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How Does Moral Intensity Impact the Moral Judgments and Whistleblowing Intentions of Professional Accountants?

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# HOW DOES MORAL INTENSITY IMPACT THE MORAL JUDGMENTS AND WHISTLEBLOWING INTENTIONS OF PROFESSIONAL ACCOUNTANTS?

Tara J. Shawver, Lynn H. Clements and  
John T. Sennetti

## ABSTRACT

*Moral intensity is the degree of feeling we have about the consequences of moral choices, similar, for example, to those perceived for crimes, from petty larceny to murder. Moral intensity is thought to increase moral sensitivity and judgment. Because the accounting professions require members to respond to accounting fraud with more sensitivity and intensity, we examine this response in 220 professional accountants (mostly Certified Public Accountants) under a controlled experiment using two different cases. We examine the first three parts of the Rest (1986) model including ethical evaluation, judgment, and intention to act. We measure moral intensity in the accountant's perception of overall harm and societal pressure. As in prior research, we find that the degree of moral intensity may be contextual. We find that the*

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*ethical evaluations may become affected by perceived overall harm, and whistleblowing intentions by perceived societal pressure. However, in both cases, the professional's judgments are most affected by moral intensity. Consistent with prior research, whistleblowing intentions may involve many other mitigating variables, such as audit reporting or non-audit reporting limited by codes of conduct. These findings relate to the increasing attention paid by the SEC to finding accounting fraud.*

*This manuscript makes three important contributions to the existing literature. First, there are few studies in this area and Jones (1991) identifies that moral intensity is issue contingent; therefore, replication studies using different scenarios are needed. Second, Bailey, Scott, and Thoma (2010) have suggested that accounting ethics research has focused too narrowly on Component II of Rest's Four-Component Model. None of the previous studies looked at all three steps in Rest's Model; therefore, our manuscript provides an important contribution over the other previous studies. Third, our sample uses professionals and not students as surrogates for professionals.*

**Keywords:** Accounting decisions; earnings management; ethical evaluation; financial statement fraud; harm and pressure; moral intensity

Accounting numbers are expected to account for, and in the moral sense to be responsible for, the information they provide. In this way, accounting numbers are expected to have integrity. Professional accountants, like the numbers they represent, are expected to have the same integrity (AICPA, Rule 102, 2013). Public accountants hold themselves out to the public to be considered exemplary, because they “serve the public interest” and “honor the public trust” (AICPA, ET Section 53, Article II, 2013). Because of this, they are expected to have a higher moral sensitivity on matters relating to the public, such as publicly released financial statements. However, accountants often experience a variety of pressures to manage or to permit the management of these statements in meeting analysts' expectations, in improving results preceding initial public offerings, in managing stock-financed acquisitions, and in many other cases. Not all forms of earnings management are unacceptable. For example, it is natural to delay expenses during lower revenue periods. But it is easy to manage accounting choices

to create numbers that clearly lack integrity, lead to accounting scandals and shocked investors, who then may question how accountants or their auditors evaluate ethical dilemmas and fraud.

Financial statement fraud adversely affects many different types of stakeholders including corporate employees, auditors, creditors, shareholders, and individual investors. The Association of Certified Fraud Examiners (ACFE) reports that annual worldwide fraud losses may total more than \$3.6 trillion (ACFE, 2012, p. 5). The many corporate ethical failures, from the Enron audit failure in 2001 to the recent unacceptable expense presentations of Oracle's bribes (Jones & Rubin, 2012), all question the sensitivities of accountants or their auditors in making ethical evaluations on fraud. Recently, the U.S. Securities and Exchange Commission (SEC) announced that "a broad shuffling of resources in the agency's enforcement division will include an increased focus on accounting fraud" and on the ethical decision making of management and professional accountants (Eaglesham, 2013). Furthermore, Bailey, Scott, and Thoma (2010) have suggested that accounting ethics research has focused too narrowly on Component II of Rest's Four-Component Model. They suggest that if the ultimate goal of ethics research in accounting is to improve the ethical performance of accountants, then research must consider all four components (Bailey et al., 2010, p. 18). Therefore, we attempt to understand the moral judgments and whistleblowing intentions of accounting professionals for two types of financial statement fraud and address gaps in the literature by connecting links among moral intensity and three of the four components in Rest's model (ethical evaluations, moral judgments, and the intentions to whistleblow).

There are several studies that attempt to explore determinants of whistleblowing intentions; however, none of the following studies examine the effect of perceived moral intensity. Bernardi, Banzhoff, Martino, and Savasta (2011) find that students who have whistleblown in the past indicate a higher intention to whistleblow for cheating behaviors even after controlling for social responsibility response bias. Bernardi, Larkin, LaBontee, Lapierre, and Morse (2012) find that as the number of reasons a student provides to not whistleblow increases, the probability of whistleblowing decreases. Furthermore, knowing a student who regularly cheats reduces the probability of whistleblowing. Shawver and Clements (2007) examine philosophical constructs and find that accounting students use justice as reasons to whistleblow for situations involving product safety, unfair loans, early shipments, and reducing bad debts to increase reported income, while relativism was significant for issues of product safety and unfair loans

and utilitarianism was significant for early shipments. Clements and Shawver (2011) extend this research with a small sample of accounting professionals and find that the professionals did not use any of the philosophical constructs as reasons for whistleblowing for early shipments, while reasons of justice and relativism are moderately significant for reducing bad debts.

A significant stream of research examines the ethical decision making of accountants using the Defining Issues Test (Rest, 1986) to explore the impact of moral reasoning on ethical evaluations. Jones (1991) extends Rest's (1986) work suggesting that perceived consequences of moral choice, that is, moral intensity, impacts moral awareness and that the level of these perceptions varies from issue to issue. Leitsch (2004, 2006) connects this research on the six individual items of moral intensity to the field of accounting with a sample of students and scenarios involving approving questionable expense reports, manipulating company books, violating company policy, and extending questionable credit. Shawver and Shawver (2013) examine the effect of moral intensity on three situations involving product safety, sharing software, and reducing bad debt expense to increase reported income. They find that the factors of perceived overall harm and perceived societal pressure are significant to ethical evaluations and moral judgments, but they did not examine whistleblowing judgment or whistleblowing intentions. Clements and Shawver (2011) find that overall harm and societal pressure were significant for moral judgment, but only societal pressure was significant for whistleblowing intention when evaluating a situation involving reducing bad debts. Shawver (2011) finds that perceived overall harm and societal pressure are significant when evaluating whistleblowing intentions for situations involving reducing bad debts. Both Clements and Shawver (2011) and Shawver (2011) use univariate models to explore relationships between these variables. We extend this to a multivariate approach in understanding the moral sensitivities exhibited by 220 practicing accountants. In doing this, we follow Rest's (1986) framework in asking respondents to first evaluate the ethical dilemma, then to (morally) judge whether the staff accountant in the situation should whistleblow, and then to determine whether the staff accountant in the situation would whistleblow (a moral intention). Research correlates this decision on the staff accountant with actions of the respondent (Israeli, 1988).

To summarize, this study contributes to the literature in three important respects. First, there are few studies that examine the impact of moral intensity on ethical decision making. Jones (1991) identifies that moral intensity is issue contingent; therefore, replication studies using various

scenarios and different moral problems are needed. Second, Bailey et al. (2010) have suggested that accounting ethics research has focused too narrowly on Component II of Rest's Four-Component Model. Prior research has not examined the first three steps in Rest's Model within the same study to predict whistleblowing intentions; therefore, our manuscript provides an important contribution over previous studies. Third, our sample uses professional practicing accountants rather than surrogates (students) as professional accountants, and we test these relationships using both univariate and multivariate models.

Consistent with the moral intensity literature, we find that the components of moral intensity can be factored into forces of perceived overall harm and societal pressure and these in turn correlate with ethical evaluations, which vary by level of materiality. Second, we find as in prior research, the degree of moral intensity may be dependent upon the context. Third, the ethical evaluations may become affected by perceived overall harm and whistleblowing intentions may respond more to perceived societal pressure. Finally, in both cases examined, the professional's judgments are most affected by moral intensity, consistent with expectations, since whistleblowing intentions involve many other mitigating variables, such as audit reporting or non-audit reporting limited by codes of conduct.

## **BACKGROUND AND HYPOTHESES**

### *Ethical Decision Making and Moral Intensity*

Jones (1991) offers a synthesis of several models of ethical decision making. Rest's Four-Component Model is the foundation for integrating these models. Therefore, we chose to use Rest's (1986) Four-Component Model in this study. Rest (1986) describes psychological processes as steps that must have occurred in order for moral behavior to occur.

In step 1, moral sensitivity, a person must make "some sort of interpretation of the particular situation in terms of what actions were possible, who (including oneself) would be affected by each course of action, and how the interested parties would regard such effects on their welfare" (Rest, 1986, p. 3).

In step 2, moral judgment, a person must make a judgment about what a person ought to do in that situation. Prior research has suggested that moral judgment is determined in part by an individual's level of moral

reasoning. Kohlberg (1969) describes the six stages of moral reasoning as a progression of stages where lower levels focus on an individuals' environment (pre-conventional), progressing to higher levels of focusing on what is best for society (post-conventional). A significant amount of research exists surrounding the effects of moral reasoning and the application/interpretation of Kohlberg's model.

In step 3, moral intention, a person indicates an intention to act. "The person must give priority to moral values above other personal values such that a decision is made to intend to do what is morally right" (Rest, 1986, p. 3). Ethical intentions can be an important determinant of ethical behavior and reflect motivation.

In step 4, engaging in moral behavior, a person must have sufficient ego strength to follow through on the intention to engage in a moral behavior (Rest, 1986). This paper examines the interpretation made by practicing accountants in evaluating each action, in making a moral judgment that whistleblowing should occur, and in evaluating an intention to whistleblow.

Jones (1991) offers a synthesis of several models of ethical decision making. Jones (1991) identifies that "despite the fact that collectively these models are reasonably comprehensive, this synthesized model clearly shows that none of previous models of ethical decision making explicitly includes characteristics of the moral issue itself as either an independent variable or a moderating variable. If the models making up this synthesized model are taken at face value, the moral decision making and behavior process of individuals is identical for all moral issues ... ethical decision making is issue contingent; that is, characteristics of the moral issue itself, collectively called moral intensity, are important determinants of ethical decision making and behavior" (Jones, 1991, p. 371).

Jones (1991) extends Rest's (1986) work to include variables of moral intensity that may impact moral sensitivity, moral judgment, and moral behavior. Jones (1991) derives the concept of moral intensity from normative theories of philosophers who differentiate moral responsibility based on proportionality. Furthermore, Jones (1991) identifies that penalties in criminal law vary based on intensity; for example, penalties for murder are more severe than penalties for petty larceny. Jones (1991) identifies six moral intensity measures affecting the feelings of a person undergoing the decision-making process:

1. Magnitude of consequences,
2. Societal consensus,



3. Probability of effect,
4. Temporal immediacy,
5. Concentration of effect, and
6. Proximity.

Magnitude of consequences is described as the sum of the harms or benefits felt by individuals affected by a moral decision. For example, an action that results in the loss of life will have a greater magnitude of consequences than an action causing minor injury; furthermore, an action that results in harming thousands of people will have a greater magnitude of consequences than an action harming a few individuals.

Societal consensus refers to the level of social agreement of the ethicality of a proposed action. For example, offering an official a bribe in the United States may have a greater perception that the bribe is unethical in comparison to offering a bribe to an official in another country where bribes are encouraged and expected.

Probability of effect is the likelihood that the act will take place and cause benefits or harm. For example, selling a gun to someone who has committed several crimes has greater probability of harm than selling a gun to a person who has never committed a crime.

Temporal immediacy is defined as the length of time between the act and its consequences. For example, promoting a drug that has immediate side effects will have greater temporal immediacy than a drug that will cause potential harm later in life.

Concentration of effect relates to the inverse function of the number of people affected by an action. For example, cheating someone out of his retirement savings has a higher perceived concentration of effect than cheating the Internal Revenue Service (IRS) out of taxes owed.

Proximity refers to how close (socially, culturally, and/or physically) the victim is to the decision maker. For example, layoffs that affect your own family would have a greater proximity effect than layoffs that affect people whom you have not met. The close proximity of various people including managers, peers, customers, employees, and stockholders can effect ethical evaluations and decisions. Jones (1991) identifies that an attorney can develop close proximate relationships with a client, which can clearly be separate from those who are harmed by the client. Cohen and Bennie (2006) describe that high proximity between auditors and clients may result in the auditor acting in the client's best interest at the expense of the other users (Cohen & Bennie, 2006).

In summary, a situation will have high moral intensity if most people agree that the action is unethical, the outcome has severe consequences that are likely to occur in the immediate future, and involves large dollar values with a concentrated effect on a significant number of individuals that are well known by the decision maker. A situation will not be viewed as having an ethical element if the moral intensity of that situation is viewed as weak in terms of the moral intensity components (Singhapakdi, Vitell, & Kraft, 1996). Furthermore, according to Jones (1991, p. 373), “moral intensity is likely to vary substantially from issue to issue, with a few issues achieving high levels and many issues achieving low levels.”

### *Ethical Decision Making and Moral Intensity*

Many empirical studies suggest that moral intensity directly affects the steps in Rest’s model of ethical decision making. Fleischman, Valentine, and Finn (2010, p. 29) find “... perceived moral intensity is ... associated with increased ethical issue recognition, ethical judgment, and relief judgment across two scenarios ... that require extensive moral evaluations.” Butterfield, Trevino, and Weaver (2000) suggest that perceptions of social consensus should enhance recognition of an ethical issue (moral sensitivity). Prior research has explored the effects of the six components of moral intensity on moral sensitivity with varying results (Chia & Mee, 2000; Frey, 2000; Kelley & Elm, 2003; Leitsch, 2004; May & Pauli, 2002; Singhapakdi et al., 1996). Singhapakdi et al. (1996) found that all six dimensions of moral intensity affect ethical perceptions of marketing professionals. Chia and Mee (2000) found that social consensus and magnitude of consequences influence the moral sensitivity for business professionals, but found limited support for the effects of temporal immediacy, proximity, and probability of effect, and found no support that concentration of effect influenced recognition of moral issues. May and Pauli (2002) did not find a relationship between these moral intensity characteristics in a situation involving product safety; however, they found that magnitude of consequences is significant when evaluating environmental issues. Frey (2000) found that moral sensitivity is related to societal consensus and magnitude of consequences for New Zealand managers. Kelley and Elm (2003) found that the nature of client relationships influences the moral intensity of the issue. Leitsch (2004) found that students’ perceptions of the components of moral intensity were influenced by the type and intensity of the moral issue. Valentine and Hollingworth (2012) explored only four of the six items of

moral intensity and found that magnitude of consequences is the most significant factor in a scenario related to poor efficiency and staff reduction, while temporal immediacy is the most significant factor in a scenario related to routine maintenance and a replacement of a part that contains hazardous chemicals.

### *Moral Judgment and Moral Intensity*

Jones (1991) suggests that moral intensity influences moral judgment. Moral judgment describes the morally right thing to do. Prior researchers have explored the influence of the components of moral intensity on moral judgment (Barnett & Valentine, 2004; Carlson, Kacmar, & Wadsworth, 2002; Harrington, 1997; Morris & McDonald, 1995; Shafer, Morris, & Ketchand, 1999). Barnett and Valentine (2004) found magnitude of consequences to be the most significant factor for marketing scenarios, followed by societal consensus (significant in one scenario). Carlson et al. (2002) found support for proximity in a situation involving consumer safety and another in paying less than market value for a piece of land. However, no support was found for concentration of effect or probability of effect (the study did not examine magnitude of consequences, societal consensus, or temporal immediacy).

Harrington (1997) found support that societal consensus impacts moral judgment for a situation involving computer viruses. Morris and McDonald (1995) found support for magnitude of consequences and societal consensus for situations of bribery, pollution, and overpromising deliveries. Furthermore, probability of effect was significant for the bribery situation, concentration of effect and proximity were significant for the pollution situation, and temporal immediacy was significant for the overpromising situation.

Shafer et al. (1999) found that auditors consider the materiality and intended use of financial statements when evaluating moral judgments about the perceived acceptability of aggressive financial reporting. Fleischman et al. (2010) found that moral intensity is positively related to ethical issue recognition, ethical judgment, and tax-based equitable relief judgment. Wright, Cullinan, and Blin (1997) suggest that accountants' personal values impact perceptions of moral intensity. Our study extends prior moral intensity research by examining moral judgments of accounting professionals on different types of earnings management and materiality levels.

### *Moral Intentions and Moral Intensity*

Prior researchers have explored the influence of the components of moral intensity on moral intentions with varying results. [Singhapakdi et al. \(1996\)](#) found five of the six dimensions of moral intensity significant for situations involving misleading appraisers, overeager salespersons, failure to honor a warranty, and withholding information; however, proximity was significant in only one of those situations. [Harrington \(1997\)](#) found support that societal consensus impacts moral intention when evaluating situations involving computer viruses.

[Cohen and Bennie \(2006\)](#) found that magnitude of consequences is considered the most important factor in three audit-related situations examined in the study, followed by societal consensus and probability of effect. [Coram, Glavovic, Ng, and Woodliff \(2008\)](#) found auditors interpret varying levels of moral intensity for seven situations involving audit quality. [Johnson, Fleischman, Valentine, and Walker \(2012\)](#) examined the factors of societal consensus and magnitude of consequences and found that managers may rationalize unethical behaviors when the organization experiences favorable consequences that offset the questionable behavior of earnings management. The findings may suggest that minor ethical lapses gradually undermine the ethical climate of the organization. Although not specifically examining the items suggested by [Jones \(1991\)](#), [McDevitt and Van Hise \(2002\)](#) found varying effects of moral intensity items on possible embezzlement and expensing personal items (software and a laptop) as business expenses.

### *Two Dimensions of Moral Intensity*

Prior research suggests that the six moral intensity items represent two dimensions of “perceived overall harm” and “perceived societal pressure” that one may face when evaluating ethical decisions. The first dimension, perceived overall harm, is composed of the four measures: magnitude of consequences, probability of effect, temporal immediacy, and concentration of effect. The second dimension, perceived societal pressure, is composed of the other two measures in the [Jones \(1991\)](#) model: proximity and societal consensus. Prior research has found that the perceived overall harm and perceived societal pressure of an action do affect moral judgment ([Clements & Shawver, 2011](#); [Shawver, 2011](#); [Shawver & Shawver, 2013](#); [Singhapakdi et al., 1996](#); [Sweeney & Costello, 2009](#); [Yang & Wu, 2009](#)).

There are few studies that examine the impact of moral intensity on moral judgment in an accounting context, even fewer examining the impact of moral intensity on moral intentions, and none that examine moral intensity and actual behavior.

This study explores the two dimensions of “perceived potential harm” and “perceived societal pressure” that one may face when evaluating ethical decisions. Therefore, based on prior literature, we present the following hypotheses:

**H1.** The greater perceived overall harm when evaluating an accounting issue of earnings management, the more likely a professional accountant will identify the action as unethical.

**H2.** The greater perceived societal pressure when evaluating an accounting issue of earnings management, the more likely a professional accountant will identify the action as unethical.

### *Ethical Evaluations and Whistleblowing by Accountants*

After an individual makes an ethical evaluation and a moral judgment, an accountant may then become a whistleblower. Whistleblowers are those individuals who “sound an alarm from within the very organization in which they work, aiming to spotlight neglect or abuses that threaten the public interests” (Bok, 1980, p. 277). “Whistleblowing involves the deliberate disclosure of information about nontrivial activities which are believed to be dangerous, illegal, unethical, discriminatory or to otherwise involve wrongdoing, generally by current or former organisation members” (Hersch, 2002, p. 243). Miceli and Near identify whistleblowing as “the disclosure by organizational members of illegal, immoral, or illegitimate organizational acts or omissions to parties who can take action to correct the wrongdoing” (Miceli & Near, 1992, p. xv). Even though most definitions are not limited to illegality, most include some type of reporting of questionable morality or wrongdoing.

Prior research has attempted to determine who blows the whistle. Past studies report personal characteristics (Miceli & Near, 1984; Miceli, Roach, & Near, 1988) and organizational variables (Miceli & Near, 1991) as contributing whistleblowing factors of employees. Near and Miceli (1995) propose a model linking five factors that influence the termination of wrongdoing with five sets of moderating variables. The five factors influencing

termination of wrongdoing include: “(a) characteristics of the whistleblower, (b) characteristics of the complaint recipient, (c) characteristics of the wrongdoer, (d) characteristics of the wrongdoing, and (e) characteristics of the organization” (Near & Miceli, 1995, p. 681). This paper explores potential wrongdoing based on the situation (in the use of two vignettes) as well as on the individual (specifically, in the proximity measure of moral intensity).

Another area of prior research focuses on why whistleblowers blow the whistle. Certain self-regulating professions, such as the medical profession and the engineering profession, implicitly encourage whistleblowing through ethical codes of conduct. Alpern (1982) suggests that engineers are ethically entitled to encourage ethical behavior. Pletta (1986) suggests that legislation acts too slowly to protect the public and that engineers should hold their peers responsible for professional and ethical codes rather than waiting for legislation to right the wrongs. A study by Ahern and McDonald (2002) attempts to identify beliefs that could be motivational factors for whistleblowers in an attempt to explain why some people report misconduct while others do not. Their study of registered nurses indicates that whistleblowers believe that nurses are primarily responsible to the patient and should protect the patient, while non-whistleblowers believe that nurses have an obligation to follow a physician’s order at all times and are equally responsible to the patient, the physician, and the employer.

A third area of prior research on whistleblowing is focused on the consequences of not blowing the whistle. Engineering and nursing professions demand the reporting of wrongdoing because the wrongdoing often involves life and death issues. Although accounting fraud usually does not involve life or death, the economic losses can be astounding and may have disastrous effects on the financial and emotional health of the general public. Public outcry has demanded an increased level of integrity, and a responsibility to report fraudulent accounting practices. Certified Public Accountants (CPAs) and Certified Management Accountants (CMAs) are expected to adhere to codes of conduct. According to Section 52 of the AICPA Code of Professional Conduct, AICPA members “have a continuing responsibility to cooperate with each other to improve the art of accounting, maintain the public’s confidence, and carry out the profession’s special responsibilities for self-governance” (AICPA, 1997). Members of IMA are expected to behave ethically and to commit to ethical professional practice. If one is aware of unethical situations, the IMA Statement of Ethical Professional Practice states that an individual should “discuss the issue with your immediate supervisor except when it appears that the supervisor is involved. In that case, present the issue to the next level. If you

cannot achieve a satisfactory resolution, submit the issue to the next management level. If your immediate superior is the chief executive officer or equivalent, the acceptable reviewing authority may be a group such as the audit committee, executive committee, board of directors, board of trustees, or owners” (IMA Statement of Ethical Professional Practice, 2005).

Public accountants are somewhat limited from whistleblowing by Rule 301 of The AICPA Code of Professional Conduct, which limits revealing client information. However, this “shall not restrict (a CPA’s) exchange of information in connection with the investigative or disciplinary proceedings.”

A fourth area of whistleblowing research focuses on the consequences of whistleblowing. Xu and Ziegenfuss (2003) investigated the issue of whistleblowing in the preparation of financial information. Their experiment examined whether reward systems impact auditors’ whistleblowing behavior. Based on their results, internal auditors are more likely to blow the whistle for a reward (i.e., cash or a continuing employment contract). Kaplan, Pany, Samuels, and Zhang (2009) suggest that females’ reporting intentions are higher than males’ reporting intentions for an anonymous reporting channel. Kaplan and Schultz (2007) identify that the existence of an anonymous reporting channel reduces the likelihood of reporting to non-anonymous channels and that internal audit department quality does not affect reporting to non-anonymous reporting channels in an experiment using MBA students. Kaplan, Richmond Pope, and Samuels (2011) suggest that reporting intentions to an internal auditor are stronger than reporting intentions to an external auditor in an experiment using MBA students. Our study involved few internal auditors and mostly public accountants whose intentions may not be as strong,

Once an action has been evaluated as unethical, an individual is faced with evaluating whether to report the questionable behavior or do nothing. Given that perceived overall harm and societal pressure do have an effect on the evaluation to report actions, we may then expect this to extend to whistleblowing moral judgments. Therefore, we hypothesize the following:

**H3.** The greater the perceived overall harm caused by an accounting issue of earnings management, the more likely a professional accountant will make a moral judgment that the accountant should report the action.

**H4.** The greater the perceived societal pressure when evaluating an accounting issue of earnings management, the more likely a professional

accountant will make a moral judgment that the accountant should report the action.

After an individual makes a moral judgment, he or she formulates an intention to act or not to act. Given that perceived overall harm and societal pressure do have an effect on moral judgments, we expect this to extend to whistleblowing intentions. Therefore, we hypothesize the following:

**H5.** The greater the perceived overall harm caused by an accounting issue of earnings management, the more likely a professional accountant will indicate an intention to report the action.

**H6.** The greater the perceived societal pressure when evaluating an accounting issue of earnings management, the more likely a professional accountant will indicate an intention to report the action.

## RESEARCH METHOD

Stice and Stice (2006) provide a discussion of different types of earnings management and fraud. The two types of accounting manipulations used in this study are classified by Stice and Stice (2006) as fraudulent reporting (non-GAAP reporting by improperly capitalizing routine maintenance expenses) and fraud (ignoring customer returns). The scenarios used in this study were created uniquely here; however, many of the survey questions measuring the individual items in the moral intensity scale were adapted from prior research (Clements & Shawver, 2011; Shawver, 2011; Shawver & Shawver, 2013; Singhapakdi et al., 1996). A pretest of the instrument was completed using accounting students prior to collecting the data reported in this study using accounting professionals. Minor modifications were made to the instructions and the instrument as a result of the pretest. Accounting professionals attending (CPA-related) state society-sponsored continuing education classes were invited to participate in this controlled experiment and thereby enter a lottery to win a small financial prize valued at \$25. Of the 1,127 attendees, 220 agreed to participate, providing a 20% response rate. Table 1 provides additional selected demographic information about the participants of this study. Of the 220 participants, most (82%) identified themselves as accountants and not “management” or “other” positions, most (71%) identified themselves as male, and most (74%) as older than 50.



**Table 1.** Demographics.

Panel A: Gender of Participants		
Gender	Number of Participants	Percent of Total
Female	62	28.18
Male	157	71.36
Prefer not to answer	1	0.06
Total	220	
Panel B: Age of Participants		
Age	Age of Participants	Percent of Total
20–29	4	1.82
30–39	12	5.45
40–49	41	18.64
50–59	89	40.45
60–69	74	33.64
Total	220	
Panel C: Occupation		
Occupation	Occupation of Participants	Percent of Total
Accountant	165	75.00
External auditor	8	3.64
Internal auditor	7	3.18
Management	29	13.18
Others	11	5.00
Total	220	

*Measuring the Variables*

Appendix A presents a number of statements about each vignette, utilizing a 7-point Likert scale rated from 1, “strongly disagree,” to 7, “strongly agree.” Each participant was asked to evaluate whether they feel the action in the scenario is ethical by responding to, “The adjustment made by the staff accountant is ethical,” whether the accountant in the scenario should whistleblow by responding to the statement, “The staff accountant in the scenario should report this request,” and whether most accountants would whistleblow by responding to, “Most staff accountants would report the request made by the controller.” Since social desirability response bias (SDRB) is a concern when evaluating ethical dilemmas, these statements were worded in the third person asking for an ethical evaluation, whether the accountant in the scenario should whistleblow and whether most

accountants would whistleblow for each of the three dependent variables in the study. As the severity of the earnings management level increases, the evaluation of the ethicality of the action decreases and the moral judgment and intention to whistleblow increases.

Participants rated the magnitude of consequences by responding to, "The overall harm (if any) in completing this action would be small" (reverse coded). Societal consensus is measured by responding to, "Most people would agree that completing this action is wrong." Probability of effect is measured by responding to, "There is a very small likelihood that this action will cause any harm" (reverse coded). Temporal immediacy is measured by responding to, "This action will not cause any harm in the immediate future" (reverse coded). Proximity is measured by responding to, "If the controller is a personal friend, the action is wrong." Concentration of effect is measured by responding to, "The action will harm very few people, if any" (reverse coded). The magnitude of consequences, probability of effect, temporal immediacy, and concentration of effect variables were reverse coded so that all moral intensity items are evaluated on a 7-point scale with the high end of the scale indicating more moral intensity and the opposite indicating low moral intensity.

Table 2 presents the means and standard deviations for the variables in this study. Appendix B presents the two scenarios. Each participant received one of two possible sets, and each set, I or II, contained two of the

**Table 2.** Analysis of Moral Intensity Components and Variables for Each Situation.

Variable	Capitalizing Expenses ( <i>n</i> = 84)		Ignoring Returns ( <i>n</i> = 115)	
	Mean	Standard Deviation	Mean	Standard Deviation
Ethical evaluation	2.105	1.519	1.670	1.303
Whistleblowing moral judgment	5.705	1.525	5.649	1.667
Whistleblowing intention	3.814	1.649	4.174	1.168
Magnitude of consequences	5.466	1.397	5.422	1.583
Societal consensus	5.552	1.634	5.483	1.806
Probability of effect	4.807	1.667	4.765	1.724
Temporal immediacy	4.602	1.459	4.922	1.562
Proximity	5.750	1.676	5.887	1.674
Concentration of effect	4.770	1.696	5.017	1.660
Perceived societal pressure	5.640	1.221	5.700	1.389
Perceived overall harm	4.898	1.491	5.033	1.273

Variables are measured on a 7-point Likert scale, 1 = strongly disagree and 7 = strongly agree.

four scenarios used in this study. For set I, participants answered questions about capitalization of expenses. For set II, participants answered questions about ignoring customer returns. [Appendix C](#) presents the questions used in this study and identifies how the study variables relate to Rest's and Jones' models.

## RESULTS AND DISCUSSION

### *An Analysis on the Six Items of Moral Intensity*

Contradictory findings exist on whether moral intensity is multidimensional or unidimensional ([Valentine & Silver, 2001](#)). Several studies found that the six individual components of moral intensity can be factored into two forces, identified as perceived overall harm and perceived societal pressure ([Clements & Shawver, 2011](#); [Shawver, 2011](#); [Shawver & Shawver, 2013](#); [Singhapakdi et al., 1996](#); [Sweeney & Costello, 2009](#); [Yang & Wu, 2009](#)); however, even some of these studies using multiple scenarios report at least one scenario where the six individual components of moral intensity factored into one force, depending on the scenario. Following prior research, [Table 3](#) presents a factor analysis of the six items of moral intensity for the scenarios studied here. Consistent with prior research, the six items of moral intensity factor into the previously defined forces: perceived overall harm and perceived societal pressure. The coding of perceived overall harm and perceived societal pressure are measured on a 7-point scale with the high end of the scale indicating high perceived harm and societal pressure and the opposite indicating low perceived harm and societal pressure.

The six components that comprise the two forces (perceived overall harm and perceived societal pressure) are used for subsequent testing of moral intensity. [Table 3](#) reports the reliability (Cronbach's alpha) of each factor. [Nunnally \(1967\)](#) suggests that a coefficient alpha of between 0.5 and 0.6 is acceptable for measures in the preliminary stages of development and [Van de Ven and Ferry \(1980\)](#) suggest that alpha values of between 0.35 and 0.55 are acceptable for broad constructs. All of the alpha values are greater than these minimums. The alpha values for the questions that measure perceived overall harm are 0.800 for the situation involving capitalizing expenses and 0.783 for the situation involving ignoring customer returns ([Table 3](#)). The alpha values for the questions that measure perceived societal pressure are 0.750 for the situation involving capitalizing expenses and 0.449 for the situation involving ignoring customer returns.

**Table 3.** Factor Analysis of Six Items of Moral Intensity into Two Dimensions of Perceived Overall Harm and Perceived Societal Pressure.

Item of Moral Intensity	Perceived Overall Harm	Perceived Societal Pressure
<i>Panel A: Principle components factor loadings for capitalizing expenses</i>		
Magnitude of consequences	0.697	(0.365)
Societal consensus	0.678	0.548
Probability of effect	0.807	(0.046)
Temporal immediacy	0.706	(0.179)
Proximity	0.594	0.671
Concentration of effect	0.736	(0.478)
<i>Panel B: Principle components factor loadings for ignoring customer returns</i>		
Magnitude of consequences	0.764	0.119
Societal consensus	0.020	0.777
Probability of effect	0.788	(0.099)
Temporal immediacy	0.729	(0.067)
Proximity	0.115	0.815
Concentration of effect	0.827	(0.088)
<i>Panel C: Varimax rotation factor loadings for capitalizing expenses</i>		
Magnitude of consequences	0.780	0.106
Societal consensus	0.235	0.839
Probability of effect	0.685	0.429
Temporal immediacy	0.679	0.263
Proximity	0.095	0.891
Concentration of effect	0.877	0.036
Additional statistics		
Cronbach's alpha	0.800	0.750
Eigenvalues	2.989	1.147
% of variance	49.815	19.120
Cumulative %	49.815	68.936
<i>Panel D: Varimax rotation factor loadings for vignette ignoring customer returns</i>		
Magnitude of consequences	0.754	0.169
Societal consensus	(0.031)	0.776
Probability of effect	0.793	(0.046)
Temporal immediacy	0.732	(0.019)
Proximity	0.060	0.820
Concentration of effect	0.831	(0.033)
Additional statistics		
Cronbach's alpha	0.783	0.449
Eigenvalues	2.434	1.303
% of variance	40.560	21.716
Cumulative %	40.560	62.276

In [Table 4](#), we report the correlation matrix for the three dependent variables (ethical evaluation, whistleblowing moral judgment, and whistleblowing intention) and two independent variables (perceived overall harm and perceived societal pressure) used in this study. An increase in the perceived overall harm variable correlates to a decrease in the ethical evaluation variable (closer to unethical), and hence negative correlations of perceived overall harm and ethical evaluation, whereas an increase in perceived societal pressure corresponds to an increase in whistleblowing, as shown in the positive correlations.

In both situations, ethical evaluations are more correlated to harm and whistleblowing judgments are more correlated to perceived societal pressure. In the situation involving ignoring customer returns, all relationships to ethical evaluations decrease, although harm is still statistically related, and only perceived societal pressure is related to whistleblowing judgments. These correlations of ethical evaluation, perceived overall harm and perceived societal pressure, are consistent with relationships found by [Sweeney and Costello \(2009\)](#) and [Shawver \(2011\)](#) using different situations.

The participants in this study are older and mostly male, so we explored the impact of gender and age in the responses to each statement in [Table 4](#). The participants were grouped into two groups, those older than 50 years of age and those younger than 50 years of age. Gender and age were not correlated with any of the investigated variables of this study but are slightly correlated with each other (with coefficient,  $-0.135$ ). Gender is not a surrogate for Social Desirability Response Bias (SDRB), and this study did not attempt to directly measure the impact of SDRB.

#### *H1 through H4*

To examine the steps in Rest's model, [Table 5](#) shows the results of several univariate analyses that are consistent with Rest's Four-Component Model of ethical decision making. For both situations, moral judgments (Rest's model, step 2) are dependent upon ethical evaluations (Rest's model, step 1).

In [Table 6](#), the hierarchical regression (Rest's model and steps 1, 2, and 3) confirms that whistleblowing intentions are dependent upon whistleblowing moral judgment. The dependent variable in each model is whistleblowing intention. In the hierarchical regression, the variable identifying ethical evaluation is entered first, followed by whistleblowing moral judgment. For both situations, whistleblowing intention (Rest's model, step 3) is dependent upon moral judgment (Rest's model, step 2).

**Table 4.** Simple Linear Correlation Coefficients.

Variable	Ethical Evaluation	Whistleblowing Moral Judgment	Whistleblowing Intention	Perceived Overall Harm	Perceived Societal Pressure	Gender	Age
Panel A: Correlation coefficients for perceived overall harm and perceived societal pressure on evaluation in the vignette capitalizing expenses							
Ethical evaluation	1.000						
Whistleblowing moral judgment	-0.355**	1.000					
Whistleblowing intention	0.072	0.178	1.000				
Perceived overall harm	-0.432**	0.401**	0.045	1.000			
Perceived societal pressure	-0.241*	0.670**	0.218*	0.422**	1.000		
Gender	-0.058	0.165	0.012	0.082	-0.033	1.000	
Age	-0.103	-0.034	0.168	0.084	0.049	-0.135*	1.000
Panel B: Correlation coefficients for perceived overall harm and perceived societal pressure on evaluation in the vignette ignoring customer returns							
Ethical evaluation	1.000						
Whistleblowing moral judgment	-0.118 (0.018)	1.000					
Whistleblowing intention		0.505**	1.000				
Perceived overall harm	-0.197*	0.163	(0.051)	1.000			
Perceived societal pressure	-0.048	0.585**	0.322**	0.038	1.000		
Gender	-0.089	0.098	0.053	-0.141	-0.081	1.000	
Age	-0.170	0.070	-0.013	-0.081	0.017	-0.135*	1.000

\*\*Correlation is significant at the 0.01 level (two-tailed); \*Correlation is significant at the 0.05 level (two-tailed).

**Table 5.** Univariate Regression.

Dependent Variable: Whistleblowing Moral Judgment		
Variable	<i>t</i>	Significance
Panel A: Vignette capitalizing expenses		
Ethical evaluation <i>n</i> = 84	(3.755) Adjusted $R^2 = 0.134$	(0.000)*
Panel B: Vignette ignoring customer returns		
Ethical evaluation <i>n</i> = 115	(1.255) Adjusted $R^2 = 0.005$	(0.212)

\*Correlation is significant at the 0.05 level (two-tailed).

**Table 6.** Hierarchical Regression.

Dependent Variable: Whistleblowing Intention							
Model	Variable	<i>t</i>	Significance	Adjusted $R^2$	<i>F</i>	Significance	Significant <i>F</i> change
Panel A: Vignette with capitalizing expenses							
One	Ethical evaluation	0.633	(0.528)				
	Constant	11.947	(0.000)*	(0.007)	0.401	(0.528)	
Two	Ethical evaluation	1.316	(0.192)				
	Whistleblowing moral judgment	1.902	(0.061)*				
	Constant	1.783	(0.078)	0.023	2.015	(0.140)	0.061
Panel B: Vignette ignoring customer returns							
One	Ethical evaluation	(0.229)	(0.819)				
	Constant	17.008	(0.000)*	(0.008)	0.053	(0.819)	
Two	Ethical evaluation	0.466	(0.642)				
	Whistleblowing moral judgment	6.189	(0.000)*				
	Constant	2.505	(0.013)*	0.244	19.186	(0.000)*	0.000*

\*Correlation is significant at the 0.05 level (two-tailed).

Table 7 presents the results of univariate analyses, consistent with Jones' beliefs: moral intensity affects the steps in Rest's model of ethical decision making. Perceived overall harm is conditionally statistically significant and more so than perceived societal pressure in both situations, further supporting H1 which states that the greater perceived overall harm when evaluating an accounting issue of earnings management, the more likely a

**Table 7.** Univariate Multiple Regression.

Dependent Variable: Ethical Evaluation		
Variable	<i>t</i>	Significance
<i>Panel A: Vignette capitalizing expenses</i>		
Perceived overall harm	(3.510)	(0.001)*
Perceived societal pressure	(0.941)	(0.350)
<i>n</i> = 84	Adjusted $R^2$ = 0.170	
<i>Panel B: Vignette ignoring customer returns</i>		
Perceived overall harm	(2.112)	(0.037)*
Perceived societal pressure	(0.438)	(0.662)
<i>n</i> = 115	Adjusted $R^2$ = 0.023	
Dependent Variable: Whistleblowing Moral Judgment		
Variable	<i>t</i>	Significance
<i>Panel A: Vignette capitalizing expenses</i>		
Perceived overall harm	1.51	(0.136)
Perceived societal pressure	4.85	(0.000)*
<i>n</i> = 84	Adjusted $R^2$ = 0.45	
<i>Panel B: Vignette ignoring customer returns</i>		
Perceived overall harm	1.86	(0.065)*
Perceived societal pressure	7.63	(0.000)*
<i>n</i> = 115	Adjusted $R^2$ = 0.35	
Dependent Variable: Whistleblowing Intention		
Variable	<i>t</i>	Significance
<i>Panel A: Vignette capitalizing expenses</i>		
Perceived overall harm	0.861	(0.392)
Perceived societal pressure	(2.204)	(0.030)*
<i>n</i> = 84	Adjusted $R^2$ = 0.033	
<i>Panel B: Vignette ignoring customer returns</i>		
Perceived overall harm	0.705	(0.482)
Perceived societal pressure	(3.631)	(0.000)*
<i>n</i> = 115	Adjusted $R^2$ = 0.092	

\*Correlation is significant at the 0.05 level (two-tailed).



professional accountant will identify the action as unethical. This result is logical since the overall harm and materiality concepts are very similar. The accounting professional evaluates many decisions using materiality levels, and this sample of practicing accountants has indicated that increasing the materiality of harm increases the likelihood that the action is evaluated as unethical.

H2 is also supported; the greater perceived societal pressure when evaluating an accounting issue of earnings management, the more likely a professional accountant will identify the action as unethical. The perceived societal pressure variable is from perceptions of how one interprets the importance of the controller as a personal friend and the impact of a general understanding, an action is either ethical or unethical across the profession. Responses may indicate that even if the controller is a personal friend, the action is still wrong. This finding is promising for deterring frauds in the future. Personal relationships can be used to encourage someone to support one's position or viewpoint when presented with a questionable ethical dilemma. Many accounting frauds may have been avoided if those aware of unethical accounting practices had exhibited the courage to disagree with management.

### *H3 and H4*

The evidence from [Tables 4 and 7](#) supports H3 and H4 that the two dimensions of moral intensity (specifically, perceived overall harm and societal pressure, respectively) affect the moral judgment to whistleblow (i.e., the staff accountant should blow the whistle). Similar to the ethical evaluations in [Table 7](#), whistleblowing judgment is conditionally affected by both dimensions of moral intensity and whistleblowing intention is more affected by perceived societal pressure than perceived overall harm. Perceived societal pressure is significant in both situations, supporting H4. Similar to findings in H2, the results may suggest that this sample of accountants may seek guidance from colleagues or agree with the sentiments of a majority of the profession when considering evaluating whether someone should whistleblow.

### *H5 and H6*

The evidence from [Tables 4 and 7](#) does not support H5, that the greater the perceived harm, the greater the likelihood of the intention to whistleblow,

but Table 7 does conditionally support H6, that the greater the perceived social pressure, the greater this intention. We asked the participants in this study to evaluate whether most staff accountants would report the requests made by the controller (the dependent variable) in each scenario, with the factors of perceived overall harm and perceived societal pressure as the independent variables, respectively, in the analyses.

Table 8 finishes Tables 4–7 and provides a unique simultaneous equations approach to Rest's model and steps 1, 2, and 3. All three of these multivariate equations are intercorrelated, as shown in Table 8. In much the same way that multicollinear variables become less significant in the presence of more dominant ones in univariate models, so do the moral intensity variables become less statistically significant for steps 1 and 3, in the presence of the more dominant step 2 (Dependent variable: moral judgment) which shows the strongest impact from moral intensity in both panels. Only in Panel B, Table 8, the case of clear fraud, do the moral intensity forces combine for an interaction effect. So, even though whistleblowing intention can be modeled in the univariate form by perceived social pressure and not perceived overall harm in Table 7, Panel D, that Table 7 model is due to the degree of moral judgments made, as shown by Table 8.

We know from prior research that other factors may become more important when considering whistleblowing intentions after judgments are made (and we see this in the changing  $R^2$  values in Panel A, from 0.509 to 0.159 and Panel B, from 0.604 to 0.025, Table 8). These factors may include the fear of retaliation (Keenan, 1990), the reward systems (Xu & Ziegenfuss, 2003), the role prescription (Miceli & Near, 1991), the personal costs (Ayers & Kaplan, 2005), the reporting channels (Kaplan & Schultz, 2007), and the encouragement from ethical leaders (Bhal & Dadhich, 2011). Professional accountants responding to this study are mostly public (but non-auditor) accountants following their state's version of the AICPA Code of Professional Conduct Rule 301, Client Confidentiality, and Rule 501, Acts Discreditable (a rule often enhanced by each state). These rules suggest personal costs to CPAs who may know of wrongdoings but do not report them, such as in cases A and B studied here, or actions not permitted for CPAs (e.g., convictions of drunk driving in Texas). The Texas State Board Report lists individuals who submit their licenses back to the state (and who may be reinstated later), in order to limit their liability exposure.

## CONCLUSIONS

This study explores the effects of moral intensity (Jones, 1991) on ethical sensitivity using a sample of professional accountants to examine two situations

**Table 8.** Multivariate Regression with Interaction.

	<i>F</i>	Significance
Panel A: Vignette capitalizing expenses		
Dependent variable: ethical evaluation		
Perceived overall harm	1.727	(0.095)
Perceived societal pressure	1.348	(0.256)
Perceived overall harm × perceived societal pressure	1.324	(0.233)
Adjusted $R^2 = 0.306$		
Dependent variable: moral judgment		
Perceived overall harm	1.387	(0.213)
Perceived societal pressure	4.883	(0.000)*
Perceived overall harm × perceived societal pressure	0.981	(0.521)
Adjusted $R^2 = 0.509$		
Dependent variable: whistleblowing intention		
Perceived overall harm	1.355	(0.230)
Perceived societal pressure	0.511	(0.867)
Perceived overall harm × perceived societal pressure	1.360	(0.212)
Adjusted $R^2 = 0.159$		
$n = 84$		
Panel B: Vignette ignoring customer returns		
Dependent variable: ethical evaluation		
Perceived overall harm	1.213	(0.293)
Perceived societal pressure	0.566	(0.816)
Perceived overall harm × perceived societal pressure	0.784	(0.784)
Adjusted $R^2 = -0.049$		
Dependent variable: moral judgment		
Perceived overall harm	2.145	(0.019)*
Perceived societal pressure	11.754	(0.000)*
Perceived overall harm × perceived societal pressure	1.862	(0.024)*
Adjusted $R^2 = 0.604$		
Dependent variable: whistleblowing intention		
Perceived overall harm	0.804	(0.695)
Perceived societal pressure	1.776	(0.103)
Perceived overall harm × perceived societal pressure	0.779	(0.790)
Adjusted $R^2 = 0.025$		
$n = 115$		

\*Correlation is significant at the 0.05 level (two-tailed).

involving financial statement fraud. It expands the moral intensity research of Morris and McDonald (1995), Singhapakdi et al. (1996), Butterfield et al. (2000), Frey (2000), May and Pauli (2002), Kelley and Elm (2003), Leitsch (2004), Cohen and Bennie (2006), Coram et al. (2008), Fleischman et al.

(2010), and Johnson et al. (2012), Shawver (2011), Clements and Shawver (2011), and Shawver and Shawver (2013). Furthermore, this study addresses gaps in the literature by examining the important issues facing accounting professionals and the connecting links among ethical evaluations, moral judgments, and the intentions to whistleblow.

We asked accounting professionals to evaluate several situations to investigate the factors most important when evaluating accounting situations involving earnings manipulations, and to determine whether an accountant should and would report questionable actions. This study provides evidence that perceived overall harm is significant when evaluating the ethicality of an action. However, perceived overall harm is found to be less significant when one evaluates whether to whistleblow for situations involving financial statement fraud. Perceived societal pressure is found to become more important when evaluating whistleblowing intentions for financial statement fraud and these intentions are due to the moral judgments made, where the moral intensity is found to be the strongest. We also found this intensity to be context dependent, consistent with prior research.

These findings have a number of practical implications for the non-auditing part of the accounting profession, employers, and educators. This study shows that certain professional accountants are likely to vary their moral judgments and intention to whistleblow based on the perceived societal pressure factor of moral intensity, particularly in the case of financial statement fraud. If this finding is pervasive among the entire profession, it is particularly important that organizations conduct training sessions to expose employees to ethical issues involving earnings management and financial statement fraud. Encouragement of whistleblowing by members within an organization may increase the likelihood that an employee would make a moral judgment that whistleblowing is a viable alternative when confronted with unethical behaviors, such as financial statement fraud. Sims and Keenan (1998) found “that supervisor support for external whistleblowing and informal policies which encourage external whistleblowing are significant predictors of the tendency to choose external whistleblowing when faced with an ethical dilemma.” They also noted that “these are factors directly influenced by managers.” Sims and Keenan further suggest that “managers who provide a supportive climate characterized by empathy and who attempt to understand, listen, and maintain feelings of mutual respect between themselves and their staff can expect to encourage more openness with respect to staff raising issues of ethical concern” (1998, p. 419). Sims and Keenan (1998) encourage training, development, and coaching in communications for those in supervisory roles. During an external audit, CPAs must brainstorm, inquire about, and document their

inquiries on fraud. The cases examined here were not explicitly stated as audit clients and the respondents included only eight external and seven internal auditors, so we must presume that the moral intensity on whistleblowing fraud from the rest of the respondents was not as impacted as was their judgments. When fraudulent financial reporting is not reported but later discovered, investor confidence decreases and the efficiencies of investment markets are impaired. This becomes particularly relevant now that the SEC has increased its software capabilities to identify financial statement fraud (Eaglesham, 2013).

#### *Limitations and Future Research*

There are several limitations that should be noted. Accounting professionals here were limited to mostly public accountants. Even CPAs may not actually respond in a manner similar to the way in which they responded in this controlled experiment when confronted with similar problems in a business environment. Therefore, this sample of professional accountants may not represent the way all accountants evaluate ethical dilemmas or make moral judgments.

In addition, future research may wish to attempt to increase the variation in sample demographics, as these accountants were mostly older men seeking continuing professional education in the southeastern United States. Future studies could include other variables, including organizational culture and job satisfaction. Furthermore, it may be critical to determine how different organizations evaluate and interpret the components of moral intensity and thereby create the societal pressure environment that would encourage whistleblowing intentions. Another area of exploration could include other factors such as fear of retaliation, the effects of reward systems, role prescription, personal costs of whistleblowing, and the channels for reporting unethical behavior. Finally, Rest (1986) suggests that individuals must give priority to moral values above other personal values when intending to do what is morally right. Future research should explore the effects of values on evaluations of moral intensity, moral judgment, and behavior.

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## APPENDIX A: SAMPLE CONTROLLED EXPERIMENT QUESTIONS

### *Vignette*

A staff accountant prepared the preliminary financial statements for the fourth quarter and sent it to the controller for approval. After review, the controller asked the staff accountant to capitalize expenses for routine maintenance of production machinery. In the past, these costs were expensed. The adjustment would increase net income by 4% for this publicly traded company. The accountant agreed to make the adjustment.

Please indicate how strongly you agree or disagree with the following statements by circling one answer for each of the following statements using the following scale:

Strongly Disagree	1	2	3	4	5	6	7	Strongly Agree
The adjustment made by the staff accountant is ethical.							1	2 3 4 5 6 7
The overall harm (if any) in completing this action would be small. (reverse coded)							1	2 3 4 5 6 7
Most people would agree that completing this action is wrong.							1	2 3 4 5 6 7
There is a very small likelihood that this action will cause any harm. (reverse coded)							1	2 3 4 5 6 7
This action will not cause any harm in the immediate future. (reverse coded)							1	2 3 4 5 6 7
If the controller is a personal friend, the action is wrong.							1	2 3 4 5 6 7
The action will harm very few people, if any. (reverse coded)							1	2 3 4 5 6 7
The staff accountant in the scenario should report this request.							1	2 3 4 5 6 7
Most staff accountants would report the request made by the controller.							1	2 3 4 5 6 7

## **APPENDIX B: VIGNETTES**

### *Capitalization of Expenses*

A staff accountant prepared the preliminary financial statements for the fourth quarter and sent it to the controller for approval. After review, the controller asked the staff accountant to capitalize expenses for routine maintenance of production machinery. In the past, these costs were expensed. The adjustment would increase net income by 4% for this publicly traded company. The accountant agreed to make the adjustment.

### *Ignoring Customer Returns*

A staff accountant prepared the preliminary financial statements for the fourth quarter and sent it to the controller for approval. After review, the controller asked that the accountant ignore all customer returns received during the last week of the fourth quarter in order to increase reported net income by 5% for this publicly traded company. The accountant agreed to make adjustments to the financial statements and record these transactions in the first quarter of the next year.

## APPENDIX C: QUESTION MAPPING AND STUDY VARIABLES

Question	Variable
The adjustment made by the staff accountant is ethical.	Ethical evaluation, Rest's model step 1
The staff accountant in the scenario should report this request.	Whistleblowing moral judgment, Rest's model step 2
Most staff accountants would report the request made by the controller.	Whistleblowing intention, Rest's model step 3
The overall harm (if any) in completing this action would be small. (reverse coded)	Magnitude of consequences, Perceived overall harm
There is a very small likelihood that this action will cause any harm. (reverse coded)	Probability of effect, Perceived overall harm
This action will not cause any harm in the immediate future. (reverse coded)	Temporal immediacy, Perceived overall harm
The action will harm very few people, if any. (reverse coded)	Concentration of effect, Perceived overall harm
Most people would agree that completing this action is wrong.	Societal consensus, Perceived societal pressure
If the controller is a personal friend, the action is wrong.	Proximity, Perceived societal pressure