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Ethics as a Compounding Asset

Perspectives from Four Decades in Practice

Over a four-decade career, the author observes that professionals rarely reject ethics outright but rather drift through minor micro-compromises. While mandatory regulatory codes like ICAI's set a baseline for public trust, long-term professional character requires an internal philosophy.

Practiced as an "inside-out" mindset, ethics acts as a compounding asset that yields massive reputational and financial returns over time.

The article highlights three core pillars:

- **Client-First:** Decoupling service quality from fees, refusing compromised engagements, and prioritizing integrity over short-term gains to build unshakable trust.
- **Employee-First:** Fairly compensating, mentoring, and protecting teams to build institutional loyalty.
- **Peer/Partner Relations:** Maintaining consistent standards, courtesy, and shared credit.

Ultimately, aligned professional ethics create enduring peace of mind, respect, and long-term success.

Ethics is a set of moral values applicable to all human beings. In the accountancy profession, ethics is a set of structured behavioural safeguards that members ought to display in their conduct while discharging professional duties covering many intricate aspects. Ethics is often discussed, frequently presented, but selectively practiced. Over a career spanning four decades in independent practice, I have observed a predictable pattern: few practitioners outrightly reject ethical principles, yet many gradually drift away from them over time.

This article touches upon a deeper dimension of how this subject could be

perceived and practised. Ethics is often perceived as an outside-in framework practised with a protective mindset. Yet experience suggests that it needs to be approached as an inside-out framework in which ethics gets integrated as a way of life, both professionally and personally. My goal here is not to be prescriptive or judgmental, but to share insights gathered over the years. My understanding of the universal laws governing life has strengthened my conviction in this stance. Ethics, integrity, fairness, honesty, due care, professional competence, objectivity, independence, accountability, and many other virtues integrated in the ethical framework all share the same fundamental frequency.

The Dual Architecture: Regulatory Code vs. Internal Philosophy

The Institute of Chartered Accountants of India (ICAI) provides a formal Code of Ethics. Inculcated during qualification and enforced throughout our professional duties, it forms our mandatory operating base. Compliance with technical regulations, independence norms, and standard operating procedures preserves public trust and maintains the regulatory standing of the profession in the public eye. This is vital in all areas our profession touches upon, but more so in assurance where we have been handed the utmost responsibility.

The International Ethics Standards Board for Accountants (IESBA) has also evolved, laying down a detailed framework on how ethics is practised individually and organizationally. The profession's disciplinary mechanism acts as guardrails to discipline those who sidestep the applicable code and demonstrate the profession's resolve to meet society's expectations.

However, regulatory compliance is merely the baseline. Technical compliance keeps a practitioner licensed; an internal ethical standard determines long-term character and resilience.

Genesis of Conduct: Early Roots vs. Market Realities

Our internal compass is rarely built in formal settings. It begins in childhood, shaped by watching parents, peers, mentors, and early role models. Later, as we interact with society, these early values can dilute as we form our own views on life and career.

Articleship and early career days offer a first real-life view of how the profession operates: how seniors interact with clients, discharge duties, and engage with team members and peers. Exposure to high ethical standards during this formative phase leaves a lasting impact on a student's mindset.

Early on, ethics feels straightforward. But as financial commitments, fee targets, partner pressures, client retention, and overhead costs enter the picture, ethics often shifts from a settled principle to a daily negotiation.

The drift rarely begins with a major infraction. Instead, it starts with micro-compromises: overlooking a subtle disclosure issue to satisfy a valued client, rationalizing a questionable tax position to match competitors, or prioritizing short-term revenue over long-term independence. Over time, these incremental concessions erode one's moral baseline. Professionals do not operate in a siloed world; they are part of the social milieu. Fierce commercial competition often shapes personal responses, leading to

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complex, layered situational responses while navigating grey zones to protect personal interests. A compromise rarely announces itself dramatically. It arrives as reasonable-sounding justifications. Taken individually, each excuse seems harmless. Taken together over a career, they quietly erode professional credibility through a thousand small, defensible-sounding exceptions.

Ethics as a Foundational Capability

If ethics can be viewed and practised as a foundational capability over which the entire professional edifice is built, it becomes a significant differentiator. It enables the professionals to move up the value chain while integrating teams and the organisation in due course. It can be a gamechanger, delivering an unprecedented long-term advantage. Admittedly, all of us are driven by self-interest. However, our self-interest is served best when choices on ethical conduct are integrated in professional and personal life. Like compound interest, a few choices yield modest financial and reputational returns in the short term, but immense returns over a multi-decade career. Ethics is one such aspect.

Core Pillars of an Ethical Framework

The Code of Ethics has a detailed framework, and much can be said about it. The object here is to showcase



a few key aspects that, when properly integrated into one's life, create a positive spiral:

Client-First is a Compass, not a Slogan

Putting the client first shapes your internal direction:

- **Decouple Quality from Fees:** Deliver services with unwavering integrity and intensity. Your work quality must never scale down to match a lower fee; compromising deliverables puts you on a negative spiral. Deliver exceptional quality that reinforces your internal framework and seek fair fees whenever opportune. Quality never goes unnoticed or unrewarded. I have had many experiences, some quite early in life, where clients voluntarily paid additional success fees thrilled by exceptional delivery. Client loyalty and word-of-mouth referrals create a solid foundation and growth pipeline.
- **Build Unshakable Trust:** Advice must be structured so clients never second-guess your commercial motives. When clients see their interests genuinely prioritized, even when delivering uncomfortable truths or declining lucrative,

compromised assignments, trust becomes permanent rather than transactional. Differentiate 'must-have' from 'good-to-have' rather than building scope extensions a client can afford but does not truly need.

■ **Turn Integrity into a Competitive Advantage:**

Refusing a questionable filing carries an immediate cost, but a market reputation for absolute accuracy and independence becomes your strongest asset. It attracts premium clients, minimizes regulatory risks, and ensures longevity. Don't worry whether this is practical in early days when circumstances test you. Be clear in your choices, and life will present the right opportunities.

- **Filter Your Client Base:** Be selective in choosing clients. Clients who push you to compromise and do not fit into your quality benchmarks do not deserve long-term commitment. Release them at the earliest opportunity. If walking away isn't immediately possible, holding a genuine intent to transition away from compromised mandates will yield positive outcomes. Life matches genuine intent



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with desired outcomes provided you have patience and internal resilience.

- **Focus on Long-Term Realities:** Advice must align with a client's realities and true risk tolerance. Recommending a position that leads to decades of litigation fails a risk-averse client. When short-term desires conflict with long-term interests, have the courage to explain your position rationally. On deeper reflection, and when client realities catch up, your internal compass will stand out regardless of short-term perceptions.
- **Identify the True Beneficiary:** In assurance engagements for listed companies, your ultimate clients are financial statement users and not the management appointing you and paying your bill. Practicing this in daily life can create pressure situations and expectation gaps.
- **Own Mistakes Upfront:** Address gaps in advice or delivery candidly rather than covering them up. Fortrightness builds lasting trust.
- **Never Trade Integrity for Immediate Success:** Never compromise integrity as a shortcut to short-term success. What appears to be an immediate



advantage can become a long-term liability through lost trust, damaged reputation, and diminished credibility. Never regret good work that goes unrewarded in the moment; life has a way of balancing the scales.

Employee-First: An Often-Overlooked Obligation

Discussions on professional ethics heavily focus on client duties while neglecting obligations to the people executing the work: articulated students, professionals, admin teams, and partners.

Teams recognize fairness instantly, as all persons resonate on the same internal frequency. Treating people with dignity, compensating them fairly, offering a balanced work culture, and providing conscientious mentorship creates institutional loyalty that outlasts short-term financial incentives. It creates dedicated teams that both imbibe your values and translate them into client delivery.

In practice, an employee-first approach means:

- **Invest in the Future:** Mentor people as if you intend for them to outlast you in the profession, not just to complete the current assignment. Empower them and place measured trust over time. Taking genuine ownership of your

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team's career paths builds lasting organizational assets.

- **Invest in Culture:** Culture, like ethics, is selectively practiced. Building a common firm culture requires years of dedicated, sustained effort. Proper alignment in cultural messaging is vital, as people easily spot gaps. Address them upfront.
- **Maintain Sound Compensation Benchmarks:** Establish fair compensation benchmarks, rewarding what people bring to the table. True performers rarely negotiate. View staff costs as a healthy percentage of revenue rather than an expense line item to squeeze. Accept administrative claims with trust, while dealing with wrong claims strictly to shape genuine internal alignment.
- **Constructive Feedback and Appraisals:** Evaluations must be transparent, healthy, and candidate focused. Show genuine interest in well-being while remaining neutral regarding your own outcomes. Pass credit downward to the team and offer corrections privately. Never tolerate bad client behaviour toward your staff. Over time, people will seek your counsel in personal and professional choices.

A firm's external reputation directly mirrors its internal culture. Employees who thrive in an ethical internal environment carry those same standards into client engagements, protecting the firm's legacy.

Peer and Partner Relations: Courtesy Over Rivalry

Within a partnership, ethical consistency ensures operational stability. Evaluating internal partner decisions with consistent standards prevents friction, ensures fair profit distribution, and maintains unified governance.

Integrity and fairness ensure decisions are guided by consistent principles rather than convenience, favouritism, or short-term commercial pressure. When commitments are honoured, credit shared, mistakes acknowledged, and difficult decisions taken transparently, trust develops within the organization, creating an environment where people can challenge decisions constructively in the firm's collective interest.

Practicing these traits consistently shapes a personal work style that flows into collective endeavours and provides quiet, real-life mentorship.

The Ultimate Compounder of Well-Being: Everything Circles Back

In a market that rewards immediate results, choosing principles over quick gains can feel like a disadvantage. Over a multi-decade career, however, the math changes. Shortcuts create hidden liabilities, while fairness and integrity compound quietly but surely.

Relying on universal laws of cause and effect, nothing exists or happens in isolation. Every ethical choice made in a professional career eventually circles back. Financial success alone does not create a fulfilling career; the true rewards, i.e. peace of mind, enduring relationships, professional respect, and quiet confidence, come from aligning with universal principles. Try giving more than what you get; what you



leave on the table returns to fill your life with what matters most. What we put out daily through inner alignment, i.e. how we treat clients, staff, and the truth, does not disappear. It returns as trust, reputation, and high-calibre relationships—intangibles far more valuable than numbers on a financial balance sheet.

Ultimately, practicing ethically is a practical recognition of how the world works. What we give to our clients, colleagues, and profession determines the quality of the life and practice we build. Fees are spent, but trust, and the way we earned it, is what remains.

To conclude, the most important audit we conduct is not only of accounts, but of our own choices. The real measure of a professional life is not merely what we achieved, but what we refused to compromise to achieve it.



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