

## PROFESSIONAL SKEPTICISM LITERATURE REVIEW

### *PART 2- HOW CAN WE BECOME BETTER SKEPTICS?*

#### **Background**

As IFAC states, “The International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB) convened a small, cross-representational working group—the Professional Skepticism Working Group—to formulate views on whether and how each of the three boards’ could further contribute to strengthening the understanding and application of the concept of professional skepticism.” Refer to the [Toward Enhanced Professional Skepticism](#) (insert link) document for a summary of these efforts. As part of this initiative, the IAESB has incorporated into their [Strategy 2017–2021 and Work Plan 2017–2018](#) the exploration of ways to improve the application of skepticism by professional accountants. As a result, the IAESB established a Task Force with a focus on skepticism. To help inform this Task Force, a literature review was commissioned.

The following is Part 2 of a four-part series on skepticism within the accounting domain. This series extracts information from the literature review. This paper examines what it takes to become a good skeptic and how we can develop or enhance areas that underpin skepticism.

#### **What it takes to become a good skeptic and how can we develop or enhance the areas that underpin skepticism to make us more skeptical?**

As Dunning (2017) points out, “Skepticism is the process of applying reason and critical thinking to determine validity.” As Price-Mitchell (2012) states, “the term skeptic is derived from the Greek word *skeptikos* which means “to inquire.” So how do we become skeptics? - To become a better skeptic we need to look at ways in which we can develop or enhance our ability to: maintain a questioning mindset and critically evaluate evidence; not be a cynic; be aware of time pressure; and become more aware of our situation. Additionally, we need to consider the importance that education can play in developing critical thinking skills.

#### **A questioning mindset and critically evaluating evidence**

As Dunning (2017) states, “The scientific method is central to skepticism. The scientific method is about the study and evaluation of evidence....It is the process of finding a supported conclusion, not the justification of a preconceived conclusion.” Understanding that a skeptic evaluates and verifies evidence before reaching a conclusion is important. Hence, critical evaluation of evidence is an important factor in becoming a good skeptic.

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As Young (2016) states, “Healthy skepticism, questioning your underlying assumptions and introducing doubt, can be very helpful.” A strategy to become an effective skeptic not only includes using the best information available, but also recognizing what information needs to be proved wrong. Practicing a few simple concepts can help improve one’s skepticism skills. These simple concepts are according to Young (2016):

- “Play the devil’s advocate. What if your assumptions were reversed?,”
- Seek contradictory viewpoints. Stronger ideas result from listening to both sides and empathizing with their perspectives,
- Cut the arrogance. You do not always know something is right.”

One needs to be a deception-detector. As Price-Mitchell (2012) points out, “...challenge claims by asking for evidence by asking questions like:

- What makes you think this way?;
- What assumptions have you based your claim upon?;
- What facts or research support your ideas?;
- Are there facts or studies that dispute your claim?”

### **Distinguishing skepticism and cynicism**

Price-Mitchell (2012) argues the importance of differentiating between skepticism and cynicism. Being a cynic does not necessarily help us become better skeptics. Skeptics need to consider relevant evidence before accepting someone’s claim. As Price-Mitchell (2012) states, “They are willing to challenge the status quo with an open-mind and deep questioning of authority. Cynics distrust most information they see or hear, particularly when it challenges their own belief systems.” Most often, cynics hold inflexible and unyielding views that cannot be changed by any contrary evidence, however sound and infallible.

Skepticism doesn’t need to lead to cynicism--questioning basic assumptions should inspire curiosity, not despair. As Price-Mitchell (2012) points out, “Habitually look below the surface rather than accept ideas at face value. Ask yourself questions like, what is the logic of this argument? Listen to yourself when something doesn’t feel right!...Play a devil’s advocate role is part of becoming a good skeptic; learning to play a devil’s advocate role involves taking a position you don’t necessarily agree with, just for the sake of argument. Focusing on poking holes in what you think might be a good idea, can lead to greater understanding of a problem.”

### **Time pressure**

It is necessary to consider how time pressure can affect the way someone thinks when making a decision. As a result, sufficient time to absorb and challenge information is important to being a good skeptic. The

lack of time needed to complete a task by a deadline can inhibit a professional accountant's ability to apply skepticism in a given situation. Being aware of the importance of sufficient time to absorb and challenge information is important to becoming a good skeptic. Professional accountants need to be aware of this threat and not compromise the application of critical thinking skills or fail to critically evaluate all evidence because of time pressure to meet a deadline.

## **Situational awareness**

An important precondition to becoming a good skeptic is "situational awareness" or the ability to quickly scan the environment for relevant stimuli and to connect the dots. As a result, the ability to be aware of your situation and to understand the business is important.

Part of understanding the problem requires understanding the situation, a term referred to as situational awareness. In order to become a better skeptic it is important to understand things that can be done to enhance situational awareness. According to Pearson (2017), "These include:

- Pay attention to any "knee-jerk" reactions you've developed that may actually be distractions. For example, do you automatically check your phone when you hear a notification?
- Run a mental check on your level of awareness regularly. Are you zoning out? Are you becoming absorbed in tasks that don't warrant that level of attention?
- Are you maintaining an agility mindset, ready to change your approach or response as the situation changes?"

## **Education**

Education plays an important role in developing critical thinking skills. As Rayhanul Islam (2015) states, "Critical thinking is the ability to analyze the way you think and present evidence for your ideas, rather than simply accept your personal reasoning as sufficient proof." Education needs to prepare professional accountants to be able to analyze information and consider various sources of knowledge in order to solve problems. Critical thinking skills can be developed using case studies or problem solving scenarios in the learning environment. Critical thinking needs to be infused in lessons by utilizing in depth questioning and evaluation of both data and sources. These types of activities in the learning environment will help develop critical thinking skills in professional accountants.

## **Concluding Thoughts**

We always need to use logic to support our gut feelings. As Price-Mitchell (2012) points out, "We become better thinkers when we deploy doubting and believing more consciously through the use of logic and intuition, rather than by chance."

These observations on becoming a better skeptic provide insights that are relevant to aspiring as well as practicing professional accountants. We encourage all professional accountants to consider these insights as part of your journey to becoming a better skeptic!

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