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The Effects of Moral Intensity on Whistleblowing Behaviors of Accounting Professionals

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Earnings management is one of the most important ethical issues facing the accounting profession (Merchant and Rockness 1994). More recently, lapses in ethical judgment caused many large well known corporate failures such as Enron, WorldCom, Tyco and many others. These ethical failures justify a need to examine decision-making within corporations to determine which factors may contribute to the identification of an ethical problem, reasons for making a moral judgment, and ultimately why one may choose to whistleblow.

This study offers several contributions to the ethical decision-making literature. First, this study responds to suggestions by prior researchers to extend the application of Jones's (1991) model of moral intensity (Cohen and Bennie 2006; May and Pauli 2002). Further, this study specifically extends the application of Jones's (1991) model of moral intensity to explore reasons for whistleblowing for an earnings management situation relevant to today's practicing accountants. The remainder of this paper is divided into five sections. The next section reviews literature concerning ethical decision-making theory to support hypotheses regarding attitudes about whistleblowing behaviors. The third section reviews the survey procedures and methodology. The fourth section analyzes the survey data, and the final section discusses the results and implications.

LITERATURE REVIEW

Whistleblowing

Whistleblowing is an act by an employee, former employee, or member of an organization to report illegal misconduct by an organization that will have adverse effects to the

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public interest (Lloyd-La Follette Act of 1912). Whistleblowing has also been defined 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 and Near 1992, xv). 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, 277).

Research completed by Miceli and Near attempts to understand the characteristics of whistleblowers. Miceli and Near (1984, 699) identified four categories of organizational members, including "(1) individuals who do not observe wrongdoing; (2) individuals who observe but do not report wrongdoing; (3) individuals who observe and report wrongdoing through internal channels only; and (4) individuals who observe and report wrongdoing through both internal and external channels." Miceli *et al*. (1991) found that internal auditing directors are less likely to report incidents of wrongdoing when they did not feel compelled morally or by their role prescription to do so (Miceli *et al*. 1991). Additional support for role responsibility as a predictor of whistlebowing behavior is supported in other disciplines (Miceli and Near 2002, Trevino and Victor 1992, Victor, Trevino, and Shapiro 1993). Generally, accountants have a responsibility to the public to produce fairly presented financial statements; however, some may have differing views of how this responsibility impacts their obligation to whistleblow when they are aware of ethics violations.

Situational and personal factors effect whistleblowing intentions. Near *et al*. (2004) found that those who observed perceived wrongdoing involving sexual harassment and mismanagement, are more likely to whistleblow than those who observed stealing, discrimination, safety problems or waste. Miceli and Near (1992) as suggest that interpersonal traits including gender, self-efficacy, and culture may influence whistleblowing decisions.

Miceli and Near (2005) suggest that an employee is the most effective stakeholder to reduce unethical behaviors in organizations. Whistleblowers have many disclosure channel alternatives; including, reporting to the employee's supervisor, reporting to top management, reporting to a company-provided hotline, or reporting to an external source. The Sarbanes-Oxley Act requires a mechanism for reporting wrongdoing at public companies. Organizations with internal disclosure policies and procedures for whistleblowing reported a significant increase in employee whistleblowing (Barnett *et al*. 1993). Internal Audit Directors were more likely to report incidents to external agencies rather than internal channels when their co-workers or the public were harmed by the wrongdoing (Miceli *et al*. 1991). Dworkin and Baucus (1998) found external whistleblowers to be more effective in eliciting change. Label and Miethe (1999) found that most auditors preferred internal disclosure of a wrongdoing rather than external whistleblowing (75% and 25%, respectively) and most auditors strongly opposed legislation that required whistleblowing. Gundlach *et al*. (2003) suggest that whistleblowers utilize a cost-benefit analysis that influences the decision to blow the whistle. Lovell (2002) identifies that in a study of accountants and human resource professionals, those who are aware of unethical and illegal acts expressed grave concerns for their employment prospects if they were to voice their concerns. Whistleblowers have suffered many negative consequences including loss of employment, threats of revenge, and isolation (Chiu 2003). Even with negative consequences, for many, blowing the whistle was something they had to do (Clements 2005).

Whistleblowing and Earnings Management

A review of the literature related to whistleblowing was unable to locate any articles using Jones's model of moral intensity as reasons for whistleblowing using practicing accountants. However, there are significant research streams in other disciplines, such as the healthcare industry, that explore whistleblowing behaviors, intentions, and characteristics of the whistleblower. Some of these studies are discussed later in this paper as it relates to the variables that are explored in this study.

The scenario used in this study examines an earnings management situation. According to Healy and Wahlen (1999), earnings management occurs when managers use the financial reporting process to manipulate earnings to alter financial reports either to mislead key stakeholders in the true financial performance of the organization, or to influence contractual outcomes that depend on reported accounting numbers. McKee (2005) provides definitions of earnings management and fraud differentiating between legal and illegal activities. "Earnings management may be defined as reasonable and legal management decision making and reporting intended to achieve stable and predictable financial results. Earnings management is not to be confused with illegal activities to manipulate financial statements and report results that do not reflect economic reality. These types of activities, popularly known as 'cooking the books', involve misrepresenting financial results." (McKee, 2005, pg. 1) Further, fraud is "the intentional, deliberate, misstatement or omission of material facts, or accounting data, which is misleading and, when considered with all the information made available, would cause the reader to change or alter his or her judgment or decision" (McKee, 2005, pg. 43). The scenario used in this study explores an earnings management technique of adjusting the allowance for doubtful accounts to increase reported earnings and explores the possible relationship between whistleblowing and moral intensity.

Moral Intensity

Jones (1991) identifies that a moral issue exists when one's actions may harm or benefit another. This broadly defined definition highlights that most decisions have a moral component. Jones (1991) defines an ethical decision as one that is legal and morally acceptable to the community versus a decision that is illegal and morally unacceptable identifying that ethical and moral are often used interchangeably. Jones (1991) identifies that moral intensity influences a person's decision-making process and the level of moral intensity varies from issue to issue. Moral intensity is derived from normative arguments of philosophers who base moral responsibility on

(1) the type of goodness (or evil) involved in the decision,

(2) the urgency of the situation,

(3) the probability of the effect,

(4) the extent of the moral agent's influence on the events, and

(5) the availability of alternate possibilities.

Many theoretical ethical models assume that individuals utilize the same basic decision-making process. Jones (1991) suggests that prior literature has not focused on the importance of the moral issue itself and that the ethicality of an issue would be evaluated based on the moral intensity of the characteristics of the ethical issue. Rest's (1986) Four Component Model includes four stages: moral sensitivity, moral judgment, moral intention, and moral behavior. Moral sensitivity is an awareness that an ethical problem exists. In the second stage of moral judgment, a person must evaluate whether actions are morally right or morally wrong. In the third stage, a person must select a course of action (a moral intention) and in the final stage a person engages in a moral behavior. Jones (1991) extends Rest's model by identifying that six moral intensity items affect the decision-making process:

(1) magnitude of consequences (MC),

(2) societal consensus (SC),

(3) probability of effect (PE),

(4) temporal immediacy (TI),

(5) concentration of effect (CE) and

(6) proximity (PX).

Magnitude of consequences is the sum of the harms or benefits felt by individuals affected by a moral decision. For example, an action that results in harm to 1,000 people will have a greater magnitude of consequences than an action harming one person. Societal consensus refers to the level of social agreement of the proposed act as either ethical or unethical. For example, offering an official a bribe in the United States may have a greater societal view that the bribe is unethical in comparison to offering a bribe to an official in a another country where bribes are expected and encouraged when conducting business.

Probability of effect is the likelihood that the act will take place and cause harm or benefits. For example, selling a gun to a convicted felon has greater probably of harm than selling a gun to a person that has not committed such a crime. Temporal immediacy is defined as the length of time between the act and its consequences. For example, eliminating retirement benefits would have a greater temporal immediacy for someone in their 60s in comparison to someone in their 20s.

Concentration of effect relates to the inverse function of the number people affected by a moral act. For example, cheating individuals out of their 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, physically) the victim is to the decision-maker. For example, layoffs in your own company would have a greater proximity effect than layoffs reported by the news.

An ethical decision will have high moral intensity if most agree that the action is unethical, the outcome has severe consequences that are likely to occur in the immediate future and has a concentrated effect on a number of individuals involving large dollar values who are close to the decision-maker. In contrast, an ethical decision will have a low moral intensity if most people agree that the action is ethical, the action has minimal negative consequences that are unlikely to actually occur, if the time between the decision and the outcome is relatively long effecting a large number of individuals involving small dollar values, and if the decision-maker is not close to the individuals who are harmed.

Moral Sensitivity

Moral sensitivity involves the ability to identify that a situation involves an ethical problem. Prior researchers have explored the influence of the components of moral intensity on moral sensitivity with varying results (Frey 2000; Kelley and Elm 2003; May and Pauli 2002; Singhapakdi, Vitell, and Kraft 1996). Frey (2000) found societal consensus and magnitude of consequences are significant for New Zealand manager’s recognition of ethical issues. Kelley and Elm (2003) conducted a qualitative study of social service administrators finding that ethical issues focusing on client relationships are high in moral intensity. May and Pauli (2002) found only magnitude of consequences as significant for environmental issues and did not find any moral intensity variables significant for product safety issues in a study of students at a mid-western university.

Frey (2000) conducted a factor analysis on the moral intensity items and found a single dimension, the degree of societal consensus about the correctness of an act and the magnitude of its consequences as significant for the evaluating decisions. Dukerich *et al*. (2000) interviewed 40 managers asking each to describe moral and non-moral problems. All descriptions were coded identifying which moral intensity components were identified (all except likelihood of the decision since the actions had already occurred). A factor analysis produced two constructs, the first magnitude of consequences, societal consensus, concentration of effect and probability of effect, and a second factor of only temporal immediacy (Dukerich *et al*., 2000).

Singhapakdi *et al*. (1996) found that all six dimensions of moral intensity are positively related to the ethical perceptions of marketing professionals using their situational vignettes involving misleading appraisers, overeager salespersons, withholding information, and failure to honor a warranty. Further, a factor analysis and confirmed that the six moral intensity items factor into two constructs representing overall harm and pressures that marketing professionals may face for situations involving misleading appraisers, overeager salespersons, and failure to honor a warranty. A situation involving withholding information had only one factor. Both dimensions of overall harm and pressure significantly determined ethical perceptions of whether or not an ethical problem exists and these items are significant in considering possible actions to follow in ethical dilemmas and decisions (Singhapakdi *et al*. 1996).

This study explores the effects of the six items of moral intensity grouped into the two factors of overall harm and the pressure that accountants face when evaluating ethical decisions. Overall harm includes evaluations of the magnitude of consequences (MC), probability of effect

(PE), temporal immediacy (TI), and concentration of effect (CE) to the earnings management issue in this study. The pressure that accountants face includes measures of societal consensus (SC) and proximity (PX). Therefore H1explores the following:

H1a: The greater the perceived overall harm of an accounting issue of earnings management, the more likely a practicing accountant will identify an ethical problem.

H1b: The greater the perceived pressure that a practicing accountant feels, the more likely a practicing accountant will identify an ethical problem.

Moral Judgment

Jones (1991) believes that moral intensity influences moral judgment. Moral judgment describes what the morally right thing to do is or in other words what should be done. Prior researchers have explored the influence of the components of moral intensity on moral judgment (Carlson, Kacmar, and Wadsworth 2002; Harrington 1997; Morris and McDonald 1995; Shafer, Morris, and Ketchand 1999). Carlson, *et al*. (2002) only found support for proximity in three scenarios of paying less than market value for a piece of land, selling fake apple juice to consumers, and selling a car that may cause injury to a consumer. No support was found for concentration of effect or probability of effect, and 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 consistent support for magnitude of consequences and societal consensus across three situations of bribery, pollution, and over-promising delivery of a book. In addition, 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 over-promising situation. Shafer *et al*. (1999) found that auditors consider the intended use of financial statements and the dollar value of the misstatement effect the perceived acceptability of aggressive financial reporting. This study explores the effects overall harm and the pressure that accountants face when evaluating ethical judgments. Therefore H2 explores the following:

H2a: The greater the perceived overall harm of an accounting issue of earnings management, the more likely a practicing accountant will make a moral judgment that the controller should not complete the action.

H2b: The greater the perceived pressure that a practicing accountant feels, the more likely a practicing accountant will make a moral judgment that the controller should not complete the action.

Moral Intention

Moral intention involves whether or not the person evaluating the situation would make the same decision. Prior researchers have explored the influence of the components of moral intensity on moral intentions. Singhapakdi *et al*. (1996) found that five of the six dimensions of moral intensity are positively related to moral intentions for four situations involving misleading appraisers, overeager salespersons, failure to honor a warranty, and withholding information; however, proximity was significant in only one situation. Harrington (1997) found support that societal consensus impacts moral intention for a situation involving computer viruses.

Cohen and Bennie (2006) found that all six moral intensity factors were considered important at each stage of moral sensitivity, moral judgment, moral intentions, and moral behavior. The study found that although different situations affect the factor weightings of each variable; the magnitude of consequences factor is considered the most important factor in the three audit related situations examined in the study, followed by societal consensus and probability of effect.

Singer *et al*. (1998) explored whether the moral intensity of an issue effects the whistleblowing intentions of 53 employees who believed that food quality may be compromised. Further, the scenario was manipulated to identify how proximity to those who would receive the baked goods effects whistleblowing intentions. The study found that the magnitude of consequences, likelihood of consequences and perceived empathy were significant factors in the decision to report regardless of the proximity of the shipment of the baked goods. Overall ethicality of the issue failed to predict whistleblowing intentions while empathy was the most significant predictor.

There are a handful of studies exploring whistleblowing within an accounting context; however, none use the moral intensity items as dependent variables. In a study of student audit trainees, Brennan and Kelly (2007) suggests that audit trainees are more likely to whistleblow in organizations with formal structures to report wrongdoing. Further, these formal structures indicate a greater confidence that whistleblowing will not have a negative impact to one's career (Brennan and Kelly, 2007). Elias (2008) suggests that auditing students with a higher perception of financial responsibility to the public are more likely to whistleblow. In a study of accounting students, Shawver (2008) found that accounting students are more likely to whistleblow for situations involving higher materiality levels and when they are guaranteed their job. In a study of accountants and human resource professionals, Lovell (2002) found that those who are aware of unethical and illegal acts have grave concerns for their employment prospects if they were to whistleblow. Clements and Shawver (2009) and Shawver and Shawver (2008) found that although practicing accountants are able to recognize unethical situations, they are less likely to whistleblow. This study explores the effects of the two factors of overall harm and the pressure that accountants face when considering the decision to whistleblow. Therefore H3 explores the following:

H3a: The greater the perceived overall harm of an accounting issue of earnings management, the more likely a practicing accountant will report the action.

H3b: The greater the perceived pressure that a practicing accountant feels, the more likely a practicing accountant will report the action.

METHODOLOGY

All attendees at the 2007 Institute of Management Accountants (IMA) National Meeting were invited to participate in this study. Of the 995 attendees, 184 agreed to participate in the study (18% response rate). Since the study specifically was looking for the attitudes of practicing accountants, those who identified themselves as either students or faculty were eliminated from the study. In addition, those who did not finish the study were eliminated; leaving 157 usable responses. Table I provides demographic information about the participants in this study. Of the 157 participants, 91 are male and 63 are female (3 people declined to answer the question). Of the 157 participants, 74 people identified their occupation as an Accountant, 59 Management, 10 Analysts, 7 Consultants and 7 Internal Auditors. A majority of the participants identified that they are either a CMA or a CPA and work in either the manufacturing or service industries (Please see Table I).

Moral intensity items are measured on a 7-point Likert scale rated from 1 strongly agree to 7 strongly disagree. Appendix A includes the earnings management situation and the questions that the participants used to evaluate the situation. Participants rate the magnitude of consequences (MC, reverse coded) by responding to “the overall harm (if any) done as a result of approving the bad debt adjustment would be small.” Societal consensus (SC) is measured by responding to “most people would agree that approving the bad debt adjustment is wrong.” Probability of effect (PE, reverse coded) is measured by responding to “there is a very small likelihood that approving the bad debt adjustment will actually cause any harm.” Temporal immediacy (TI) is measured by responding to “Approving the bad debt adjustment will not cause any harm in the immediate future.” Proximity (PX) is measured by responding to “if the controller is a personal friend, the action is wrong.” Concentration of effect (CE, reverse coded) is measured by responding to “approving the bad debt adjustment will harm very few people if any.” A factor analysis will be performed on the six components of moral intensity and is discussed and presented in the next section.

Three dependent variables will be examined for relationships to the moral intensity variables. The participants in this study indicate their view on whether the earnings management situation involves an ethical problem by responding to “the situation above involves an ethical problem” rated on a 7-point Likert scale rated from 1 strongly agree to 7 strongly disagree. The participants make a moral judgment regarding whether or not the manager should complete the action by responding to “the manager should not do the proposed action” rated from 1 strongly agree to 7 strongly disagree. Izraeli (1988) found that managers, in general, rated themselves more ethical than their peers when evaluating ethical beliefs and behaviors. Further, Izraeli (1988) identifies that ‘what peers do’ was the best predictor of ethical behavior in his study. To eliminate possible social desirability response bias, the question that examines whether one would have the moral intention to report an action is worded in the third person as "the likelihood my peers would report this request is" high to low on a 7-point scale.

RESULTS AND DISCUSSION

The participants in this study indicated that the earnings management situation involves an ethical problem (mean of 1.92, standard deviation of 1.25) and that the action in the scenario is unethical (mean 5.83, standard deviation 1.19, on a scale of 1 ethical/ 7 unethical). The participants made a moral judgment that the action should not be completed (mean of 1.99, standard deviation of 1.26). Both the identification of whether the action is an ethical problem and the ethical judgment of whether the action should be completed are clearly closer to 1 than closer to 7. Although the participants in this study evaluated that the action poses an ethical problem and should not be completed, the participants indicated less likelihood that their peers would report this request (mean of 4.52, standard deviation of 1.87). Each of these dependent variables is included in respective analyses to test the hypotheses.

Factor Analysis

A factor analysis was performed on the six components of moral intensity and is presented in Table II. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is .743 indicating that the sample size is adequate for conducting a factor analysis. The six items factored into two components, which is consistent with prior studies using these same six items. The two factors are the independent variables used in this study. The first factor includes magnitude of consequences, probability of effect, temporal immediacy, and concentration of effect (factor alpha .7810). This factor represents the amount of harm that accountants believe the action would cause. The second factor includes societal consensus and proximity (factor alpha .6540) and represents the overall pressure accountants may feel when evaluating ethical dilemmas. Both factors explained 66% of the variance in the earnings management scenario (Please see Table II).

Regression analyses were performed and are presented in Table III. The first two columns of Table III represent the regression analysis of the dependent variable ethical problem, the second two columns are the results for moral judgment and the last two columns are the results for moral intention to report the action. Both overall harm and perceived pressure emerge as significant in evaluating ethical dilemmas for all three dependent variables. This study provides further evidence that moral intensity effects identification of an ethical problem, making a moral judgment, and ultimately making a moral decision (moral intent) to report an unethical action (Please see Table III).

The effect of social pressure has been found by some researchers to have a greater effect on ethical judgments than other dimensions (Sweeney and Costello, 2009; Morris and McDonald, 1995). It is interesting to note that although both factors (overall harm and social pressure) are significant for the intentions to whistleblow, this study agrees with prior research and finds that social pressure has a greater effect on ethical intentions to whistleblow for this sample of practicing accountants. Kohlberg's (1969) model of moral reasoning indicates that those with lower levels of cognitive development may be more influenced by societal consensus and rules developed by society. An indication that societal norms or pressure are most influential for the decision to whistleblow may be a result of a rules-based culture that many accountants have become accustomed to. Further, the seriousness of the consequences to a decision, or overall harm is only moderately significant (p-value .032) when considering the decision to whistleblow in comparison to evaluating an ethical problem and making a moral judgment that the manager should not complete the action of earnings management (both p-values .000). Accountants are often trained to consider the costs and benefits of an action before making a decision (utilitarianism). However, it is concerning that that when considering a whistleblowing decision, the pressure accountants feel from those around them may effect the decision-making process more than the potential effects or outcomes as a result of the earnings manipulation itself. This pressure that accountants feel may decrease the possibility that an accountant would whistleblow causing another accounting scandal that may have been avoided (Please see Table IV).

Miceli *et al*. (1991) identifies that whistleblowing on all illegal or unethical acts is rarely role prescribed. In the case of accountants, many codes of ethics encourage internal reporting of possible code violations over external reporting. When asked to indicate the likelihood of reporting channel, the sample of practicing accountants in this study preferred to whistleblow internally to an anonymous hotline, internal manager, or internal audit. External agencies, such as the SEC or the Department of Justice were less preferred reporting options. Sadly, none of the reporting options, on average, were identified with responses of 1 or 2 indicating a high likelihood of reporting to these disclosure channels (Please see Table V).

CONCLUSIONS

This study asks professional accountants to evaluate an earnings management ethical dilemma using the Jones's (1991) moral intensity model to indicate reasons why one may choose to report a perceived unethical action of earnings management. This study provides evidence that supports prior research indicating that moral intensity effects identification of an ethical problem and making a moral judgment; however, this is the first study to confirm that moral intensity affects the moral intention to report an action of earnings management.

This research has serious implications for the accounting profession. There is little research regarding whistleblowing behavior for practicing accountants. Understanding ethical decisions can benefit corporations who may choose to offer ethics training to encourage employees to act in accordance with company policies and to consider whistleblowing as a valid internal control procedure. Further, after so many earnings scandals many question why internal accountants, internal auditors, and external auditors did not report wrongdoing sooner so that large collapses such as Enron could have been avoided. This research attempts to answer questions related to how and why professional accountants evaluate an earnings management situation and what factors contribute to why they may whistleblow when presented with a situation involving earnings management.

There are several limitations to this study. Attitude-behavior literature suggests that measuring intentions is a reasonable surrogate for measuring behavior (Ajzen 1991); however one may make a moral judgment but may act in an unethical manner (Jones 1991). Therefore, a limitation of this study is that the practicing accountants may not actually behave in a manner similar to how they responded in this survey when confronted with a similar problem in a business environment. Although this data was collected at a national conference of practicing accountants, future research may wish to attempt increase the sample size. In addition, future research may wish to explore the effects of job satisfaction, ethical climate, and reporting policies on whistleblowing intentions. Further, few whistleblowers have been protected under the SOX act and this lack of support may indirectly discourage accountants from reporting ethical concerns. Therefore, future research may wish to explore the impact of SOX and consequences to the individuals who chose to whistleblow.

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TABLE I
Demographics

Gender	N	%
Male	91	58%
Female	63	40%
Blank	3	2%
Total	157	100%
Job Function	N	%
Accountant	74	47%
Analyst	10	6%
Management	59	38%
Consultant	7	4%
Internal Auditor	7	4%
Total	157	100%
Age	N	%
19-29	1	1%
20-39	30	19%
40-49	57	36%
50-59	55	35%
Over 60	12	8%
Blank	2	1%
Total	157	100%
Certification	N	%
CMA	60	38%
CPA	25	16%
Both CMA CPA	35	22%
Other	7	4%
Blank	30	19%
Total	157	100%
SIC	N	%
Mining	1	1%
Finance	19	12%
Manufacturing	54	34%
Public Administration	7	4%
Retail	6	4%
Services	40	25%
Transportation	10	6%
Wholesale	5	3%
Other	7	4%
Blank	8	5%

Total	157	100%

Annual Sales	N	%
Under $1,000,000	10	6%
$1,000,000 – 10,000,000	21	13%
$10,000,000 – 100,000,000	43	27%
$100,000,000 – 1,000,000,000	35	22%
Over $1,000,000,000	44	28%
Blank	4	3%
Total	157	100%

Table II
Means and Standard Deviations

Variables	Means	Sd
Magnitude of Conequences (MC)	3.20	1.60
Societal Concensus (SC)	2.76	1.50
Probability of Effect (PE)	3.23	1.61
Temporal Immediacy (TI)	3.05	1.44
Proximity (PX)	2.25	1.61
Concentration of Effect (CE)	2.85	1.54
Ethical Problem	1.92	1.25
Should Manager Do it	1.99	1.26
Peers Report	4.52	1.87

Table III
Factor Analysis

	Factor 1	Factor 2
MC	0.736*	0.261
SC	0.157	0.845*
PE	0.835*	-0.001
TI	0.718*	0.161
PX	0.145	0.812*
CE	0.676*	0.494
Alpha	.7810	.6540
KMO		0.743
Variance Explained		66.1%

Table IV
Factor Regressions

	Dependent Variables					
Independent Variables	Ethical Problem		Moral Judgment (Manager should do or not do)		Ethical Intention (Peers report)	
	t	Sig	t	Sig	t	Sig
MC, PE, TI, CE (overall harm factor)	4.097	0.000**	3.760	0.000**	-2.165	0.032*
SC and PX (pressure factor)	3.127	0.002**	4.199	0.000**	-4.127	0.000**
Model F	23.538	0.000**	28.415	0.000**	18.375	0.000**
Adj R2		0.235		0.272		0.192

**p<0.01, *p<.05. N= 157

Table V
Whistleblowing Reporting Channels

Reporting Channel	Mean	Sd
Anonymous Hotline	3.32	1.97
Internal Manager	3.44	1.83
Internal Audit	3.88	1.86
External Audit	4.66	1.93
BOD	4.98	1.84
IMA	5.90	1.61
AICPA	5.95	1.59
SEC	5.96	1.53
DOJ	6.33	1.11

Scale 1= high likelihood to report, 7= low likelihood to report

Appendix A

The CEO of a company requests that the controller reduce the estimate for bad debts in order to increase reported income, arguing that this is common practice in the industry when times are hard. Historically, the company made very conservative allowances for doubtful accounts, even in bad years. The CEO's request would make it one of the least conservative in the industry.

Action: Because of this information, the controller makes the adjustment.

Please rate the request made by the CEO using the following items:

The request by the CEO is: Ethical 1 2 3 4 5 6 7 Unethical

The situation above involves an ethical problem. **(Ethical Problem)**
Strongly Agree 1 2 3 4 5 6 7 Strongly Disagree

The manager should not do the proposed action. **(Moral Judgment)**
Strongly Agree 1 2 3 4 5 6 7 Strongly Disagree

The likelihood my peers would report this request is **(Ethical Intention)**
High 1 2 3 4 5 6 7 Low

Overall Harm Items

The overall harm (if any) done as a result of approving the bad debt adjustment would be small. **(MC, reverse coded)**
Strongly Agree 1 2 3 4 5 6 7 Strongly Disagree

There is a very small likelihood that approving the bad debt adjustment will cause any harm. **(PE, reverse coded)**
Strongly Agree 1 2 3 4 5 6 7 Strongly Disagree

Approving the bad debt adjustment will not cause any harm in the immediate future. **(TI)**
Strongly Agree 1 2 3 4 5 6 7 Strongly Disagree

Approving the bad debt adjustment will harm very few people if any. **(CE, reverse coded)**
Strongly Agree 1 2 3 4 5 6 7 Strongly Disagree

Pressure Items

Most people would agree that approving the bad debt adjustment is wrong. **(SC)**
Strongly Agree 1 2 3 4 5 6 7 Strongly Disagree

If your boss is a personal friend, approving the bad debt adjustment is wrong. **(PX)**
Strongly Agree 1 2 3 4 5 6 7 Strongly Disagree

*The variables are noted in parentheses and in bold for the benefit of the reader of this manuscript, these notations were not included in the actual survey. The entire survey can be provided upon request

Whistleblowing Outlet Questions

Please indicate the likelihood your peers would disclose this issue to the following individuals:

Internal manager	High 1 2 3 4 5 6 7 Low
Internal audit	High 1 2 3 4 5 6 7 Low
Board of directors	High 1 2 3 4 5 6 7 Low
Anonymous hotline	High 1 2 3 4 5 6 7 Low
External Audit	High 1 2 3 4 5 6 7 Low
SEC	High 1 2 3 4 5 6 7 Low
IMA	High 1 2 3 4 5 6 7 Low
AICPA	High 1 2 3 4 5 6 7 Low