

## Foresight: The CPA Podcast

### Episode 6: Should Accountants Be the Voice of Ethics in the Boardroom?

**David McGuffin:** If you've listened to previous episodes of this podcast, you've heard how CPA's face increasing complexity and change. In particular, in the digital realm. Laura and Brian Friedrich know something about what this shifting landscape means for CPAs. They are the coauthors of the paper, ethical leadership in an era of complexity and digital change.

As well, they are principles at Friedrich and Friedrich Corporation, a professional research standards and education consultancy firm with over 20 years of experience conducting projects worldwide. The firm's clients have included global accounting bodies, post-secondary institutions, government regulators, and agencies, including the World Bank.

Brian is a member the international ethics standards board for accountants. And Laura is a technical advisor. So the shorter version of their bio is they think a lot about ethics. Laura and Brian, thanks so much for joining us..

**Laura Friedrich:** Thanks for inviting us into the conversation.

**Brian Friedrich:** It's great to be here with you David.

**David McGuffin:** It's great to have you. It's easy for any discussion about ethics to become abstract or academic or a step removed from the day-to-day concerns of CPAs or of people outside the profession. So I wanted to start by playing a clip from an earlier episode of this podcast to help set up what's at stake when we when we make decisions.

Here is Anne-Marie Hubert speaking on episode one.

"We saw a very sad example in Alberta, where there was a decision that was the right decision. We got to stop producing electricity with coal. We've got to close those plants, but we did it very fast. What that meant, it meant lots of people losing their jobs. No other jobs available around for those individuals, largest amount of suicides in the male population, in the province ever, social unrest, all kinds of social issues that arose as a result of, going too fast and not investing in enabling the individuals impacted and re-skilling.

So we can't lose sight of the human aspect of the transition."



**David McGuffin:** So not losing sight of the human aspect of transition. I'm just curious on your thoughts Laura or Brian. I don't know who wants to go first on, on that thought.

**Laura Friedrich:** Yeah, that was obviously a really challenging situation and a good example of complexity and the need to manage those types of situations rather than trying to come up with a discreet solution. The solution that was decided on was to close the plants. But, there are so many public interest factors here.

The change management aspects are obviously critical in terms of getting to a positive outcome at the end of the day. Managing complex situations like this one, it requires really looking at all of the relevant perspectives and thinking more broadly about the consequences, even though the path forward might not always be clear.

It's really about making sure that all of the breadth is really considered when we do face those kinds of really difficult situations and difficult decisions that need to be made.

**David McGuffin:** Brian, anything you want to add?

**Brian Friedrich:** Yeah, and this situation that Anne-Marie was discussing is obviously an environmental sustainability one, but we're hearing this same kind of concern raised by stakeholders in technology transitions as well. So, in my role as chair of the IESBA technology working group, a lot of the conversations that we're having with stakeholders come back to how to manage the human aspects that are brought about by rapid changes in technological developments and those implementations in organizations. So, the Alberta situation wasn't a tech issue per se, but the broader conversation around things like change management and risk management, including societal impacts, and then applying an ethical filter, so to speak, to the decisions.

So, as professionals who have an inherent responsibility to serve the public interest and not only the legitimate interest of our employers, we really have an obligation to raise the relevant public interest issues. It similarly illustrates the importance of needing to consider the ripple effect of many decisions.

In other words, the complexity that's inherent in many situations, among which the human consequences are frequently a significant factor.

**David McGuffin:** So, looking at that decision in Alberta, what role did you see or should a CPA play in that conversation? It's a difficult conversation, obviously.

**Brian Friedrich:** Ya well, often the presenting questions to a CPA in that type of situation are going to be centred around the financial implications or the tax implications, and so on. But just



because you might come into the discussion from that perspective, there's then an opportunity for the CPA to add in significant decisions like this.

**David McGuffin:** Laura, how do you think that role has changed in the past several decades?

**Laura Friedrich:** I think oftentimes, the presenting issues probably still start out the same. Often the question is raised from the financial implications and so on, but the breadth now is really quite new in terms of how CPAs get involved in the conversation. And, I think we come at it with a broader lens, more experience behind us as leaders in broader situations, in broader roles, rather than ourselves being very focused on the, the financial measurement and reporting aspects.

As a profession, we're broadening our skillset and really recognizing the financial implications. The financial piece of a business is obviously critically important. It is fundamental to any business that it be financially sound, but in order to reach that from a sustainability point of view, from the longer-term success point of view, we need to be paying attention, and the leadership within any organization needs to be paying attention to some of those broader questions that come up and pulling it all together and recognizing the need for sustainability in the long run.

**David McGuffin:** I'm wondering too, what challenges CPAs faced, bringing those ethical lenses to other parts of an organization or even a CEO and what the challenges are in getting those ideas accepted. Laura?

**Laura Friedrich:** I think that one of the big things to recognize is that the world is shifting, and the leadership within organizations is generally shifting. So a lot of times, there's a recognition that these issues are very important, and the organization's leadership, the CEO and the other C-suite will definitely recognize that this is a conversation that needs to be had, and they will turn to those who have the experience in working through ethical dilemmas, which generally means professions in general, but absolutely CPAs as part of that.

And that ethical commitment is becoming, I think, more and more obvious that's a real key to that long-term sustainability making the solid decisions that benefit the organization in the longterm, by looking through that broader stakeholder lens, as opposed to focusing as we, we did in days gone by, just focusing on what this means for shareholders.

So I think there's a real opportunity. I think the door is open absolutely. Unfortunately, not all organizations are there, but the way that the CPA in the organization approaches that, there is an opportunity.

There's an opening there to have those conversations in organizations that are, I'll say, the ones that are moving in the right direction, recognizing the shift in the business landscape and so on.



**David McGuffin:** Go ahead, Brian.

**Brian Friedrich:** And Laura, I was just going to say, I think it's also important to recognize that we need to also earn our position at the table for those types of discussions. And as CPAs, we need to consistently make the case for why that ethics lens is not just the right thing to do, but how it also drives long-term sustainable growth for organizations.

And it's gotta be about driving positive growth and not just about saying no, or that's probably the fastest way of getting yourself excluded from conversations is if you're just simply saying no. So the ethics lens should really act as a guardrail and not just as brakes. And part of that process is also educating others in the organization about the long-term benefits of behaving ethically and taking that longer-term view of the world.

**David McGuffin:** That's great and fascinating. I also want to bring in another clip here, and it speaks to the idea that in fact, this ethical lens isn't new to CPAs at all and we had Tim Jackson on the podcast in episode two, and he argued, in fact, that ethical lens is what's long differentiated CPAs from other members of different professions.

I just want to play that clip now.

"You then have a second set of skills that are what makes us a profession versus a non-profession. So those are things like understanding ethics, acting in the public interest, adding value. So those are the ones that differentiate us as a profession. So now you have an accountant who is in a profession that is self-regulated.

So there's an external acknowledgement that there's, we are different than someone who's unregulated."

**David McGuffin:** Brian, what are your thoughts on what Tim Jackson had to say there?

**Brian Friedrich:** Well, I think he's absolutely right. That is such a key element of professions in general. But particularly with CPA, where ethics is a major portion of both our initial and our continuing professional development. So, a lot of high-stakes decisions where judgment and decision-making are most critical are in that ethics space.

And if an organization makes a bad judgment call in an ethical dilemma, it can not only result in significant repercussions from regulators, but it can also cost them their reputation, public support, funding, and so on. And as Tim said, our commitment to ethical decision-making is what differentiates us from non-professionals and having the right technical skills is it just table stakes at this point. But where a CPA can really add value is in terms of applying those technical skills in



the context of doing what's right, what's best for the organization in the long run, by focusing on what's best for stakeholders and therefore ultimately in the public interest.

**David McGuffin:** Laura?

**Laura Friedrich:** Yeah. And I think it's also worth noting that oftentimes the decisions aren't, they don't present as ethical dilemmas. They're not always framed up as this, major ethical challenge that needs to be overcome. But it's important for us as professionals to go back to our code of conduct and recognize, particularly at the fundamental principle level, that when we're talking about acting ethically and acting consistently with our values as a profession, we need to be thinking about it in terms of those fundamental principles. And, it's all the way from professional competence and making sure that we are assisting and making competent decisions, both from a technical perspective and that broader professional skills and values and ethics and so on.

And then also thinking about it in terms of an ethical decision needs to be an objective decision. So our objectivity is a key piece of acting with integrity, being transparent, looking out for fairness, and then ultimately working in the public interest, all of those pieces. The discussions that we have within businesses in those broader contexts it's not always going to be directly tied to being an ethical dilemma that's being faced, but as professionals, we need to understand what all is scoped into our code of conduct.

**David McGuffin:** I want to move on now to another big challenge facing CPAs right now, and that's automation. And I want to play a clip again from Tim Jackson speaking to that.

"You know RBC, one of the other findings they had in that report was that all job openings of the future will put some importance around judgment, decision-making and two-thirds of new jobs will require an ability to manage people and resources. So what that says to me is that as our profession thinks about the future, yes, there are things that are going to be taken over by machines. And yes, there are things that are going to be automated, but that idea of judgment and decision-making is going to be so critical for our profession."

**David McGuffin:** So lot to unpack in that very short clip, but I'm just wondering what your thoughts are on Tim's thought that, uh, automation will increase the role of things like judgment, decision-making and managing people.

**Laura Friedrich:** Well, I guess when we have this discussion, and we do have this discussion fairly often, I will say we often frame it up in terms of looking at it from the perspective of, what is it that machines do well and don't do well and what is it that humans do well and don't do well? And



looking to see how we apply our ability to sort of reason things through and apply that professional judgment, particularly to the situation.

But being able to also make sure that we harness technology so that we're using technology for what it's good for, because it's good for obviously a fascinating, vast number of things, but also very much recognizing where those limitations are. And ensuring that we maintain that oversight. That we don't turn over too much power to a system, you know, an automated system until we're sure that that's the right decision.

So we often, in the past right, whenever there was an ethical challenge or something that's gone wrong from an ethics perspective, you often hear, you know, well, where was the adult in the room there? And now I think we're in a position where we're starting to hear, or we're starting to think more in terms of, well, where was the human in the room there.

**David McGuffin:** Yeah. It also seems like it's, it's one of our strengths as humans in relating to other humans. Right. Is that part of it?

**Brian Friedrich:** Absolutely, that's a key element and something that, that you're quite rightfully not overlooking. It's not just the interactions with machines. Uh, and I think we're seeing that even more in the, in the remote working environments and so on and humans needing to adapt to how they interact with humans, right, and not just the information that's out there. It's how do you establish cultures in organizations within these either entirely online environments or certainly within these hybrid environments?

**David McGuffin:** So what skills would you encourage people to seek out to make these kinds of connections you're talking about or make these kinds of pivots?

**Brian Friedrich:** So things around, critical thinking, leadership, judgment of course, right? And applying ethical frameworks to situations, being proactive, appropriate communications and so on.

Those types of things are really what can differentiate us. In a lot of ways, the sort of the holy grail of an automated system is going to be implementing professional judgment within that system. And there's elements of judgment that we can see are automated, but it's the more human elements and dealing with the complex interdependencies of issues. Seeing past what the algorithm is doing and in a mechanistic sense, uh, to considering what the larger societal, organizational, and so on implications are of these decisions that come out of the algorithms. Those are the things where we really need to upskill ourselves, in addition to technical competence. If we move away from the professional skills for a second, on the technical competence, we at least need to know enough to be dangerous, so to speak, about how machine



learning, AI, blockchain, all the rest of the disruptive technologies, how they work, so that we can interact with the data scientists and understand what it is that those folks are doing.

And to be able to translate our business situations and business scenarios into what is happening at the machine end to ensure that the broader perspectives are being included. And again, going back to ethics that the right ethical components are included within those algorithms, the data that's collected, how it's evaluated, and then what those outputs are, how the outputs are used.

**Laura Friedrich:** And that's how we'll be able to not be dangerous in that space because you're right, a little knowledge can be a very dangerous thing, but we need to also know our limitations. Oftentimes again, when we have these conversations around, what is it that we need to upskill, what shifting mindset do we need to have?

I think one of the things that we can't overemphasize is that in the past, CPAs have been asked to be problem solvers, and we've been trained to be problem solvers. That's what we do. Our clients look to us for solutions, our employers look to us to tell them what the right answer is. And as much as in the past, we've all known that you know, we're basing things on estimates, and there is no concrete, you know, definitive answer in a lot of situations, I'm not sure that we always have lived that. Where we've been comfortable saying, look, I just simply, I don't know, and we, as a team, we can't, know. We need to be much more comfortable making that statement and saying, look, there's a lot of stuff, there's a lot of uncertainty here. There's a lot of interdependencies that we need to manage. We need to iterate our way through, but we can't pretend that we have the answer or that there even is one single solution.

So working within that space that is very complex and recognizing how to manage our way through that, as opposed to trying to come up with a, you know, a solution or a definitive quantitative answer to the problem that has been put in front of us.

**David McGuffin:** Well, I want to bring in another voice in there as you, as you make that comment, um, talking about AI in particular, and this was in an episode three and us we'll play that clip now.

"AI doesn't tend to see context around its data points. It tends to optimize. And so, most AI engines are built as optimization engines. So it tries to come up with the least amount of data it needs in order to come to its conclusion, but sometimes that can actually create it to make the erroneous decision because the data it's relying on is in error, and it doesn't have that broader context in order to second guess itself as a human would."



**David McGuffin:** So, when it comes to ethics, what are some of the unique challenges the rise of AI presents?

**Brian Friedrich:** Well, Cathy's definitely underscoring some of what we were just talking it, right? Which is fantastic. But to Cathy's point specifically about a key difference between us and the AI systems is metacognition. That we have the self-awareness to doubt or to second guess because we have a better idea of what we don't know. We can actually think about that from a self-awareness perspective. The real danger here is that we, over time, tend to be comfortable relying on technology through sort of an automation bias, even though we shouldn't, and that over-reliance can be a huge threat to our objectivity then.

**Laura Friedrich:** In terms of some of the broader challenges as well, when we're talking about being involved with conversations in our organization, in terms of what technology do we bring in and, how do we bring it in and, how do we implement it? Looking at some of those bigger picture discussions around what do we do with respect to the challenges of the bias within the data sets and within the algorithms, and so on.

How do we manage that? How do we make sure that if we implement a system, it is appropriate to do so that it is going to be able to provide, you know, fairness and that we can be appropriately transparent about the decisions that are being made and how the technology is being used. And when anytime we have technology, that's really exciting and so on those who are involved in developing it, obviously get caught up in the excitement and in the progress.

But we always have to come back to that, you know, the can versus should problem. Yes, we can do this, and yes, the technology can do that. But should it, should we really be looking at this? Is this something that is worth pursuing, and is it ethical to actually bring that technology in and to use it in that way? And again, that ties right back to some of those bigger picture, ethical leadership types of decisions and types of conversations that we need to make sure that we're at the table for.

**David McGuffin:** So I just want to bring in another voice here, Jon Lukomnik also from episode three, uh, and just talking about the dangers of not making the kinds of changes you guys are talking about here.

"If all accountants do is to continue to compile value realized transaction date financial statements, they will continue to have a profession much like weavers continue to have a profession, but they will no longer be at the heart of the economy. They need to develop these new skill sets. They need to talk about value creation, not just value realization. They need to understand how financial statements link to the broader universe of data, both structured and unstructured, that's out there.





And if that happens, the centrality of the profession to the economy will continue. But if not, then, unfortunately, they could become the weavers of the 21st century.”

**David McGuffin:** Weavers. Something to be worried about there?

**Laura Friedrich:** My first thought was I wonder how many of our newer members, when they heard that they immediately had to google, “what is a weaver?”

**David McGuffin:** What’s a loom?

**Brian Friedrich:** Exactly.

**David McGuffin:** I mean, there’s obviously truth in what he’s saying there.

**Brian Friedrich:** Absolutely if that’s where we’re folks are entering the accounting profession, or they think that they’re, they’re safe in their current roles doing, focusing primarily on that kind of work. He has a really good point. So there is a direct connection as well. And again, where we see the requirement for broad upskilling, both on the technical competence side, and again, on the, on the professional side, principally around the implications as they relate to ethics components of what’s happening.

There’s, there’s a distinct value proposition that comes from CPAs through the work they do there. Um, so one of the messages that we’re trying to get across in the paper that you referred to is that as CPAs, we have the core skills to deal with the complexity that we’re facing. But we really need as a profession to recognize that we have to shift our approach and respond to the changing environment.

And we need to be helping to manage the challenges that are being faced by today’s organizations, rather than just looking in the rearview mirror, doing that, that financial reporting, and also as, as Laura said earlier, rather than just trying to solve problems, but really immersing ourselves into some of these more complex issues, thinking about the dynamic, interdependent variables that happen as a result.

Of difficult decisions that all types of organizations make on a day-to-day basis and bringing our fantastic skill sets that we all developed through the CPA program and through our work lives, after that, to manage those sorts of situations. And to bring the complexities that are there to the table so that they can be discussed in the, and so that teams can work with those and start to manage them.



**Laura Friedrich:** Yeah, I think we also need to be thinking about it in terms of making sure that we are reaching out beyond the boundaries of our own profession and getting much more comfortable working with others from different professions, different backgrounds, broader backgrounds, different interests, and can really bring new perspectives into the profession in line with the decisions and the challenges and the opportunities that we're facing going forward.

**Brian Friedrich:** And Laura, I think if we think back to our days as university instructors and teaching in the initial parts of the professional program, we already saw that starting to happen. I remember one of the financial accounting courses that we taught, and we had folks in there who were ex-pharmacists and, and people who are engineers and whatnot.

**Laura Friedrich:** Yeah, absolutely. I remember one of our favourite students was a geneticist who was then able to work, you know, very, very fluent with the numbers side of it, but much more able at the time than some of the others, some of the, he was also a bit of a mature student and was much more able then to really get at that breadth and, and transfer the skills and the analytics and all of that into a broader and less certain environment as well, absolutely.

**Brian Friedrich:** And you really hit it on the head the transferable skills aspect. And that's really what the professional skills are. The fact that you can transfer them, not just interdisciplinary, but for our context here situations that organizations face different types of decisions that they need to make and even between different organizations.

That's obviously what makes the CPA such a powerful ticket.

**David McGuffin:** Well, thank you both for your time. You've been very generous.

**Laura Friedrich:** Thanks very much. It was an interesting conversation. Thank you.

**Brian Friedrich:** Thanks again for having us. It was great.