A Cognitive Model Testing Moral Seduction Theory: Unconscious Bias and the Role Played by Expertise

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Abstract
We provide theoretical and empirical work on the moral seduction theory suggesting unintentional professional bias. We develop a cognitive model in connection with moral seduction theory enabling us to examine the behavioral results on a particular professional group, namely auditors. Eighty experienced auditors from international accounting firms were included in the sample. Our findings support previous research suggesting that auditors may be morally induced by conflicts of interests in an unintentional manner. However, our results show that auditors’ expertise, in terms of frequency knowledge, may help to mitigate their unintentional reporting bias.

Keywords: Unconscious biases; Moral seduction theory; Throughput model; Expertise

Introduction
Professionals working in areas such as medicine, law, and accounting are often placed in situations where they serve two masters. Some conflicts of interest occur since a profession takes on several roles while serving one goal; while others assume one role but serve multiple goals. Of vital significance is the degree to which the interest would tend one toward bias on an issue. Moore, Tetlock, Tanlu and Bazerman (2006) have recently suggested that the structural features of the close auditor-client relationship may cause auditors’ involuntary lack of independence. These authors, using both moral seduction and issue cycle theories, provide persuasive arguments demonstrating that auditors have strong incentives to avoid the issuance of warning signals to investors and other stakeholders. After the consideration of those features, Moore et al. (2006) concluded that the current accounting reforms, such as the Sarbanes-Oxley Act (SOX), are not adequate in addressing the independence problem because the new regulation is a consequence of an incorrect understanding of the main true source of auditors’ biases. Therefore, more than increasing penalties for corrupt auditors, the accounting profession should center on an involuntary lack of independence. In contrast, Nelson (2006)’s reply to Moore et al. (2006) defends that the current auditing reforms (i.e., SOX) have the potential ability to reduce auditors’ incentives and clients’ pressures to bias reporting. As a result, it appears to be a dilemma between two extreme positions. First, from a psychological point of view the current auditing systems may be interpreted as fatally flawed due to auditors’ unconscious biases. Second, some believe that the auditing profession is self-correcting and conflicts of interests can be resolved through detection and through the release of more regulation.

This research paper empirically tests Moore et al. (2006)’s call for further research by building on previous theory and providing the first empirical testing of the moral seduction theory regarding both auditors’ conscious and unconscious versions. In this paper, conscious behavior relates to auditors following the auditing rules and guidelines; whereas “unconscious” behavior is driven by auditors’ biases induced by perceptual framing of a situation (Tversky & Kahneman, 1981). We implement a Throughput model (TP) in connection with moral seduction theory enabling us to examine how conflicts of interests may unconsciously bias auditors’ decision making process.

Auditors are part of a set of professionals that are confronted with conflicts of interests, especially after the recent resounding financial scandals (Enron, WorldCom, Global Crossing, etc.) and the demise of Arthur Andersen. Auditors have the responsibility to evaluate in every audit the ability of their clients to continue in existence. If doubts exist, they should release a “going concern” opinion alerting investors and other stakeholders regarding clients’ risk of bankruptcy. This type of report is extremely important since the issuance of a warning signal would significantly affect investors and other third parties’ investments decisions (i.e., re-allocation of credit). However, several studies have shown that the number of warning signals for firms with bad financial health is scarce. DeFond, Raghunandan, & Subramanyam (2002) concluded that only 4 percent of financially distressed companies receive a warning signal from auditors. Thus, auditors’ professional obligation competes against their self-interest since they simultaneously face the dilemma of the “self-fulfilling prophecy effect”: the fear that the issuance of a warning signal may precipitate client’s failure because of its negative impact on current and potential investors, creditors, suppliers, and customers (Louwers, Messina, & Richard, 1999). Thus, the self-fulfilling prophecy effect implies auditors’ self-interest since the fear to be dismissed after the release of that warning signal. This paper illustrates whether auditors unintentionally may be induced by this fear that, in turn, may help explain their reluctance to issue a going concern opinion.

Previous research has pointed out that less experienced decision makers tend to examine superficially and not to look
at long-term implications of a situation (Chi, 2006). We also test whether expert auditors are more sensitive to the long term consequences of their opinions. We argue that auditors with higher expertise in going concern evaluations, measured by their auditing experience and the frequency with which they audit financially distressed clients, will offer a higher tendency to release warning signals in order to maintain their reputation and avoid the costs of financial scandals.

Connecting the TP with Moral Seduction Theory

Auditors develop analytical procedures in order to guide them to objective conclusions that their clients have the ability to continue in existence. Indeed, auditors’ decision making should consist of an analytical evaluation of the evidence (both positive and negative), its cognitive integration via judgment (i.e., an estimation of clients’ bankruptcy probability), and finally a decision to issue an audit opinion (Information (I) → Judgment (J) → Decision (D) pathway in Figure 1). However, since auditors may face threats to their independence the assumption of a normative behavior seems to be far away from reality.

Figure 1: TP cognitive model/schematic representation

Where P= perception, I= information, J= judgment, and D= decision

Since Rodgers (1997) developed the TP it has been applied successfully to different economic and social settings such as loan analysis, managerial ethical decisions and sexual harassment (Rodgers, 1999; Rodgers & Gago, 2001). The TP separates the decision-making processes into four main processing stages of perception (P), information (I), judgment (J) and decision choice (D). Perception and information covary since information can influence how a decision-maker frames a problem (perception) or vice versa (see Figure 1), i.e., how an individual selects the evidence (information) to be used in the two later stages of the decision-making process (judgment and decision choice) is perceptually framed. The first processing stage (perception) involves the framing of information (Tversky & Kahneman, 1981). For auditors, this processing stage includes framing of financial information and other internal and external information that could affect their decision making. The double-ended arrow connecting perception and information represents this relationship. Perception concerns heuristics of framing effects (Kahneman, 2003). Often perception is based on some kind of pattern-matching process to earlier experiences with the use of information. These processes are neither voluntary nor verbally explicit; however, “judgments are always intentional and explicit even when they are overtly expressed” (Kahneman, 2003, p. 699). The second stage (information) involves issues of available information for processing that is important to independent auditors in their determination of a client’s ability to continue in existence. The most recent theoretical development of decision theory emphasizes dual processes in reasoning and decision making, with two corresponding systems (Sloman, 2002). The first system can be fast, associative, and intuitive (see perception and information stages), whereas the second one is typically slow, deliberate, and analytical (see judgment stage below). Dual-process approaches provide an explanation for why human decision making seems simultaneously impulsive and reflective, intuitive and analytical, qualitative and quantitative. In the third processing stage (judgment), perception along with financial and non-financial information is analyzed.

The judgment stage thus includes appraisal and judgment of alternative information and perception outcomes. The perception link also can give ideas and suggestions based on the auditor’s previous experiences and knowledge bases. The appraisal of alternatives may be based upon a single criterion or methodology, or a combination of criteria or methodologies such as compensatory or non-compensatory weighting schemes. Finally, both perception and judgment elements affect the fourth processing stage, decision choice.

In the TP, the perception mode highlights “moral seduction theory” that can provide further insights regarding auditors’ conflicts of interests. In addition, moral seduction theory indicates why auditors’ decision making in the going concern task might be not exclusively based on the analytical behavior required by auditing standards. Moore et al. (2006) define moral seduction theory as the cognitive processes by which the structural features of the auditor-client relationship exert their effects on auditors’ professional judgment. In this regard, these authors point out how selective perception, escalation of commitment and discounting of information biases may help understand auditors’ unintentional corruption. Selective perception bias refers to auditors’ involuntary tendency to reach their own self-interest even when they follow the auditing guidelines pertaining to independence. Therefore, independence refers to following the rules and guidelines of the auditing profession, whereas self-interested actions are usually more immediate, compelling and certain. Since auditors are hired and fired by their own clients, they have persuasive economic arguments to support client-preferred goals. Thus, in order to maintain expected audit fees, auditors may be reluctant to issue qualified audit reports. Escalation of commitment is defined as the tendency to continue to invest in the losing course of action, in the hope of a favorable turn of events. Thus, assuming that after the issuance of a clean audit report the auditor will keep the client, he or she will be morally compromised to act in the same “unethical” way for subsequent audits. Further, discounting of information bias refers to people tendency to be only aware of immediate consequences of their course of action. This bias may lead auditors to perceive potential reputation losses and lawsuits...
costs as distant and uncertain, favoring the issuance of clean audit reports. Thus, Moore et al. (2006)’s moral seduction theory may help explain why strengthening independence through more regulation does not guarantee the elimination of conflicts of interests in auditing. The impact of these conflicts of interests should be interpreted as an involuntary bias rather than a deliberate corruption. This unconscious bias in auditor reporting is depicted in the TP by (i) the direct arrow from perception to the judgment stage, and (ii) the indirect interaction between perception and information when the auditor employs an analytical behavior. Finally, the TP also illustrate the possibility that the presence of conflicts of interests may lead auditors to an intentional corruption by a direct impact of perception on decision. Thus, this potential unethical behavior would lead auditors to making a decision based on their own self-interest by disregarding available information (Rodgers & Gago, 2001). In sum, the TP in connection with the moral seduction theory is used in this paper to improve our understanding that auditor’s failure when evaluating their clients’ financial status may be a consequence of an unconscious reporting bias. This argument implies that the current auditing model may be fatally flawed since assumes auditors’ independence without considering that conflicts of interests faced by auditors may unintentionally distort their decisions.

**Hypotheses Development**

Auditors have two strong incentives to report on the bankrupt possibility of their clients. The first incentive refers to auditors’ “reputation building” and its maintenance over time. The debacle of Arthur Andersen is a perfect example of how reputation loss may lead investors to distrust an auditing firm. The second incentive to issue a going concern opinion is related to auditors’ perception of their litigation exposure. Audit firms are susceptible of being sued by financial statement users as a result of a client’s unexpected bankruptcy. Several studies provide empirical evidence suggesting that most auditors are sensitive to litigations and believe that the issuance of warning signal would offer some protection in terms of potential lawsuits (Guiral, Gonzalo, & Rodgers, 2007). However, auditors also face incentives that may induce them to avoid the release of a warning signal even in the case of a client with severe financial distress. Auditors’ conflicts of interests may help explain why they are so reluctant to issue going concern opinions. The so-called “self-fulfilling prophecy effect” has been defined as the auditor’s fear to precipitate client failure after the release of a warning signal because of its impact on current and potential investors, creditors, suppliers, and customers (Louwers et al., 1999). Empirical research has found that warning signals issued by auditors can hasten the demise of an already financially distressed company, reducing a loan officer’s willingness to grant a line of credit to that troubled firm, or increasing the point spread that would be charged if that company was granted a loan (Guiral et al., 2007). Another underlying assumption is that auditors may fear to be dismissed after the negative effects of the self-fulfilling prophecy. This leads to the first hypothesis:

**H1. Auditors’ conflicts of interests negatively impair their judgments when evaluating their clients’ ability to continue in existence.**

Moore et al. (2006) have argued that auditors’ deliberate corruption, should be interpreted as an exception. They assume that in general terms auditors act as an independent profession and follow their professional standards and code of ethics. However, the problem at this point is that their decision making may be unintentionally affected by the dilemma of the self-fulfilling prophecy effect. Thus, the main true source of auditor’s biases, rather than intentional, seems to be unintentional. These arguments lead to our second hypothesis:

**H2. The self-fulfilling prophecy effect causes an unconscious bias that negatively affects auditors’ tendency to release warning signals.**

Assuming that unconscious bias distorts the auditor function, more regulation increasing penalties for corruption and punishing corrupt auditors does not seem to be the appropriate way to solve the auditing problem. Instead, we propose to explore whether cognitive skills, such as expertise, may contribute to reduce the negative impact of conflicts of interests faced by auditors. While novices rely on surface knowledge-structures, experienced auditors use both surface and deep knowledge structures which promote more accurate decisions due to a better representation, understanding, organization and aggregation of the extensive information affecting their judgments and reporting choices (Chi, 2006). Furthermore, expert knowledge is considered crucial in complex audit tasks where frequency knowledge has been found as a vital component of auditor’s expertise. We suggest that auditors with previous experience and higher frequency knowledge in going concern evaluations may be more sensitive to the long-term consequences of their opinions (i.e., less prone to the discounting of information bias). Therefore, expert auditors, rather than be seduced by the short-term incentives (i.e., auditor dismissal), may offer a behavior less affected by conflicts of interest in order to maintain their firm reputation and avoid undesirable lawsuits cost: auditors’ expertise may lead them to look out for the interest of third parties, the public, instead of looking out for the interest of clients. These arguments lead us to our last hypothesis:

**H3. Expert auditors will be less affected by unconscious reporting behavior biases.**

**Method**

**Participants**

Eighty partners and managers from two Spanish international auditing firms (34 and 46 from each firm) participated in this study during training sessions. The subjects’ average age was 35 years, with average experience of 15.7 years. We did not find statistically significant differences in experience among subjects of the two audit firms. On a Likert scale of 5 points
(where 1= never, 5= almost in every audit), auditors reported a frequency of evaluations of clients with going concern problems of 2.29.

**Task**

Each participant judged the going concern status of a fictitious company with severe financial distress. After receiving background information about a hypothetical client’s financial position, auditors were provided with four pieces of financial evidence. First, they received two items of negative financial evidence. Then, they processed another two items of positive financial information. After each item they were requested to estimate the company’s ability to continue in existence. Subjects used a 21-point scale with endpoints 0 and 100, where zero was “The Company will not be able to continue in existence” and 100 was “The Company will definitely able to continue in existence”. Finally, they were asked to whether they would release a going concern disclosure and indicate what type of opinion they would issue. Further, at the end of the questionnaires each participant was asked to identify each item as negative or positive evidence as well as an evaluation of its relevance. In this case, a Likert scale of 11 points was employed, where 1 = totally irrelevant, and 11 = very relevant. In order to capture auditors’ unintentional bias, each participant was asked to assess two questions related to the auditing conflicts of interests described in a previous section of this paper. The responses to these questions were measured using another Likert scale. To capture the dilemma related to the so called “self-fulfilling prophecy effect” we asked auditors to respond to the following question: “Do you believe that the issuance of a going concern opinion precipitates the bankruptcy of the client?” The second question was related to the “warning signal” dilemma, which relies on the professional responsibility to provide warning signals to financial statement’s users. In this regard, auditors answered to the following question: “Do you believe that an on-time release of a going concern opinion is essential for financial statement’s users’ decision making?”. To avoid possible carry-over effects between perceptions and decisions, we manipulated the order in which these questions were provided to subjects. We did not find statistically significant differences in responses among the two groups.

**Results**

Partial least squares (PLS) was used for the data analysis. PLS can handle and test complex constructs with both reflective and formative factors. With formative indicators, the unobservables are assumed to be “effects” rather than “causes”. In Figure 2, “ability to continue,” “audit report,” “self-fulfilling prophecy,” “warning signals” and “expertise” were modeled as latent constructs measured by reflective indicators of our research model; whereas “negative evidence” and “positive evidence” were measured by formative factors. Table 1 summarizes descriptive statistics for indicators.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative Evidence 1 (N1)</td>
<td>7.47</td>
<td>1.81</td>
</tr>
<tr>
<td>Negative Evidence 2 (N2)</td>
<td>8.25</td>
<td>1.79</td>
</tr>
<tr>
<td>Positive Evidence 1 (P1)</td>
<td>7.01</td>
<td>2.15</td>
</tr>
<tr>
<td>Positive Evidence 2 (P2)</td>
<td>6.33</td>
<td>2.31</td>
</tr>
<tr>
<td>Viability after N1 (JN1)</td>
<td>35.65</td>
<td>21.16</td>
</tr>
<tr>
<td>Viability after N2 (JN2)</td>
<td>28.37</td>
<td>19.43</td>
</tr>
<tr>
<td>Viability after P1 (JP1)</td>
<td>47.18</td>
<td>21.80</td>
</tr>
<tr>
<td>Viability after P2 (JP2)</td>
<td>51.81</td>
<td>23.80</td>
</tr>
<tr>
<td>Unqualify vs. Qualify (D1)</td>
<td>1.06</td>
<td>.243</td>
</tr>
<tr>
<td>Type of Audit Opinion (D2)</td>
<td>1.21</td>
<td>.544</td>
</tr>
<tr>
<td>Self-fulfilling effect perception (CI1)</td>
<td>5.68</td>
<td>2.41</td>
</tr>
<tr>
<td>Warning signal perception (CI2)</td>
<td>8.22</td>
<td>1.54</td>
</tr>
<tr>
<td>Years of Experience (E1)</td>
<td>15.70</td>
<td>5.99</td>
</tr>
<tr>
<td>Frequency of evaluations (E2)</td>
<td>2.29</td>
<td>.676</td>
</tr>
</tbody>
</table>

**Measurement of Constructs**

The latent variables (constructs) of our model were captured using single and multi-items variables (measures) for expertise, information processing, judgment, decision and perception stages (see Figure 2). In our TP model the information stage consists of two constructs: negative evidence and positive evidence. Two formative indicators measured negative evidence: auditors’ subjective evaluation of the relevance of the first two pieces of negative information (N1 and N2). While, auditors’ subjective assessment of the two formative and positive items (P1 and P2) was used to capture the positive evidence construct. Two latent constructs formed the perception stage: self-fulfilling prophecy and warning signals. Each of these construct were measured by a single reflective indicator (CI1 and CI2, respectively). We used four reflective indicators (JN1, JN2, JP1, and JP2), i.e., auditors’ estimation of the client’s going concern status after each item of evidence, to capture the judgment latent construct. Another two reflective indicators measured the decision stage: whether the auditor would qualify the audit report (D1) and the type of the audit report he/she would issue (D2). Finally, two reflective indicators captured auditors’ expertise: years of auditing experience (E1) and frequency of going concern evaluations (E2). Expertise was introduced in the model as a moderator variable (see Figure 2).

**Model equations**

The structural equations for judgment and decision stages are (see Figure 2):

\[ \eta_i = \beta_1 \gamma_i + \beta_2 \gamma_2 + \beta_3 \gamma_3 + \beta_4 \gamma_4 + \beta_5 \chi_i + \varepsilon \]

\[ \eta_2 = \beta_6 \gamma_3 + \beta_7 \gamma_4 + \beta_8 \gamma_5 + \beta_9 \chi_i + \varepsilon \]

The equations for the role-played by expertise on information and perceptions stages follow the same form:

\[ \gamma_i = \beta_{11} \chi_i + \varepsilon \]
after having controlled for self-fulfilling prophecy effect constructs on (negative information), (expertise) concepts. Equation 2 shows the validity of the scales measures. Examining the loading of the indicators and latent constructs by assessing the reliability and The measurement model evaluates the relationship between Measurement Validation
factors, and (ii) when the square root of each construct’s load much higher on their hypothesized factor than on other discriminant validity is inferred when the PLS indicators (i) significant at the 0.01 level. Further, all constructs present a 0.70. All loadings have the expected signs and are statically measure’s reliability. All measures have a loading level above indicators on the corresponding construct assesses each construct to the total amount of variance (\(\sigma_{UC}\) is larger than its correlations with other constructs. To test the first condition, the CFA procedure in PLS was performed. A correlation matrix showed that no indicator loads more highly on another construct than it does on the latent construct it is intended to measure. Convergent validity of a construct is measured by the ratio of the variance of its indicators captured by the construct to the total amount of variance (\(\sigma_{UC}\)). The total amount of variance includes the variance due to measurement error. As a rule of thumb, a ratio of less than 0.50 implies the convergent validity assumption is violated because more variance is explained by the error than the construct. In our model, \(\sigma_{UC}\) ranges between 0.56 and 1.00, indicating satisfactory convergent validity for the constructs. The low and moderate average squared correlations among constructs showed that our model also satisfies the condition for discriminant validity.

The Structural Model
Our cognitive model predicts that auditors’ evaluation begins with a mental integration of the financial information items and its possible interaction with auditors’ perceptions, which leads to the judgment stage (i.e., client’s ability to continue in existence). On a final stage, both perception and judgment lead to the final audit report decision. In addition, our model also tests whether expertise may contribute to mitigate conflicts of interests faced by auditors. Apparently, Table 1 shows that auditors gave more relevance to those items that might arise doubts about client’s ability to survive (negative evidence) in comparison with those supporting client’s viability (positive evidence). On an 11-point scale, the mean ratings were 7.86 for negative items and 6.66 for positive information. Further, a t-test comparison indicated significant differences between both types of evidence (\(t = 4.29; p = .00\)). Thus, we might conclude that auditors exercised an appropriate measure of suspicion or professional skepticism based on the analytical behavior required by auditing standards. However, a higher ranking of the negative evidence (individually considered) does not necessary mean that auditors were skeptical.

PLS simultaneous analysis allows us to interpret how auditors integrated the financial evidence (positive and negative) in their causal reasoning, which may also be driven by their perceptions of conflicts of interests. Overall, our results support that (i) auditors did not follow the analytical pathway required by auditing standards (Information (I) \(\rightarrow\) Judgment (J) \(\rightarrow\) Decision (D) in Figure 1) and (ii) that auditors’ conflicts of interests had a significant impact in their-decision making process. Indeed, auditors offered a tendency to underestimate the negative evidence (\(\beta_1\)) and give more relevance to that information supporting the ability of the client to continue in existence (\(\beta_2 = .46, p < .01; R^2 = .37\)) which, in turns, lead them to release a less severe audit report (\(R^2 = .12\)). Thus, our results support previous findings that auditors are reluctant to issue a going concern opinion.

Conflicts of interests, illustrated by the competing dilemma among the self-fulfilling prophecy effect and the release of early warning signals to investors, simultaneously and significantly affected auditors reporting behavior. On the one hand, auditors’ fear to provoke the failure of the client after the issuance of a red flag seems to induce them to underestimate the risk of bankruptcy (\(\beta_3 = .17, p < .05\). On the contrary, auditors perception of their professional responsibility of providing an on-time warning signal to financial statement users led them to give more importance to both the negative evidence (\(r_3 = .41, p < .05\) and the possibility of client’ bankruptcy (\(\beta_4 = -.30, p < .01\). These results provide support for both Hypothesis 1 and the TP assumption that perception and information can be interdependent in the decision making process. According with our expectation, we did not find a direct impact of conflicts of interests on decision choice. Auditors’ decision of releasing a going concern opinion was not directly based on the competing dilemma among the self-fulfilling prophecy effect and the responsibility of providing early warning signals. In this regard, the pathways from both self-fulfilling prophecy and warning signals latent variables to the audit report construct were insignificant (\(\beta_5\) and \(\beta_6\) respectively). Taken together, this evidence supports Hypothesis 2 that auditors’ intentional corruption is an exception and that they may be unconscious of their reporting bias.

\[
\begin{align*}
\gamma_2 &= \beta_{10} \eta_1 + \epsilon \\
\gamma_3 &= \beta_{11} \chi_1 + \epsilon \\
\gamma_4 &= \beta_{13} \chi_1 + \epsilon
\end{align*}
\]
Finally, we test whether auditor expertise may be considered a moderator variable of the negative implications of the moral seduction theory. We found that auditors possessing superior expertise in terms of higher experience and frequency knowledge are simultaneously more sensitive to their responsibility of providing early warning signals ($\beta_8 = .29, p < .01$) and less likelihood to rely on the argument of the self-fulfilling prophecy ($\beta_9 = -.11, p < .05$). Further, auditors with higher expertise offered a higher tendency to release going concern opinions ($\beta_{10} = -.20, p < .05$). These findings seem to support Hypothesis 3. However, expertise also had a significant impact on the information processing stage. In this regard, our results seem to reflect auditors’ inherent tendency to give more relevance to that evidence supporting the potential ability of the client to continue in existence ($\beta_{11} = .36, p < .05$) in comparison with the negative evidence ($\beta_{10} = .26, p < .05$).

Conclusions

Moore et al. (2006) have recently argued that the current auditing system is fatally flawed. These authors suggest that auditors are morally compromised by conflicts of interests. This paper brings theoretical and empirical evidence that supports this idea by analyzing simultaneously the ethical dilemmas faced by auditors when evaluating their clients’ ability to survive. We developed a cognitive model that integrates both intentional and deliberate bias reporting in auditors’ decision making. Our results confirm the hypotheses that auditors are unconsciously seduced by conflicts of interests (i.e., self-fulfilling prophecy effect) that, in turns, lead them to avoid the issuance of warning signals to investors. Thus, our findings do not provide support that current and further accounting reforms may overcome conflicts of interests faced by the auditing profession. The current auditing reforms, such as mandatory auditor rotation and the prohibition on non-audit services are clearly insufficient. Therefore, beyond the structural features of the auditing profession, resistance of the auditing profession to leave the current system looms as a major problem. Since a dramatic change to the current system appears to be highly improbable, new unexpected financial scandals in which auditors are involved in could appear in the future. We also contribute to previous research by testing whether auditors’ expertise may mitigate their reporting bias. We found that those auditors with higher experience and frequency knowledge in the going concern task were less seduced by conflicts of interests. In sum, the main implication for our research is that training auditors in a specific task domain might prevent unexpected financial scandals. Finally, we believe that our model can be useful to illustrate the impact of conflicts of interests on the decision making process of other professionals. Further research may explore how expertise may contribute to reduce unintentional biases beyond the accounting field, such as medicine, law, public policy, investment banking, corporate social responsibility, and even academic research.

Acknowledgments

Financial support of the Ministry of Education and Culture of Spain (research projects SEJ2007-62215/ECON/FEDER and 2006-14021) is appreciated.

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