

Abstract

We obtain data from practicing accountants from around the world. We develop a model illustrating how to improve ethical accounting behavior that incorporates both the Theory of Planned Behavior (TPB) and Moral Disengagement. We find that Moral Disengagement is an antecedent to the TPB predictors of Attitude, Subjective Norms, and Perceived Behavioral Control; and that the TPB predictors mediate the influence Moral Disengagement has on Behavioral Intentions. Thus, reducing Moral Disengagement is critical. Recent Ethical Training interacts with Religiosity and activates it to reduce Moral Disengagement. Professional Ethics Training enhance professionals' self-efficacy that they can behave ethically. Experience, including time as a member in the Association of Chartered Certified Accountants, increases both locus of control and self-efficacy to behave ethically.

Introduction

Knowing whether accountants act ethically is usually not observed until unethical behavior is discovered. The presumption in the accounting profession is that accountants will act ethically to safeguard their reputation and the public's trust. Because accountants are committed to act ethically, the public is unaware of the many times ethical behavior is chosen. Ethical lapses are usually not premediated. Consequently, while many accountants believe they may encounter ethical dilemmas during their careers, most do not expect that they will have ethical lapses. The accounting profession proactively promotes ethical behavior through rules and training. Usually, unethical behavior occurs when there is pressure, opportunity, and rationalization in a specific situation (AICPA 2002). At times, these lapses involve one accountant, but unfortunately, sometimes these lapses involve many accountants acting in concert with each other.

Well-known and publicized ethical failures (Enron, Worldcom, etc.) have underscored the need to have more ethics education, both for practicing accountants and for those in higher education being trained and prepared to enter the workforce. Consequently, the amount of ethics education in accounting curricula appears to be increasing. While this trend is encouraging, many ethics courses are optional and tend to be focused on business ethics, with few courses specializing in accounting ethics. Some point out that accounting ethics is not covered in a significant way in most institutions of higher learning (Armstrong and Mintz, 1989; Cohen and Pant, 1989; Cooke et al., 1987-1988; Gaa and Thorne, 2004; Lampe 1996; Swanson, 2005). McPhail (2001) claims that unlike other professions, accounting has relatively few specific examples in the literature regarding methods for teaching ethics. McPhail compares the content and techniques of teaching ethics within the medical, legal and engineering professions to what is taught in accounting and finds accounting ethics education lacking. The accounting profession

tends to rely on higher education to provide a foundation in moral reasoning while recognizing that many ethical dilemmas cannot be fully understood until one faces the dilemmas in “real life.” The hope is that by the time people enter the accounting profession, moral engagement is well engrained and ethical behavior will naturally follow.

The accounting profession prepares accountants to face ethical challenges through ethics education and certification. The accounting profession takes two main approaches to accounting ethics education. One approach can be characterized as a “rules-based” approach. This approach focuses on memorizing a body of do’s and don’ts promulgated in professional codes of conduct such as the requirement for an auditor to be independent of an audit client. Adherence to and knowledge of the rules-based approach is the predominate way ethics is tested as a precondition and a continuing requirement of being licensed to practice public accounting in the United States. Memorizing rules, however, does not necessarily lead to changing ethical behavior.

The second approach is more “principles-based.” The emphasis of this approach is to train professional accountants to recognize ethical situations and dilemmas and then to use appropriate ethical judgment to resolve problems and challenges that arise. The goal is to blanket the “rules-based” approach with the skills, judgment, and commitment to ethical behavior that will result in maintaining public confidence in the accounting profession and result in accountants being committed to act ethically when faced with ethical dilemmas. The question is whether ethics training improves accountants’ intentions to act ethically.

Ethical behavior is difficult to observe and measure. Making the ethical choice is expected of accountants and as such, “correct” ethical choices are normally not noticed or even observed. Consequently, research focuses on whether accountants are committed to or intend to

act ethically, which is a precursor to and highly correlated to acting ethically (Hassan, Shiu, and Shaw 2016).

In this study, we investigate whether principles-based ethics training increases a professional accountant's commitment to act ethically. We extend the Theory of Planned Behavior model proposed by Ajzen (1991), and later modified by Gibson and Frakes (1997) and Buchan (2005), to the accounting environment. We examine the effect of recent ethical training on moral disengagement. We also investigate religiosity's interaction with recent ethics training, postulating that beliefs and adherence to religious practices should generally lead a person to exhibit moral behavior, which should reduce moral disengagement. We evaluate the impact of moral disengagement on attitudes towards ethical behavior, subjective norms for being ethical, and perceived behavioral control. We consider whether the TPB predictor variables - attitudes towards ethical behavior, subjective norms for being ethical, and perceived behavioral control - mediate the relationship between moral disengagement and ethical behavioral intentions. We administer instruments to measure moral disengagement and intentions to be ethical to accounting professionals who were undergoing or who had finished their accounting certification/qualifying process.

We find that such principles-based ethics training does have an effect on ethical behavioral intentions. However, the effect is not simple and direct. Professional ethics training empowers people to believe they can act ethically - it enhances their self-efficacy - and self-efficacy influences ethical behavioral intentions. Ethical training also has a shelf life; that is, it can become stale and needs to be refreshed. A significant one-time training is not sufficient. Again, how recent ethical training improves ethical behavioral intentions is complex. Recent ethical training reduces moral disengagement. This translates into improved attitudes, subjective

norms, and perceptions of control over behaving ethically. These all in turn influence ethical behavioral intentions. When there has been recent ethical training and the particular person experiencing it considers herself to be religious, the recency effect is even stronger. Finally, experience, including time being a member of a professional accounting association such as the ACCA, AICPA, or ICAEW, leads to an improved sense that one has some say over being ethical (locus of control), as well as a belief that one can be ethical (self-efficacy). These in turn lead to improved ethical behavioral intentions.

Ethics Education

Rest (1986) proposed a four-component model of moral action, comprised of: (1) Moral Sensitivity, (2) Moral Judgment, (3) Moral Motivation, and (4) Moral Action. The International Accounting Education Standards Board (IAESB) published International Education Practice Statement 1 (IEPS 1) in October 2007 using Rest's model as the foundation for an Ethics Education Framework. IAESB's four-stage framework does not map exactly into Rest's model, but it does include many of the same elements necessary for developing ethical adherence. In IEPS 1, the IAESB suggests that to develop ethical competence in accountants, ethics education progresses through a four-stage continuum (see Figure 1):

Stage 1—Enhancing Ethics Knowledge

Stage 2—Developing Ethical Sensitivity

Stage 3—Improving Ethical Judgment

Stage 4—Maintaining an Ongoing Commitment to Ethical Behavior

Insert Figure 1

Stage 1, enhancing ethics knowledge, recognizes that individuals entering the accounting profession come with personal ethical perceptions and values developed through family beliefs, religious affiliations, education, and interactions with peers and society. Because influences that shape ethical perceptions and attitudes are diverse, Stage 1 education generally attempts to create ethical awareness in the accounting/business context and establish expectations. It is during this stage in professional accounting education that the professional code of conduct is introduced. As such, this level of education is predominantly rules-based. Individuals usually receive this level of education in pre-certification programs such as university courses.

Stage 2 ethics is also taught in pre-certification programs and focuses on helping accounting professionals recognize ethical situations. This stage builds on Stage 1 training in that it goes beyond knowing and understanding the parameters of ethics, to being able to be aware of situations within those parameters and perceive the relevant details of the individuals, contexts, and events or practices involved. Most people entering the accounting profession have been exposed to Stage 1 and Stage 2 training by the time they begin the qualifying process.

Education in Stages 3 and 4 is generally the focus of continuing professional development and employer sponsored ethics training. The goal of this training is to help professionals use their understanding of ethics and professional codes of conduct in making the right choices, as well as to encourage commitment to ethical conduct.

As people progress through the stages of ethical education they gain more experience and exposure to real-world issues. In theory, ethical knowledge, sensitivity, judgment, and commitment are strengthened and enhanced to a level that a person not only behaves ethically, but also advocates ethical behavior in others. For a young professional accountant, efforts to raise concerns about ethical practices require considerable confidence and all the skills and

motivation that training can impart (Cieslewicz 2016). These abilities can be strengthened through an appropriate choice of curriculum and experiential learning techniques.

Despite the general call for increased ethics education, there is significant debate over whether specific ethics training has an impact on the ethical development and ethical behavior of accountants. Thus, the purpose of our research is to evaluate the impact of ethics training on professional accountants. The training, which we refer to in our study as Professional Ethics Training, is designed to help professional accountants in the certification/qualifying process where they become credentialed accounting professionals.

Theory of Planned Behavior

Professional accountants receive ethics training in qualification courses, continuing professional developments courses, and employer sponsored training because the nature of accounting work requires adherence to a professional code of conduct that instills confidence in the accounting profession. Much of the training is designed to inform, educate, and commit accountants to choose the ethical path when facing ethical situations. It is hoped that the commitment to act ethically will result in ethical actions. Fishbein and Ajzen (1975) proposed that there is a relationship between attitude and behavior through the mediating role of intention. Hassan, Shiu, and Shaw (2016) look at consumer-based research to determine whether there is an intention-behavior gap. They find that a gap persists between intention and behavior in ethical consumption. Sutton (1998) suggests that observed weak associations with intention and behavior may be due to measurement issues such as matching action, target, time, and context. Therefore, Hassan, Shiu, and Shaw's (2016) observed gap between intention and behavior in consumerism may be due to weak associations among all the constructs. Azjen's (1991) basic

framework specifies that measures for attitudes, subjective norms, and perceived behavioral control influence behavioral intentions. Ethical behavior in an accounting context, unlike consumerism, is specific and the ethical practices are widely accepted, understood, and promulgated in professional standards. There is little room for preferences as there is in consumerism. Therefore, the model becomes more robust when it is adapted to the behavior under study (Cieslewicz 2016).

The base-level Theory of Planned Behavior model posits that behavioral intentions are influenced by attitude, subjective norms, and perceived behavioral control. In an ethics context, attitudes are how people view their responsibility towards being ethical. Attitudes are generally developed over time and are influenced by management, environment, and coworkers. Subjective norms refers to what participants perceive others who are important to them think about a given behavior. Perceived behavioral control refers to either perceptions of impediments to engaging in a behavior (locus of control), or a person's sense as to whether he or she is capable of successfully engaging in a behavior (self-efficacy). In our study, locus of control refers to a participant's sense of the extent that external forces control whether they behave ethically (how much choice the participant has), while self-efficacy refers to a participant's belief in his or her capacity to behave ethically.

We extend the Theory of Planned Behavior model to examine effects of other variables on attitude, subjective norms, and perceived behavioral control. We suggest that the longer a person is in the accounting profession, the more ethics training the person has and the more ethical issues he or she has faced. Therefore, experience will influence perceived behavioral control (PBC). It will influence both her sense of whether or not it is possible to behave ethically (e.g., PBC locus of control) and whether or not she can succeed in behaving ethically (e.g., PBC

self-efficacy). Additionally, moral disengagement will lead to negative attitudes, negative subjective norms, and poor perceived behavioral control that then lead to unethical intentions. Moral disengagement does not have a direct relationship with ethical behavioral intentions; rather, attitude, subjective norms, and perceived behavioral control mediate the effect of moral disengagement on ethical behavioral intentions. Moral disengagement involves the various strategies (whether conscious or not) individuals employ to rationalize engaging in unethical action in a way that they can still maintain their view of themselves as ethical persons.

Moral disengagement is a product of personal factors, training, and environment. Consequently, we expect that recent ethics training and religiosity will be associated with low moral disengagement, which helps strengthen ethical behavioral intentions. Religiosity has been shown to have a strong impact on work values (Parboteeah, Hoegl, and Cullen 2009) which affect attitudes and behavior (Ramasamy Yeung, and Au 2010). Graafland (2017) found a positive relationship between religiosity, attitude, and subjective norms when consumers considered socially responsible products.

In accounting, behavioral intentions are theorized to link to actual behavior. However, since actual behavior is difficult to observe, Theory of Planned Behavior studies normally stop at behavioral intentions. We suggest, since the concept of ethics is well defined with specific rules and expectations, that ethical behavioral intentions will be highly correlated with ethical behavior. This is consistent with prior studies in accounting utilizing the Theory of Planned Behavior (see, for example, Cieslewicz 2016 and Buchan 2005).

Hypotheses Development

Consistent with Ajzen's (1991) theory that behavioral intentions are influenced by attitudes, subjective norms, and perceived behavioral control, we hypothesize that attitudes towards being ethical and subjective norms for being ethical are associated with intentions to be ethical. Perceived behavioral control (PBC) is also one of the predictors of behavioral intentions in the Theory of Planned Behavior. Ajzen (2002) explained that, depending on the type of behavior being studied, PBC could be characterized more by an element of locus of control, or of self-efficacy. As ethical behaviors are usually constrained by elements more outside of one's control, locus of control should be relevant. Likewise, as ethical behaviors depend on an individual feeling empowered, self-efficacy should be relevant. Accordingly, both PBC locus of control and PBC self-efficacy should influence ethical intentions. In summary, with regards to the primary Theory of Planned Behavior variables, we hypothesize the following:

H1a: An Attitude Towards being Ethical will positively influence Intentions to be Ethical.

H1b: Subjective Norms for being Ethical will positively influence Intentions to be Ethical.

H1c: PBC Locus of Control will positively influence Intentions to be Ethical.

H1d: PBC Self-Efficacy will positively influence Intentions to be Ethical.

The Theory of Planned Behavior can be narrowly adapted to very specific behaviors. In such cases, very specific variables are added to the model to explain the behavior. As the scope of the behavior becomes less granular and more general, the variables used to model the behavior become less specific and more general. This generalization continues until at the highest level,

only the core, generic model remains. The model can be applied at many different levels of specificity. The core of the model itself has changed over time. At an earlier stage of its evolution, it was the Theory of Reasoned Action (Fishbein and Ajzen 1975, 1980). With the addition of Perceived Behavioral Control, it became the Theory of Planned Behavior (Ajzen 1991). The TPB is meant to be adapted.

In our case, we are not as focused on one very specific, granular behavior. We are more concerned about ethical accounting behaviors in general. Our intention is to adapt the model for ethical accounting behaviors in general. For ethical behaviors, we postulate that in addition to the core Theory of Planned Behavior variables, there is the factor of moral disengagement. If someone disengages ethically, their ethical stance should creep into their attitudes towards behaving ethically, their perceptions of what others who are important to them think is acceptable behavior (subjective norms), their sense for whether or not they have control over behaving ethically, and their self-efficacy to be ethical. Accordingly, ethical engagement, or disengagement, is critical to their ethical behavior. The construct of Moral Disengagement (Moore, et al. 2012) captures this. We hypothesize the following:

H2a: Moral Disengagement will negatively influence Attitudes Towards being Ethical.

H2b: Moral Disengagement will negatively influence Subjective Norms for being Ethical.

H2c: Moral Disengagement will negatively influence PBC Locus of Control.

H2d: Moral Disengagement will negatively influence PBC Self-Efficacy.

Disengaging morally is likely to erode attitudes, subjective norms, and perceptions of behavioral control, which in turn will lead to intentions to behave unethically. Likewise, not

disengaging morally should lead to improved attitudes, subjective norms, and perceptions of behavioral control, which in turn will lead to intentions to behave ethically. The effect of Moral Disengagement on Intentions to be Ethical is expected to happen through the effect Moral Disengagement has on the traditional Theory of Planned Behavior predictor variables. This mediated relationship is hypothesized as follows:

H3: The influence of Moral Disengagement on Intentions to be Ethical will be mediated. Moral Disengagement will influence (a) Attitudes Towards being Ethical, (b) Subjective Norms for being Ethical, (c) PBC Locus of Control, and (d), PBC Self-Efficacy, which will all in turn influence Intentions to be Ethical.

If Moral Disengagement can be limited, the ultimate impact on Intentions to be Ethical should improve. We are therefore interested in factors that reduce Moral Disengagement. One such factor should be reminders that ethical behavior is expected. In a professional context, a means to this end is making sure that regular ethical training occurs. Without this effort, people forget, get distracted, or get caught up in what is easier or seemingly more advantageous. With this reasoning, we expect that Recent Ethical Training will reduce Moral Disengagement.

While there certainly are infamous instances of people who claim to be religious who also exhibit unethical behavior, there are also many less visible instances of people who claim to be religious who exhibit great integrity. Professionals who choose to be religious, whichever religion they may belong to, should generally exhibit moral behavior. This expectation can be found in all mainstream religious doctrine. Our expectation is that higher Religiosity will reduce Moral Disengagement.

We also expect an interaction between Religiosity and Recent Ethical Training. The reasoning behind this is that Recent Ethical Training should activate Religiosity, whereas the lack of Recent Ethical Training will not activate Religiosity.

H4a: Recent Ethical Training will be associated with lower Moral Disengagement.

H4b: Higher Religiosity will be associated with lower Moral Disengagement.

H4c: Recent Ethical Training will interact with higher Religiosity and result in lower Moral Disengagement.

Anecdotally, professional ethics training may not change people's attitudes about behaving ethically. It also may not change their perceptions about what others think about ethical behavior. However, receiving professional ethics training should give people a sense of empowerment to be ethical. Professional ethics training should influence professionals' perceptions of their Self-Efficacy to behave ethically. This is hypothesized as follows:

H5: Professional Ethics Training will increase Perceived Behavioral Control (PBC) Self-Efficacy.

As explained later, our measure of experience combines age and time as a member of the Association of Chartered Certified Accountants (ACCA). With additional experience comes anecdotal confirmation that people get caught doing unethical behavior. Additional experience should lead to a sense that unethical behavior is being watched for and may be hard to get away with. As the length of time increases in which one has been a member of the ACCA, a sense of pride in professionalism should also develop. Experience should increase one's perception that she or he can succeed in being ethical. Likewise, experience should increase the perception that

behaving ethically is very much within one's control. Experience should thus impact both the Self-Efficacy and Locus of Control elements of Perceived Behavioral Control, as follows:

H6a: Additional Experience will increase PBC Locus of Control.

H6b: Additional Experience will increase PBC Self-Efficacy.

We further expect that we can incorporate the above hypotheses into an integrated model that can explain many aspects of ethical behavior. We expect that doing this with a culture-rich, international dataset will promote a model that can explain ethical behavior and effects of ethical training internationally across cultures. We incorporate the above hypothesized relationships into such a theoretical model (see Figure 1). The theoretical model seeks to advance understanding of ethical behavior, linking Moral Disengagement with the Theory of Planned Behavior. The model both increases understanding of ethical behavior and what ethical training should be expected to accomplish. Professional Ethics Training should enhance professionals' self-efficacy that they can behave ethically, while Recent Ethical Training should act to reduce Moral Disengagement. Recent Ethical Training should also interact with Religiosity and activate it to reduce Moral Disengagement. Experience, which is a composite measure incorporating both age and time as a member in the Association of Chartered Certified Accountants, should increase both locus of control and self-efficacy to behave ethically.

Insert Figure 2

Research Method

Sample

The survey data were gathered from accounting professionals who were undergoing or who had finished their accounting certification/qualifying process. We sent invitations to

participate in our study to approximately 105,000 individuals. Not everyone who started the surveys (3,143) completed the surveys. The usable response rate was just under 2% of the individuals invited to participate, with the final sample being $n = 1692$ (mean age = 33; 44% female). As explained later, to reduce the survey length, a subset of this number was randomly assigned both the Theory of Planned Behavior and Moral Disengagement instruments ($n = 270$) (see Table 1 for variable definitions).

Insert Table 1

Table 2 shows the descriptive statistics for our sample. The majority of respondents (95.2%) had completed a university degree or professional qualification and 49.6% reported that their degree was in accounting. More than 69% were currently employed in a full-time accounting position. In our sample, 38% reported having a professional ethics course as part of their accounting certification/qualifying process; 76% have had ethics training in some other way; and 38% have had ethics training within 18 months of the survey. Our survey participants are from the following geographic areas identified in the Global Leadership and Organizational Behavior Effectiveness work (GLOBE: House et al. 2004): 14% African, 39.5% Anglo, 9.7% Confucian, 8.8% Eastern European, 10.3% Middle Eastern, and 9% Southeast Asian.

Insert Table 2

Procedures

Each person who consented to complete a survey answered questions about previous ethics training and whether they had completed an ethics module as part of the certification/qualifying process, as well as when the ethics module was completed, if applicable. Because of the amount of time necessary to take each of the study measures, we did not give

each respondent all the survey instrument measures. In order to achieve our goal of measuring multiple components of the Ethics Education Continuum, participants were randomly assigned into one of three survey groupings and completed a subset of the measures. The measures and survey groupings were as follows:

Group 1 –Multidimensional Ethics Survey, the Moral Judgment Test Survey and either the Moral Identity Survey or the Moral Disengagement Survey (randomly determined).

Group 2 – Theory of Planned Behavior Survey and either the Moral Identity Survey or the Moral Disengagement Survey (randomly determined). *The current study focuses on responses including the Theory of Planned Behavior and Moral Disengagement Survey.*

Group 3 – Defining Issues Test Survey and either the Moral Identity Survey or the Moral Disengagement Survey (randomly determined).

Each group of surveys was designed to be completed in less than 20 minutes. As mentioned above, not everyone took every survey. As individuals were randomly assigned to different groups and subgroups, the number of responses for the focus of this paper is less than the total who completed the survey ($n = 1692$). The number of participants randomly assigned to both the Theory of Planned Behavior and the Moral Disengagement survey is $n = 270$.

Measures

Professional ethics training is defined based on whether a person has received ethics training as part of his or her testing and preparation to become either a chartered or certified accountant. It is measured as 1, if the person has received the ethics training; 0 otherwise. In addition, we asked each person that received ethics training from the professional certifying body to give us

the length of time since the ethics training had occurred: within the last 18 months (coded 1), or longer (coded 0). Experience is the latent construct resulting from two manifest variables (or items), age and length of time as a member of the Association of Chartered Certified Accountants.

Moral disengagement (MD) was assessed using the eight-item reduced version (Moore et al. 2012) of Bandura's measure of Mechanisms of Moral Disengagement (Bandura et al., 1996). Moral disengagement occurs when people abandon their moral responsibilities by convincing themselves that ethical standards do not apply in a particular situation. When people morally disengage, they can continue to perceive themselves as ethical and just while engaging in unethical actions.

As will be discussed later, each hypothesis is tested using four different ethical scenarios. After each scenario, items related to the core Theory of Planned Behavior (TPB) variables of attitude, subjective norms, perceived behavioral control, and behavioral intentions are presented. Each of the TPB variables are measured for each ethical scenario and are unique to that particular behavior. This allows us to see whether the theoretical model fits different ethical situations.

Attitude is measured by items such as: "In your opinion, was the behavior (good/bad)." Subjective Norms refer to what participants think others who are important to them think about a given behavior. Subjective norms are measured by items such as: "Most accounting professionals who are important to me will look down on me if I perform the behavior described in the scenario (unlikely/likely)." Perceived Behavioral Control items refer to either perceptions of impediments to engaging in a behavior (locus of control), OR a person's sense as to whether or not he or she is capable of successfully engaging in a behavior (self-efficacy) (Ajzen 2002).

An example of an item measuring Perceived Behavioral Control (Locus of Control) is, “How much control do you have over the behavior described in the scenario? (complete control/absolutely no control).” An example of an item measuring Perceived Behavioral Control (Self-Efficacy) is, “For me to perform the behaviour described in the scenario is: (easy/difficult).” Ethical behavioral intentions are measured using items such as “I may perform the behavior described in the scenario in the future.”

Ethical Scenarios

We test our hypotheses using four different accounting-relevant ethical behaviors associated with four different scenarios. The scenarios were adapted from earlier studies including Buchan (2005), Claypool et al. (1990), Armstrong (1985), and Cohen et al. (1995a, 1995b).

1 Maintaining Confidentiality

- **Scenario:** John, a Chartered Accountant, serves as the auditor of Shrinking Company, a privately held firm. Shrinking's market share has declined drastically, and John knows that Shrinking will soon be bankrupt. Another of John's audit clients is Solid Company. While auditing Solid's accounts receivable, John finds that Shrinking Company owes Solid \$200,000. This represents 10% of Solid's receivables.
- **Action:** John warns the client, Solid Company, about Shrinking's impending bankruptcy.

2 Resisting Collusive Supervision

- **Scenario:** A public accounting firm has recently acquired a new client through a very low bid. The partner suggests the audit hour budget for inventory-related items will be 100 hours. The senior's experience with similar clients suggests that in order to have reasonable assurances of no material errors or irregularities, the audit will take a minimum of 150 hours. Performance evaluation is based, in part, on efficiency.
- **Action:** The senior accepts the budget as is. Subsequently, in cases where judgement is required to determine the number of audit procedures, the senior performs fewer procedures.

3 Being Truthful with Clients

- **Scenario:** A partner is developing a bid for a new client. The partner deliberately sets the bid significantly below cost. The partner knows that the audit will lose money in the first few years. However, the expectation is that the firm will be able to raise the audit fee a few years down the road to generate a profit.

- **Action:** In response to a question from the prospective client, the partner indicates that fees should not be expected to rise significantly in the foreseeable future.
- 4 Exercising Integrity with Travel Expenses**
- **Scenario:** A supervisor, the mother of two small children, has been promoted and assigned to an engagement which requires travel away from home for the firm on a regular basis. Because these trips are frequent and inconvenience her family life, she is contemplating charging some small personal expenses while traveling for the firm. She has heard that this is common practise in the firm.
 - **Action:** The supervisor charges the firm \$50 for family gifts.

Evaluation of the Survey Instrument

A recognized strength of our methodology in which we survey professionals is the enhancement of external validity. This strength, however, requires that adequate care be taken when creating the survey instrument. As mentioned earlier, we carefully compiled our survey. We adapted various components of our instrument from prior studies. For instance, we utilized an existing, tested scale for Moral Disengagement and used well-tested TPB scenarios from prior studies. Post hoc, we also evaluated the validity of the survey instrument.

A weakness of survey instruments, or of any research instrument for that matter, is that participants may move through the instrument too quickly. For instance, they may click “7,” “7,” “7” without carefully reading the related questions. To guard against this, several questions were reverse coded. In other words, for a person to be consistent in his or her responses across related questions (e.g., a series of questions measuring Intentions to Maintain Confidentiality), she will need to answer “7” for one question and “1” for another question because for some of the items, the scales are reversed. We reverse coded some of the items and then after the surveys were completed, we mathematically reversed the responses so that all the scales align in the same direction. Our factor analyses indicate that related items load together, and did not load on other constructs, suggesting that participants did take adequate care in completing the survey, and also that the discriminant validity of the constructs is acceptable.

Results

PLS Path Modeling

We now evaluate the hypothesized relationships with PLS path modeling. PLS path modeling permits evaluating theoretical and measurement models simultaneously and has been used extensively outside of accounting as well as in more recent behavioral accounting research. For this study, the primary reason for using PLS path modeling include its ability to evaluate a complex series of relationships simultaneously, including latent variables, their related constructs, mediation, and path analysis. PLS path modeling is also suitable for smaller sample sizes, as explained by Chin and Newsted (1999).

The composite reliability of the latent variables (e.g., perceived behavioral control) is measured with Dillon-Goldstein's Rho as recommended for PLS path modeling (Vinzi, Trinchera, Amato 2010). The Dillon-Goldstein's Rho for each latent variable is at least .75, while a cut-off of .70 is recommended (Vinzi et al. 2010). The loadings of the items for each latent variable (e.g., loadings of the items measuring attitude on the attitude construct) are all satisfactory and exceed the cutoff of .60 (Hair, Black, Babin, Anderson 2010), except for those related to Moral Disengagement. As Moral Disengagement is an established construct, there are several items (8), and the loadings are all above .45 with no cross loading on other constructs, we did not drop any of the items. For Moral Disengagement, this also leads to a lower mean communality, but improving it through dropping items with lower loadings did not significantly change the path coefficients. For the reasons stated above, we did not remove any of the items. For the other constructs, the mean communalities (AVE) are all above .5. Based on these measures, the reliability and convergent validity of the latent variables are acceptable. The

discriminant validity of the constructs was also evaluated and found to be acceptable as discussed earlier.

We are interested in both the hypothesized relationships related to each specific ethical behavior, as well as how consistent the hypothesized relationships are across the four ethical behaviors. That is, we are interested in whether the relationships are true across different ethical scenarios and may be suggestive of a model with usefulness beyond the specific ethical behaviors in this study. First, we present each model and briefly discuss them in turn. We then tabulate the combined results across all four models for comparative purposes to assess the overall theoretical model (see Table 3 later).

Maintaining Confidentiality

Figure 2 models the accounting ethical behavior of maintaining confidentiality. We begin at the right side of the model with Intentions to Maintain Confidentiality and then work upstream to its antecedents. Intentions to Maintain Confidentiality is an instance of Behavioral Intentions, the dependent variable in the Theory of Planned Behavior framework. Intentions to Maintain Confidentiality is influenced directly by Attitude Towards Maintaining Confidentiality (.494, $p = .000$), Subjective Norms for Maintaining Confidentiality (.319, $p = .000$), Perceived Behavioral Control (Locus of Control) (.093, $p = .016$), and Perceived Behavioral Control (Self-Efficacy) (.066, $p = .090$). These variables that influence Intentions to Maintain Confidentiality are themselves further explained by considering factors that impact them.

Insert Figure 3

The next principal set of relationships in the model involves Moral Disengagement. In the theoretical model, Moral Disengagement functions in part as an exogenous or independent

variable that has a negative relationship with each of the antecedents of Behavioral Intentions. When Moral Disengagement is low, attitude, subjective norms, and perceived behavioral control (both locus of control and self-efficacy) related to behaving ethically are all high, which further leads to higher intentions to behave ethically. More specifically, Attitude Towards Maintaining Confidentiality ($-.254, p = .000$), Subjective Norms for Maintaining Confidentiality ($-.204, p = .001$), PBC Locus of Control ($-.108, p = .079$), and PBC Self-Efficacy ($-.213, p = .000$) are all inversely related to Moral Disengagement. In summary, Moral Disengagement has a negative relationship with each of the antecedents of Intentions to Maintain Confidentiality. This situation is important to understand as it then becomes imperative from an ethical training point of view to understand what can be done to minimize Moral Disengagement.

Moral Disengagement is less likely when there has been recent ethical training and religiosity is high. Recency of Ethical Training is negatively related with Moral Disengagement ($-.335, p = .018$). Religiosity is not significantly related to Moral Disengagement, but it interacts with Recency of Ethical Training. The interaction of Religiosity and Recency of Ethical Training has a negative relationship with Moral Disengagement ($-.291, p = .048$). Moral Disengagement is lowest when someone has both a high sense of being religious and has recently had ethical training.

Experience is positively related to both PBC Locus of Control ($.139, p = .024$) and PBC Self-Efficacy ($.160, p = .012$). With more Experience (comprised of age and time as a member of the ACCA), comes both a greater sense that it is within one's power to be ethical and that one is capable of being ethical. As mentioned above, PBC Locus of Control and PBC Self-Efficacy are both further positively related with Intentions to Maintain Confidentiality.

Professional Ethics Training has a positive relationship with PBC Self-Efficacy (.138, $p = .027$). When a practicing accountant receives ethical training, she has a greater belief in her ability to behave ethically. It seems that such training is not just instructive, but empowering.

Taken as a whole, the results across the models are similar, suggesting that the model is appropriate for international use. Yet there are noteworthy differences to discuss (see Table 3 for a summary across all four ethical behaviors). Having walked through each relationship in the model for maintaining confidentiality, we will now focus on instances within each of the remaining three models for ethical behaviors that vary materially from the results for the model for maintaining confidentiality. In doing so, we refer to the respective figures.

Insert Table 3

Resisting Collusive Supervision

Figure 4 models the ethical behavior of resisting collusive supervision. This ethical scenario involves pressure from a supervisor to enter into collusion. While nearly all the relationships in the model for resisting collusive supervision are significant, two relationships are not significant that are significant in the model for maintaining confidentiality. First, Professional Ethics Training does not have a statistically significant relationship with PBC Self-Efficacy (.065, $p = .283$). Experience also does not have a statistically significant relationship with PBC Locus of Control (-.001, $p = .982$). As explained below, we believe this is due to the nature of the specific ethical behavior that is focused on – resisting collusive supervision.

Insert Figure 4

Bearing in mind that our dataset is international in its composition, cultural explanations for these two differences may be possible. Based on Cieslewicz (2016), it is possible that direct

pressure from supervisors activates cultural effects that other ethical circumstances may not. For instance, in a highly collectivistic society, if it has been deemed that an action is in the best interest of the collective, it may be presumed that an employee would concur with a supervisor and support the collective. In a highly individualistic society, an employee might be more likely to speak out based solely on his or her own prerogative of wishing to comply with professional standards. Both may be motivated by positive aspects of different cultures, yet they could lead to different ethical behaviors. Power distance could also be influential given a subordinate/supervisor relationship is present. Resisting collusive supervision is always daunting because subordinates are often dependent on supervisors for promotions, raises, and the continuance of employment; however, in a high power distance society, there is also an assumption that authority should not be challenged. Other studies (Cieslewicz 2014, 2016) have suggested that in any culture for particular situations, cultural assumptions may either strengthen or weaken ethical behavior. As such, adjustments to ethical training should be made in consideration of each region's culture.

Being Truthful with Clients

Figure 5 models the ethical behavior of being truthful with clients. In this model, Experience does not have a significant relationship with PBC Self-Efficacy ($-.026, p = .683$), whereas this relationship is significant in the other three models. Moral Disengagement also does not have a significant relationship with PBC Locus of Control ($-.089, p = .140$). Given one of our goals is to test the overall model in several different scenarios, and this relationship is at least consistent in direction with the others, we do not view this last relationship as a substantial problem with this component of the theoretical model.

Insert Figure 5

Exercising Integrity with Travel Expenses

As with the model for resisting collusive supervision, two relationships – the same relationships – are not significant. First, Professional Ethics Training does not influence PBC Self-Efficacy (.061, $p = .341$). Experience also does not influence PBC Locus of Control (.073, $p = .228$). In this case again, the specific behavior described in the scenario may again invite cultural influences to outweigh the influence of Experience and Professional Ethics Training. In a highly collective society, family is very important. For some, it may be viewed as unethical to *not* bring a gift home for the daughter.

Insert Figure 6

Summary of Model Results Across All Four Ethical Scenarios

To summarize, there is substantial support for all of the relationships in the model, except for the relationships between 1) Professional Ethics Training and PBC Self-Efficacy, and 2) Experience and PBC Locus of Control (see Table 3). These two relationships are statistically significant for two of the four scenarios, indicating partial support for this part of the model. The remainder of the model is more robust across the ethical scenarios. We now proceed to explain another aspect of the model focused on how Moral Disengagement influences Ethical Intentions.

Mediation

Hypothesis 3 indicates that the influence of Moral Disengagement on Intentions to be Ethical will be mediated. That is, Moral Disengagement will influence (a) Attitudes Towards being Ethical, (b) Subjective Norms for being Ethical, (c) PBC Locus of Control, and (d), PBC Self-Efficacy; which will all in turn influence Intentions to be Ethical (Ethical Behavioral Intentions). Baron and Kenny (1986) explains conditions that must be satisfied in testing for mediation.

We illustrate these conditions using the ethical behavior of exercising integrity with travel expenses. First, the direct relationship between the two variables must be statistically significant. In Table 4 under exercising integrity with travel expenses, Moral Disengagement has a statistically significant relationship with Ethical Behavioral Intentions ($-.281, p = .000$). The first condition establishing a direct relationship is satisfied. In reference to Table 4, to be more concise, we have used shortened variable names (e.g., “Attitude” instead of “Attitude Towards Exercising Integrity with Travel Expenses”).

Second, Moral Disengagement must have a statistically significant relationship with the mediating variable(s), and the mediating variable(s) must in turn then influence the dependent variable, Ethical Behavioral Intentions. In Table 4, Moral Disengagement is related to Attitude ($-.260, p = .000$), Subjective Norms ($-.165, p = .006$), and PBC Self-Efficacy ($-.229, p = .000$). These three mediating variables then in turn impact Ethical Behavioral Intentions. That is, Attitude ($.317, p = .000$), Subjective Norms ($.246, p = .000$), and PBC Self-Efficacy ($.328, p = .000$) impact Ethical Behavioral Intentions. Each link in these three mediating relationships is statistically significant. The other predicted mediating variable of PBC Locus of Control has one link in the mediating relationship that is not statistically significant. In total, 7 of the 8 required relationships is significant. This suggests that the effect Moral Disengagement has on Ethical Behavioral Intentions occurs through the mediation of the TPB predictor variables of Attitude, Subjective Norms, and PBC. A third condition, however, must also be met.

The third condition, that the original direct relationship between Moral Disengagement and Ethical Behavioral Intentions ($-.281, p = .000$) loses strength when the mediating relationships are introduced into the model, also occurs. The direct relationship ceases to be significant ($-.043, p = .316$) when the mediating relationships are entered into the model. This is

a case of full mediation as the direct relationship does not just lose strength, it becomes insignificant.

Insert Table 4

We present results of similar mediation analyses for each of the four ethical behaviors (see Table 4). In total across the four ethical behaviors, 29 of 32 relationships involving the hypothesized mediating variables (e.g., Attitude, Subjective Norms, PBC Locus of Control, and PBC Self-Efficacy) are statistically significant. For two of the ethical behaviors (exercising integrity with travel expenses and also maintaining confidentiality), there is support for full mediation for most of the hypothesized mediating relationships. For the other two ethical behaviors (e.g., resisting collusive supervision and being truthful with clients) there is support for partial mediation for most of the hypothesized mediating relationships. Partial mediation occurs when the original direct relationship (e.g., between Moral Disengagement and Ethical Behavioral Intentions) is weakened when the mediating variables are introduced into the model, but does not disappear. Overall, there is a trend across all the behaviors indicative of mediation. This further supports the addition of Moral Disengagement in the TPB model explaining ethical behavior.

Discussion

We build on the premise that the Theory of Planned Behavior is appropriate for modeling ethical behavior that has been established by prior work. We extend the model and link it to another important ethical concept, that of Moral Disengagement. We also do not just focus on ethical problems in accounting, but to solutions to ethical problems. We link the Theory of Planned Behavior and Moral Disengagement to Professional Ethics Training, the Recency of

such training, and Experience. We also present a model illustrating how these latter variables counter unethical accounting behavior.

Moral Disengagement involves the various strategies (whether conscious or not) that individuals employ to rationalize unethical action in a way that they can still maintain their view of themselves as ethical persons. In a sense, it is a more sophisticated and more developed construct for that of rationalization found in the fraud triangle. We find that Moral Disengagement does not have a direct relationship with ethical behavioral intentions; rather, attitude, subjective norms, and perceived behavioral control (e.g., locus of control and self-efficacy) mediate its effect on intentions. In evaluating four different ethical behaviors, we find that Moral Disengagement is a general precursor that leads to more specific attitudes, subjective norms, and perceptions of behavioral control that lead to intentions to behave unethically.

We find that principles-based ethics training does have an effect on ethical behavioral intentions. However, the effect is not simple and direct. Professional ethics training empowers people to believe they can act ethically; that is, it enhances their self-efficacy. Self-efficacy in turn influences ethical behavioral intentions. We find that helping accountants establish a foundation in ethical behavior is not enough. Regular ethical maintenance, or continued ethics training, helps to reduce moral disengagement. When a person having experienced recent ethical training considers herself to be religious, the effect of these ethical tune-ups is even stronger. We also find that experience, including time as a member of a professional accounting association such as the ACCA, AICPP or ICAEW, leads to an improved sense that one has some say over being ethical (locus of control), as well as a belief that one can be ethical (self-efficacy). These in turn lead to improved ethical behavioral intentions.

Recommendations

We offer several recommendations to professional accounting associations, organizations, and accountants. First, working accountants should receive principle-based professional ethics training. Second, when the training is not current, it is less helpful, so it needs to be up-to-date. Third, accountants should be encouraged to participate in professional accounting associations that emphasize ethical behavior. Fourth, newer accountants may be more prone to not feeling they are capable of acting ethically in the face of conflict, and they may not feel that they have a choice. Organizations should assume the responsibility to provide new accountants with resources that help them feel more empowered and to help them find ways to act ethically. For a young professional accountant, efforts to raise concerns about ethical practices require considerable confidence and all the skills and motivation that training can impart.

In practice, it is often hoped that developing ethical sensitivity will naturally follow from examining cases dealing with ethical accounting behaviors. It is also assumed that improvements in ethical judgement and an ongoing commitment to being ethical will eventually occur. We recommend that accountants be instructed on what ethical decision making looks like and what can improve ethical decision making. If they know that it is important to have current principle-based ethical training to avoid ethical lapses and they know what those lapses can mean for their lives, they may be more likely to embrace opportunities for ongoing ethics training and less likely to assume that they already know it all and do not need any more. If they understand what Moral Disengagement is – that it involves rationalizing a particular ethical lapse so that one can still feel good – they can guard against it. If they know how attitudes, subjective norms, self-efficacy, and locus of control influence behavioral intentions, they can be cognizant of what

others around them say and do, whether they be clients, coworkers, or supervisors. If they know that belonging to a professional accounting association does actually help accountants feel empowered to be more ethical, they may be more likely to participate and reap the ethical benefits.

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Figure 1. IAESB Ethics Education Continuum

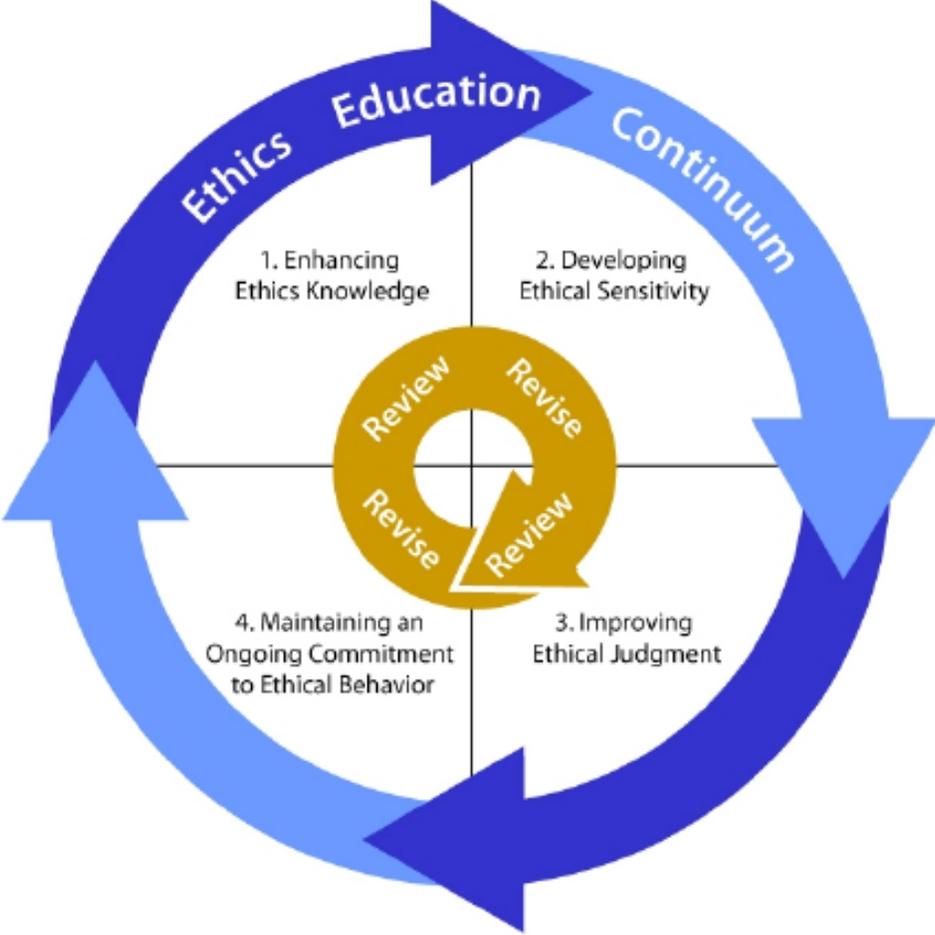


Figure 2. Theoretical Model of Ethical Training and Ethical Intentions

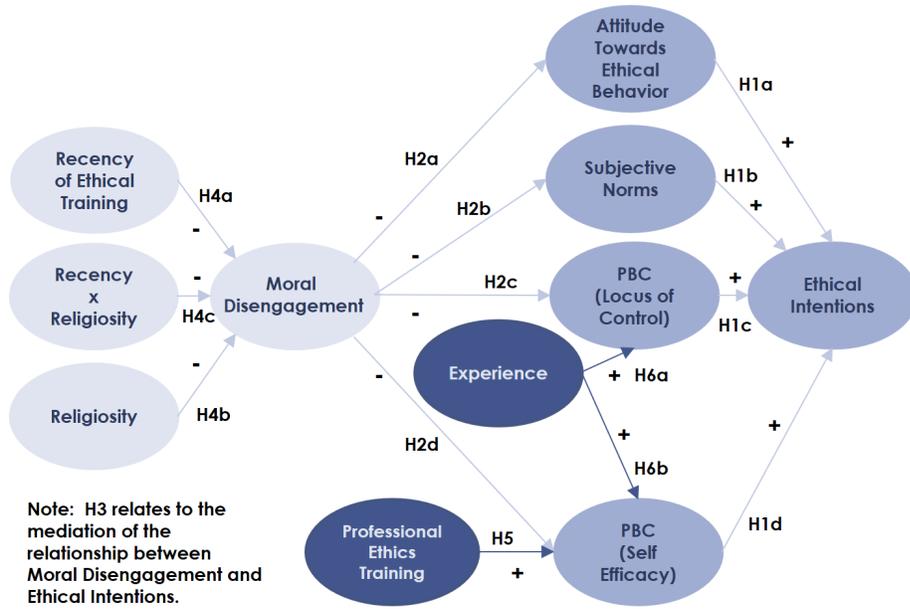


Figure 3. Model for Ethical Training and Maintaining Confidentiality

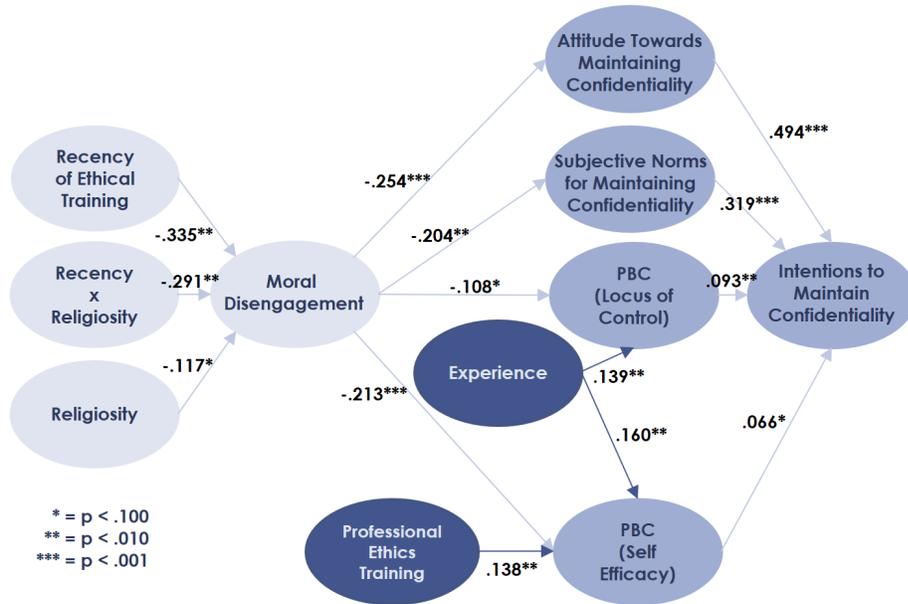


Figure 4. Model for Ethical Training and Resisting Collusive Supervision

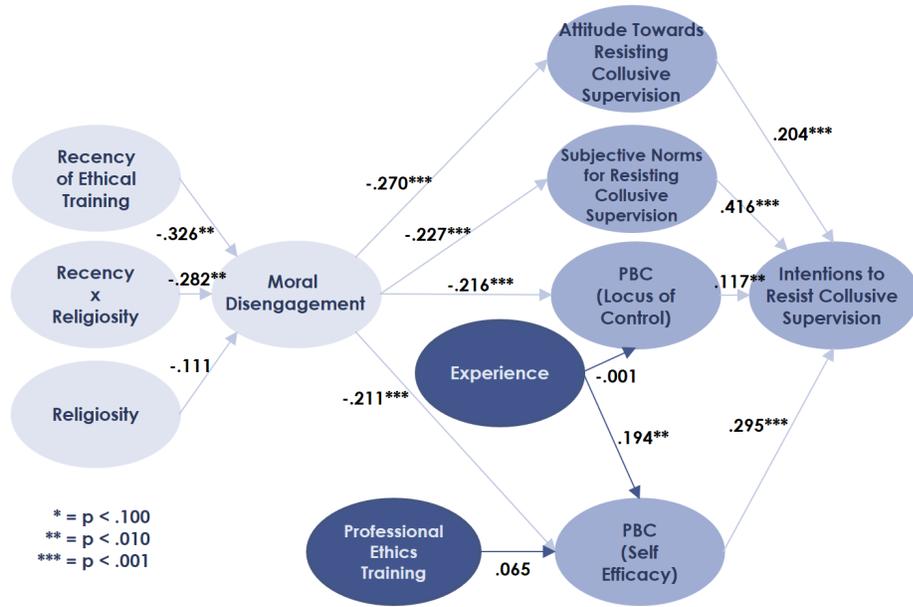


Figure 5. Model for Ethical Training and Being Truthful with Clients

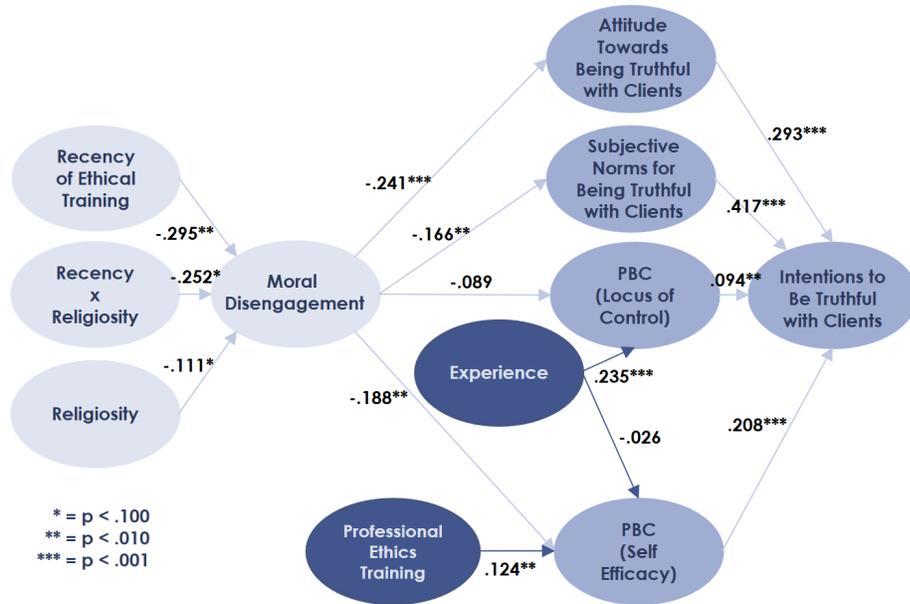


Figure 6. Model for Ethical Training and Exercising Integrity with Travel Expenses

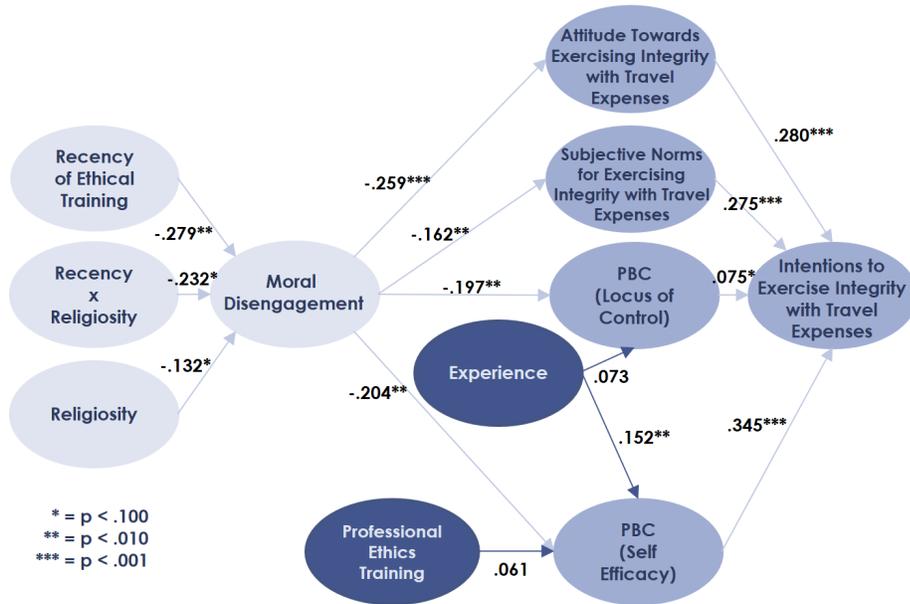


Table 1
Variable Definitions

VARIABLE DEFINITIONS

Professional Ethics:	dummy variable = 1 if completed ethics training as part of professional certification process; 0 otherwise
Other Ethics:	dummy variable = 1 if completed ethics training as part of other training/education; 0 otherwise
Recent Ethics:	dummy variable = 1 if professional ethics training completed within 18 months of survey; 0 otherwise
Anglo:	dummy variable = 1 if home country is from Globe Anglo group; 0 otherwise
African:	dummy variable = 1 if home country is from Globe African group; 0 otherwise
Eastern European:	dummy variable = 1 if home country is from Globe Eastern European group; 0 otherwise
Middle Eastern:	dummy variable = 1 if home country is from Globe Middle Eastern group; 0 otherwise
Confucian:	dummy variable = 1 if home country is from Globe Confucian/Asian group; 0 otherwise
Southeast Asia:	dummy variable = 1 if home country is from Globe Southeast Asia group; 0 otherwise
Power Distance:	average Hofstede power distance score by Globe designation for each home country
Individualism:	average Hofstede individualism-collectivism score by Globe designation for each home country
Masculinity:	average Hofstede masculinity score by Globe designation for each home country
Uncertainty:	average Hofstede uncertainty avoidance score by Globe designation for each home country
Confucian Dynamism:	average Hofstede Confucianism score by Globe designation for each home country
Accounting Degree:	dummy variable = 1 if an accounting major; 0 otherwise
Age:	age in years
Audit Qualification:	dummy variable = 1 if finished audit qualification; 0 otherwise
Education:	0 if no degree; 1 if less than 4-year degree; 2 if bachelor's degree; 3 if advanced degree
Employed in Acctg:	dummy variable = 1 if employed in accounting role; 0 otherwise
Gender:	dummy variable = 1 if female; 0 otherwise
Experience:	experience, including age and time as a member in the Association of Chartered Certified Accountants
Religiosity:	average of two religiosity questions from survey, based on 7-point scale

Table 2
Descriptive Statistics (N = 270)

Panel A: Demographics

Gender (% female)	44.6%
Mean Age	31.9
How religious are you? (Mean: 1 very, 7 not at all religious)	4.0
How important is religion? (Mean: 1 very, 7 not at all important)	4.3
Highest level of education:	
University Degree or Professional Qualification	95.2%
Degree Subject (percent in each):	
Accounting	49.6%
Business	8.4%
Economics	6.5%
Finance	9.8%
Science	9.5%
Social Science	3.8%
Other	12.4%
Most important influence on values (Mean: rank 1-6)	
employer	4.12
family	2.02
friends	3.49
professional body	3.69
religion	3.71
schooling/university education	3.68
General ethics as part of degree course	31.2%
Business ethics training as part of degree course	21.1%
Accounting ethics training as part of degree course	31.3%
Employer sponsored ethics training	36.1%
Audit Qualified	21.2%

Panel B: Descriptive Statistics

<u>Variable</u>	<u>Mean</u>	<u>Std Dev</u>	<u>Minimum</u>	<u>Maximum</u>
Professional Ethics	0.38	0.49	0	1.00
Other Ethics	0.76	0.43	0	1.00
Recent Ethics	0.38	0.49	0	1.00
African	0.14	0.35	0	1.00
Anglo	0.39	0.49	0	1.00
Confucian	0.10	0.30	0	1.00
Eastern Europe	0.09	0.28	0	1.00
Middle Eastern	0.10	0.30	0	1.00
Southeast Asia	0.09	0.29	0	1.00
MD (n= 482)	5.87	0.79	2.25	7.00
TPB (n= 517)	4.57	0.49	1.00	6.00

Table 3

Summary Across All Four Ethical Behaviors

Hypothesized Relationship:			Ethical Behavior:							
			Confidentiality		Collusive Supervision		Being Truthful with Clients		Integrity with Travel Expenses	
Hyp.	Exogenous Variable (Independent Variable)	Endogenous Variable (Dependent Variable)	Regression Coefficient	p value	Regression Coefficient	p value	Regression Coefficient	p value	Regression Coefficient	p value
H1a	Attitude	Ethical Behavioral Intentions	.494	.000	.204	.000	.293	.000	.280	.000
H1b	Subjective Norms	Ethical Behavioral Intentions	.319	.000	.416	.000	.417	.000	.275	.000
H1c	PBC Locus of Control	Ethical Behavioral Intentions	.093	.016	.117	.006	.094	.019	.075	.079
H1d	PBC Self Efficacy	Ethical Behavioral Intentions	.066	.090	.295	.000	.208	.000	.345	.000
H2a	Moral Disengagement	Attitude	-.254	.000	-.270	.000	-.241	.000	-.259	.000
H2b	Moral Disengagement	Subjective Norms	-.204	.001	-.227	.000	-.166	.006	-.162	.007
H2c	Moral Disengagement	PBC Locus of Control	-.108	.079	-.216	.000	-.089	.140	-.197	.001
H2d	Moral Disengagement	PBC Self Efficacy	-.213	.000	-.211	.000	-.188	.002	-.204	.001
H5	Professional Ethics Training	PBC Self Efficacy	.138	.027	.065	.283	.124	.048	.061	.341
H6a	Experience	PBC Locus of Control	.139	.024	-.001	.982	.235	.000	.073	.228
H6b	Experience	PBC Self Efficacy	.160	.012	.194	.002	-.026	.683	.152	.019
H4a	Recency of Ethical Training	Moral Disengagement	-.335	.018	-.326	.024	-.295	.021	-.279	.016
H4b	Religiosity	Moral Disengagement	-.117	.085	-.111	.102	-.111	.093	-.132	.041
H4c	Religiosity X Recency of Ethical Training	Moral Disengagement	-.291	.048	-.282	.061	-.252	.058	-.232	.053

Table 4

Mediation Analyses for Four Ethical Behaviors

Hypothesized Relationships		Ethical Behaviors							
Mediating Variables are Bolded below <i>The Direct Relationships are Italicized below</i>		Confidentiality		Resisting Collusive Supervision		Being Truthful with Clients		Integrity with Travel Expenses	
Independent Variable	Dependent Variable	Regression Coefficient	p value	Regression Coefficient	p value	Regression Coefficient	p value	Regression Coefficient	p value
Step 1: Is the Direct Relationship that is Hypothesized to be Mediated Statistically Significant ?									
	<i>Ethical Behavioral Moral Disengagement Intentions</i>	-.278	.000	-.335	.000	-.285	.000	-.281	.000
Step 2: Are the Relationships that Comprise the Hypothesized Mediating Pathways Statistically Significant?									
	Moral Disengagement Attitude	-.292	.000	-.262	.000	-.244	.000	-.260	.000
	Attitude <i>Ethical Behavioral Intentions</i>	.544	.000	.226	.000	.317	.000	.317	.000
	Moral Disengagement Subjective Norms	-.200	.001	-.230	.000	-.168	.006	-.165	.006
	Subjective Norms <i>Ethical Behavioral Intentions</i>	.279	.000	.384	.000	.386	.000	.246	.000
	Moral Disengagement PBC Locus of Control	-.198	.001	-.231	.000	-.147	.015	-.230	.000
	PBC Locus of Control <i>Ethical Behavioral Intentions</i>	.051	.183	.089	.036	.086	.031	.067	.109
	Moral Disengagement PBC Self Efficacy	-.245	.000	-.274	.000	-.196	.001	-.229	.000
	PBC Self Efficacy <i>Ethical Behavioral Intentions</i>	.031	.426	.265	.000	.175	.000	.328	.000
Step 3: With the Introduction into the Model of the Mediating Pathways, Does the Strength of the Original Direct Relationship Decrease (Partial Mediation) or Become Insignificant (Full Mediation)?									
	<i>Ethical Behavioral Moral Disengagement Intentions</i>	-.035	.379	-.091	.040	-.093	.021	-.043	.316