees actively or passively seek information about the organization in an attempt to build connections (Bauer and Erdogan, 2011). In this respect, the qualitative analysis showed that newcomers that were assimilated by the group more easily adapted to the organization's views and established practices than those that had a difficult time transitioning from the college environment into the workplace. This was conveyed as feelings of isolation and sadness that further contribute to their lack of confidence in their abilities.

There was no association between organizational affective commitment, accountability, and years in tax practice with ethical sensitivity for experienced tax professional. The lack of correlation with organizational affective commitment may be explained by the organizational and professional value discord

described by some participants. In recounting experiences, some interviewees stated that they had to calibrate their ideals based on upper management's level of aggressiveness or risk-taking personalities. There was a sense of powerlessness expressed by those in middle management that was dealt with cynicism (Fleming and Spicer, 2003) by deflecting any responsibility to those who are ultimately responsible for signing the tax return. This was mostly observed among middle managers who felt they had sufficient experience to discern inappropriate tax treatments but were not empowered to make their own decisions. This professional-organizational conflict may explain the lack of correlation with organizational affective commitment, but a confirmed association with idealism. This group valued professionalism and the independence granted by this knowledge, but were constricted by organizational practices represented by managements' approach to ethical dilemmas. Aranya et al. (1981) observed that those committed to the profession should be allowed to make independent judgments in accordance with professional standards of practice, and that more than likely, they would disagree with practices that differed from these standards. This discord is also supported by the significant ($p < .01$) inversed association between organizational affective commitment and idealism. Idealists uphold moral rules and duties and sometimes these are not aligned with organizational priorities (e.g., practice growth). Since these individuals would be less satisfied with organizational policies, their commitment to the organization would be lower. Issues may also arise when top management's ethical ideologies are different than idealists (Jha and Pandey, 2015).

TABLE 6
REPRESENTATIVE PARTICIPANTS' QUOTES

Theme (Category)	Novice	Experienced
Ethical Frameworks		
(Teleology) vs (Deontology)	"[Depends on] each individual person how they perceive the situation whether is morally acceptable or it's not. Like the moral is more of personal thing...it depends on the situation and I guess the people involved" [N072519]	"[G]ive them the advice that I believe is in accordance with tax law and I never know what they're going to do with it. But, at least I gave them the advice" [E071419]
(Moral Intensity)	"I am not really certain about any ethical dilemmas that I came across because I don't think there's any big ones that I've experienced" [052319]	"[Y]ou have to give them an answer that is 'more likely than not' to survive scrutiny by the tax authority. So, you should do your research, you know, you come to a conclusion that you look at it and say is that 'more likely than not' [E072019]
Tacit Knowledge		
(Lack of Practical Knowledge)	"As of right now, I wouldn't say yes [recognition of ethical tax issues], only because I don't have the knowledge of what would be considered ethically right or wrong. I don't know the rules specifically, but if I were knowledgeable, yeah" [N072519]	"[W]hen the financials keep getting revised, you already know that there's something wrong...especially with the tax liability that was computed, I think he [the client] felt compelled to like include more, more expenses, more deductions" [E071419]

Socialization		
(Accountability)	"[D]efinitely felt accountable, but you know as a new employee, we have our supervisors who are pretty much our safety net" [N072619]	"[Y]ou have your manager, your supervisors, and they ask you to do something maybe that you feel it's not ethically right, you can pass that responsibility to that person. So, you feel like you're not to blame for anything... you're really not in a position to do anything about it" [E071419]
(Organizational affective commitment)	"I wasn't so committed actually. I was just there to do the work and learn from what I was doing... [organizational] value wise, I did really like it there, but my problem was... I think is there's no much communication" [N052319]	"I think, when I worked with the firm, though there were times that we took aggressive stands as far as tax. I felt it was within the law, so, although maybe I may not have been that aggressive, I was okay with it. And so, yeah, I think I've been lucky in that sense" [E072019]

In respect to accountability, the lack of significance among experienced professionals may be attributed to Hochwarter's et al. (2005) questionnaire focusing mainly on subordinate-management relationships. However, most of the experienced quantitative survey participants were self-employed (60%) and the accountability questionnaire may not have been perceived relevant to their situation. In the future, the accountability scale should include clients, tax authorities, colleagues, professional organizations, etc. From interviews, it was noted that practitioners felt accountable to the tax authorities relying on standards of practice and tax law to ascertain that the tax position taken on the return would have a 'realistic possibility' of being sustained if challenged. Experienced practitioners were most concerned with maintaining a good business reputation. This seemed to be a fundamental aspect of their practice more so than complying with clients' aggressive preferences.

CONCLUDING DISCUSSION

Ethical Orientation

This study investigated possible variables associated with ethical sensitivity and compared differences between experienced and inexperienced tax practitioners in Guam with the purpose of identifying gaps. The overarching result of this study supports Sparks and Hunt's (1998) premise that ethical sensitivity is learned through the process of socialization as newcomers are introduced to organizational and professional standardized practices. Comparatively, research on moral reasoning provides evidence of the effects of socialization in public accounting. In this regard, Ponemon (1992) concluded that in a hierarchical organizational structure such as public accounting, as the individual's career progresses to upper management, the level of moral reasoning decreases becoming more homogeneous. He also found evidence that those at the top have hiring preferences for individuals that have demonstrated similar values, known as selection-socialization. Likewise, Doyle et al. (2013) reported that tax practitioners' moral reasoning was much lower than non-specialists in a tax context, but was not significantly different in a social context, suggesting that principled reasoning is used less in tax practice than in other accounting areas. Regarding ethical orientation, Frecknall-Hughes *et al.* (2017) found that in social scenarios the level of consequentialism and deontology were similar for both tax practitioners and non-tax practitioners, but differed in tax scenarios showing lower levels of consequentialism and higher levels of deontology. Authors concluded that due to the legal nature of tax practice, deontology ethics is expected to be the dominant orientation in decision-making. Hence, congruent with prior research, this study finds differences in the

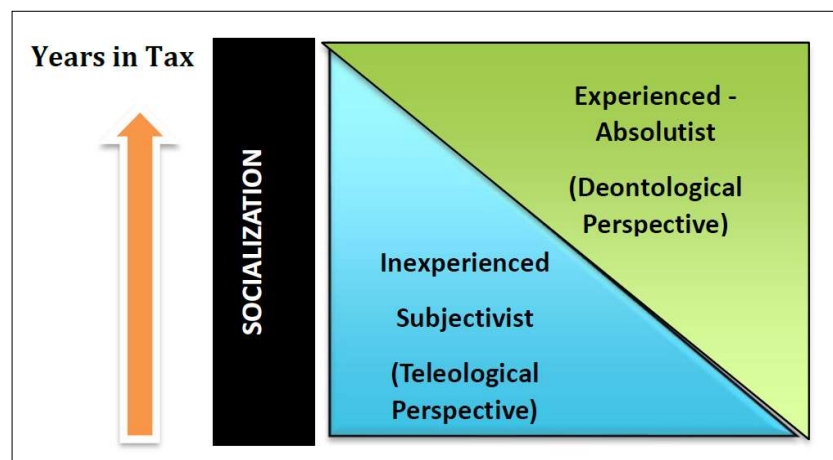
ethical orientation of novices and experienced professionals in tax compliance practice ascertaining that newcomers tend to rely on a teleological approach based on their personal values and beliefs system, but as they learn and assimilate organizational practices, they become socialized into their new environment increasingly adopting a deontological perspective when analyzing ethical issues. This is demonstrated by the high levels of relativism and low levels of idealism for novices contrasting the high levels of idealism and low levels of relativism of experienced practitioners. The interpretation of results on the evolution of ethical orientation of novices and experienced tax practitioners in tax compliance are represented in the diagram below (Figure 2).

Young Professionals' Challenges in Ethical Sensitivity

Since the fundamental objective of this research was to identify gaps in ethical recognition for curriculum redesign, a discussion of these findings follows. This study finds that in their eagerness to bond with peers and coworkers most novices were susceptible to social influence pressure. This was emphasized by their tendency to rely heavily on reviewers for technical guidance and relationship building. Those in lower ranks depend on mentors for advice not only on technical tasks, but also about internal politics and power dynamics in the workplace (Dirsmith and Covaleski, 1985). This relationship is focused on teaching and guiding newcomers through processes and procedures. However, new graduates may be blindsided by these social interactions in their effort to meet employer's expectations. Although mentoring plays an essential role in the socialization process (Dirsmith and Covaleski, 1985), it is not guaranteed that every organization would provide this type of support.

Another explanation for novices' passive behavior may be due to obedience pressure. Obedience is a form of social influence based on superiors' authority and the control that they exert on subordinates especially in traditional hierarchical organizational structures characteristic of most public accounting firms (Ponemon, 1992; DeZoort and Lord, 1994). Evidence from previous studies suggests that obedience pressure has an influence on ethical behavior of auditors (e.g. Lord and DeZoort, 2001; Tsunogaya et al., 2017). Therefore, it is reasonable to suggest that obedience pressure may influence these novices to fully comply with managerial decisions forcing them to assume a passive role in this process.

FIGURE 2
THE EVOLUTION OF ETHICAL ORIENTATION IN TAX COMPLIANCE



Results also show that often novices were inclined to shift responsibility to reviewers for technical and ethical situations. In general, newcomers demonstrated a reluctance to make a proper determination regarding ethical recognition. This function was completely delegated to reviewers or superiors. Baker (2014) notes most people are inclined to rely on others to determine what is ethical or unethical. Although it was previously noted that novices possess the theoretical knowledge of tax practice rules and standards,

they still lacked experience in applying and integrating these in their daily tasks. It is assumed that procedures in place at the firm level including the hierarchical review process would ascertain proper implementation of these practices. On the one hand, it is up to the firm to adopt these procedures and the lack of it may increase the risk of unethical behavior. On the other hand, following routine tasks in a tacit manner may also have adverse results as practitioners become accustomed to a checklist approach to ethical decision-making without critically assessing the situation. For example, during interviews some novice professionals wished for the existence of some sort of formal checklist for ethics rather than critically evaluating dilemmas. Flanagan and Clarke (2007) cautioned that ethical decision-making should not be reduced to simply following a set of standards and procedures, but that it should also involve a more holistic critical analysis of the situation that is not exclusively rule-based.

The overall result of this study highlights the need for education that not only emphasizes professional rules and standards, but that also raises students' awareness about social influence pressure that may threaten their personal values and beliefs. Many novice interviewees recognized factors that may improve ethical sensitivity. They highlighted the importance of being introduced early on to ethics rather than in their senior year. The Ethics for Accountants course required for the undergraduate accounting degree is an upper division class available to students only in their last school year. Another recommendation was for the addition of field specific scenarios. The focus of this class has been on well-known cases such as Enron, WorldCom, etc., but 'real life' cases of this magnitude may not address practitioners' daily encounters with ethical content. Novices expressed a preference for professionals to relate actual experiences in the classroom to compliment teaching instruction. They also hoped for an open dialogue in the workplace where individuals of different experience levels and ranks would discuss current ethical issues that would be resolved as a group. These meetings would act as learning sets for lower-rank individuals and others in the firm.

LIMITATIONS AND OPPORTUNITIES FOR FUTURE RESEARCH

Although the study contributed to the literature on ethical sensitivity of tax practitioners, certain limitations should be considered. Generalizability of results is one of these limitations. Generalizability of results pertains to the application of the study's findings to other practitioners in other countries or regions (Shah and Corley, 2006). Although Guam is a U.S. Territory, the composition and history of its population is unique due to its geographical location and socio-cultural influences from East and West. This means that findings may not be entirely relevant to other tax practitioners in the U.S. mainland, other territories, or countries. Another limitation stems from the vignettes used in this study. The four scenarios depicted clear and concise tax compliance situations with little ambiguity, easy enough for novice practitioners to recognize. Therefore, scenarios containing a higher level of ambiguity, addressing complex tax issues, or examining other tax services such as litigation or tax planning may yield different results. Last, the composition of the study's participants was mainly from public accounting firms. As a result, findings may not be extended to tax practitioners outside this industry such as those working for private, not-for-profit, and government entities.

This study also presents opportunities for future research. One of these is to conduct a longitudinal study on the effectiveness of suggested curriculum changes on the level of ethical recognition among novice practitioners. The feedback collected from the proposed study would be used to realign learning outcomes and assessment. Another opportunity for research is to investigate and compare these results with a larger population in the U.S. or other countries. This would provide an opportunity to study more variables. Other studies may explore ethical recognition in other contexts such as tax planning, or same tax compliance setting with varying degrees of ambiguity. Finally, the H-V model includes a cultural component of ethical perception, and although this variable was not explored in this study, culture seemed to play a role in novices' behavior. Thus, a cross-country study would contribute to our understanding of the association between culture and ethical recognition.

In conclusion, the study offers significant insights on the possible effect of socialization on ethical sensitivity hoping to better understand the ethical recognition process of inexperienced and experienced

professionals. Curriculum changes should include not only instruction on standards of practice but also its application in an unstructured manner such as problem-based learning or other active learning teaching techniques to simulate real life scenarios and expose students to possible social influence pressures from colleagues, peers, and superiors. Students should also have a clear understanding of their own personal values and how these fit in in the workplace.

ENDNOTES

- ¹ The range of options for EDUCATION were as follows: Less than high school, High school, Some college, 2-year college, 4-year college, Master's degree, and Terminal degree. Only those choices that were selected by the participants are reported on this table.
- ² The range of options for AGE were as follows: Less than 19, 20-24, 25-34, 35-44, 45-54, 55-64, 65 and over. Only those choices that were selected by the participants are reported on this table.
- ³ The range of options for EMPLOYMENT SECTOR were as follows: Private for-profit, Private not-for-profit, Local government, Federal government, Self-employed/Prof'l practice, Public accounting, and Unemployed. Only those choices that were selected by the participants are reported on this table.
- ⁴ A Mann-Whitney U test was run to determine if there were differences in Years in Tax Practice between Inexperienced and Experienced practitioners ($p < 0.0005$). An independent sample t-test was also run for comparison. Both yield the same results.

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APPENDIX A

You are invited to participate in a research study with the objective of investigating tax practitioners' ability to identify situations that may contain an ethical component in a tax compliance practice context. The study aims at outlining differences between experienced and inexperienced tax professionals in an attempt to improve novices' learning environment including education and on-the-job training. The study is conducted by Martha G. Suez-Sales. To participate in this study, you must have performed tax compliance work for at least one tax season in the last one or two years. Your responses to this questionnaire are anonymous and confidential. Results will only be presented in aggregate form. By completing this survey, you are giving consent to participate in this study. The survey will take approximately 25 minutes to complete.

ORGANIZATIONAL AFFECTIVE COMMITMENT

(Meyer, Allen and Smith, 1993)

1. I would be very happy to spend the rest of my career with this organization.
2. I really feel as if this organization's problems are my own.
3. I do not feel a strong sense of "belonging" to my organization.
4. I do not feel "emotionally attached" to this organization.
5. I do not feel like "part of the family" at my organization.
6. This organization has a great deal of personal meaning for me.

Responses to these items were made on 7-point scales (1 = strongly disagree and 7 = strongly agree).

ACCOUNTABILITY

(Hochwarter et al., 2005)

7. I am held very accountable for my actions at work
8. I often have to explain why I do certain things at work
9. Top management holds me accountable for all of my decisions
10. If things at work do not go the way that they should, I will hear about it from top management
11. To a great extent, the success of my immediate work group rests on my shoulders
12. The jobs of many people at work depend on my success or failures
13. In the grand scheme of things, my efforts at work are very important
14. Co-workers, subordinates, and bosses closely scrutinize my efforts at work

Responses to these items were made on 7-point scales (1 = strongly disagree and 7 = strongly agree).

ETHICAL ORIENTATION

(Forsyth, 1980)

Instructions. You will find a series of general statements listed below. Each represents a commonly held opinion and there are no right or wrong answers. You will probably disagree with some items and agree with others. We are interested in the extent to which you agree or disagree with such matters of opinion.

Responses to these items were made on 7-point scales (1 = strongly disagree and 7 = strongly agree).

15. A person should make certain that their actions never intentionally harm another even to a small degree.
16. Risks to another should never be tolerated, irrespective of how small the risks might be.
17. The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.
18. One should never psychologically or physically harm another person.
19. One should not perform an action which might in any way threaten the dignity and welfare of another individual.
20. If an action could harm an innocent other, then it should not be done.
21. Deciding whether or not to perform an act by balancing the positive consequences of the act against the negative consequences of the act is immoral.
22. The dignity and welfare of people should be the most important concern in any society.
23. It is never necessary to sacrifice the welfare of others.
24. Moral actions are those which closely match ideals of the most "perfect" action.
25. There are no ethical principles that are so important that they should be a part of any code of ethics.
26. What is ethical varies from one situation and society to another.
27. Moral standards should be seen as being individualistic; what one person considers to be moral may be judged to be immoral by another person.
28. Different types of moralities cannot be compared as to "rightness."
29. Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual.
30. Moral standards are simply *personal* rules which indicate how a person should behave, and are not to be applied in making judgments of others.
31. Ethical considerations in interpersonal relations are so complex that individuals should be allowed to formulate their own individual codes.
32. Rigidly codifying an ethical position that prevents certain types of actions could stand in the way of better human relations and adjustment.
33. No rule concerning lying can be formulated; whether a lie is permissible or not permissible totally depends upon the situation.
34. Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.

ETHICAL SENSITIVITY

(Yetmar and Eastman, 2000)

For each of the four cases below, you are required to state the nature of any ethical issue(s) identified and rate its significance in a Likert-scale (1 = lowest level of significance; 7= highest level of significance).

CASE 1

C, a CPA tax practitioner with XYZ & Co., is responsible for the tax work of P, a new and important client. P gave C partial documentation pertaining to the charitable contributions for the current year. The amount P indicated for the current charitable contributions is larger than P's prior three years' reported contribution deductions. P advised C that P misplaced the documentation pertaining to the current charitable contributions. The charitable contribution deduction is not that large in relation to P's gross income. C enters the charitable contribution amount on P's current tax return and decides to utilize the remaining budgeted hours to pursue and verify more material amounts and issues.

Nature of Issue(s) (if any): _____

Rate the identified

CASE 2

C recently found out that an error was made in P's tax return (in P's favor) three years ago, prior to P becoming an XYZ & Co. client. The error was made by P's former tax firm. C calculates the extra tax burden and determines that the additional tax liability is not large. C's supervisor agrees as to the magnitude of the additional tax liability and supports C's decision not to expend any more resources on this situation. C moves on to other issues with XYZ & Co.'s full support and does not notify P of the past error.

Nature of Issue(s) (if any): _____

Rate the identified

CASE 3

P is always reading about tax planning strategies and putting excessive pressure on XYZ & Co. to reduce the tax liability. P proposes to C a tax-cutting idea from an article by a well-known tax practitioner in Q, a popular weekly business periodical, and engages C to research the idea. C knows from experience that the [Guam Department of Revenue and Taxation] examines this tax issue very infrequently (i.e., the likelihood of detection is small), but has been known to take the opposite position when aware of the issue. The few court cases involving this tax issue do not support P's tax position. However, the Q article contains support for P's tax position. C decides that P's position is valid, and C's superiors agree. C also reasons that P's return is not likely to be audited; however, if it is, this issue would serve as a good bargaining position in a settlement negotiation.

Nature of Issue(s) (if any): _____

Rate the identified

CASE 4

C has completed the final tax returns and discussed the results with P and upper management at XYZ & Co. The tax returns are mailed. Several weeks later, C's supervisor is perusing P's completed return and discovers an overlooked issue. C's error gave P a tax savings. C's superiors strongly recommend, and C agrees, not to amend the return. The overlooked issue affects numerous schedules in P's return that would be time-consuming and costly to redo. Also, P's confidence in XYZ & Co. might be reduced.

Nature of Issue(s) (if any): _____

Rate the identified

APPENDIX B

Qualitative Semi-Structured Interview		
Open-Ended Questions	Purpose	Justification
1. Years of experience	To confirm that the participant met the requirements of purposive sampling	N/A
2. What type of organization did you work with? How many people in your department?	To distinguish between public accounting firm and other industries	N/A
3. How do you understand the concept of 'ethical sensitivity'?	To assess participant's perception	N/A
4. How do you evaluate your ability to recognize or become aware of ethical problems? Examples...	To understand participant's self-assessment of his/her ability to recognize ethical issues.	N/A
5. Can you recall and describe an ethical issue that you encountered in practice? (self, peers, supervisors, client, tax return prep or hours). How did you become aware that this was an ethical issue?	Phenomenology approach	(Moustakas, 1994)
6. What did you learn from this experience about ethics in practice? What would you do differently? What would you not change?	Phenomenology approach	(Moustakas, 1994)
7. Did you feel responsible/accountable for your tax compliance work and why? Who were you accountable to?	Accountability	Ethical sensitivity was significantly ($p < .05$) associated with accountability only in novices, but not experts. This contradicts other researchers' theories and findings (e.g., Gibbins and Newton, 1994; Tetlock, 1983)
8. Did you feel like you belong? How committed were you to the organization?	Organizational affective commitment	Only organizational affective commitment in the inexperienced group was found to be significantly ($p < .05$) associated with ethical sensitivity. Shaub, Finn and Munter (1993) reported a positive relationship between ethical sensitivity and organizational commitment.
9. What are your thoughts about tax ethics guidelines? Do they help your practice?	AICPA SSTS & CIRCULAR230	Tax compliance rules and standards issued by the AICPA and the Internal Revenue Service were not found to be

		significantly ($p < .05$) associated with ethical sensitivity. The literature was also nonconclusive prompting further clarification (Hume, Larkins and Iyer, 1999; Monsour, Elias and Cruz, 2006).
10. What factors facilitate your ability to recognize or become aware of ethical problems? Examples.	Unidentified factors	The rationale for this question was to probe for unidentified factors that were not found in the literature and that may be associated with ethical sensitivity.

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