Culture, implicit theories and the attribution of morality

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Culture, Implicit Theories, and the Attribution of Morality

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Abstract
Recent research (Choi and Nisbett 1998, 2000; Choi et al. 1999; Ji et al. 2000; Nisbett et al. 2001) has repeatedly shown that compared to Westerners, East Asians pay greater attention to situational factors and endorse a more holistic theory of causality. Based on this robust finding, the present study examined the extent to which Americans and Chinese differ in their causal judgment about, and their reaction to observed fraudulent behavior. The results show that compared to Americans, the Chinese were more sensitive to situational factors. They were less likely to attribute fraudulent behavior to individual dispositions, and less likely to agree to punitive measures that are directed at the target person. Implications for both practice and research are discussed.

INTRODUCTION

Recent studies (Choi et al. 1999; Ji et al. 2000; Nisbett et al. 2001) consistently find that compared to Westerners, East Asians endorse a more holistic theory of causality. More specifically, East Asians believe that nothing is isolated and independent. Instead, everything in the universe is related to everything else in some way. Consequently, relative to Westerners, East Asians tend to reason holistically, attending to the field in which objects are embedded, and attributing causality to interactions between the object and the field (Choi and Nisbett 2000, 890). For example, when making causal inferences, East Asians place greater weight on situational factors than Westerners do (Choi and Nisbett 1998). As a result, they are less likely than Westerners to explain behavior in terms of individual traits or dispositions (Morris and Peng 1994; Lee et al. 1996). This robust finding suggests that there may be systematic differences in causal judgments about accounting-related events between East Asian and Western cultures.

The purpose of the current study is to examine the extent to which Americans and Chinese differ in their causal judgments about, and their reaction to observed fraudulent behavior. Specifically, the present research investigates whether, given their endorsement of a more holistic theory of causality (Choi and Nisbett 1998, 2000; Choi et al. 1999; Ji et al. 2000; Nisbett et al. 2001), Chinese graduating accounting students compared to their American counterparts, are more sensitive to situational factors when making dispositional inferences, and are less likely to agree to punitive measures that
are directed at the target person.

The present research has potentially important implications for both practice and research. From a practical standpoint, understanding individuals’ perceptions about fraud is important. As documented in the 2004 Report to the Nation on Occupational Fraud and Abuse, issued by the Association of Certified Fraud Examiners (ACFE), fraud affects virtually every organization regardless of size, location, or industry (ACFE 2004). The findings of the current study may have implications for the design of preventive control measures intended to minimize the risk of fraud. For example, cultural differences in endorsement of situation ethics (i.e., the viewpoint that what is ethical depends on the particular situation) among entry-level accountants would need to be considered in the development of employee fraud education programs.

With respect to research implications, the present study tests the viability of using implicit theories to complement Hofstede’s (1980, 1997, 2001) value approach for conducting cross-cultural research between East Asian and Western cultures. To date, such research in accounting (see, for example, Baskerville 2003) has relied mostly on Hofstede’s value dimensions. Despite its acceptance, Hofstede’s value approach to studying culture has limitations (Baskerville 2003; Chanchani and MacGregor 1999; Harrison and McKinnon 1999; Gemon and Wallace 1995). For example, based on their review, Harrison and McKinnon (1999) conclude that one weakness of cross-cultural research in management control systems is its excessive reliance on the value dimensional conception of culture. They specifically note the need to go beyond Hofstede’s (Harrison and McKinnon 1999, 503-504) conceptualization of culture. An approach based on implicit theories to the study of cross-cultural issues in accounting has not previously been used to examine professional or business-related judgments.

The remainder of this paper is organized as follows. The theoretical background is first presented followed by the development of the study’s hypotheses. The method and results are then described followed by a discussion of the findings and their implications.

THEORETICAL BACKGROUND

Hofstede’s Value Dimensions

According to Hofstede (1997, 8), “The core of culture” is formed by values. Values are broad tendencies to prefer certain states of affairs over others.” Based on a survey of IBM employees around the world, Hofstede (1980) identified four value dimensions of culture: power distance, individualism (versus collectivism), masculinity (versus femininity), and uncertainty avoidance. Power distance refers to the extent to which less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. Individualism relates to the
degree to which individuals emphasize self-interests versus the interests of the group (collectivism). Masculinity pertains to the importance attached to goals such as career and material success whereas femininity relates to the emphasis on social goals such as relationships, helping others, and the physical environment. Uncertainty avoidance refers to the degree to which members of a society feel uncomfortable with uncertainty and ambiguity. Later, a fifth dimension, Confucian dynamism, was identified. It pertains to the extent to which one has a long-term versus a short-term orientation in life.

Hofstede’s (1980) value dimensions have been and continue to be the basis of numerous cross-cultural studies in accounting (see for example, Harrison and McKinnon 1999; Baskerville 2003). In the following subsection, implicit theories are presented as a viable alternative method for studying culture.

**Implicit Theories**

A complementary method to the value approach to studying culture is the implicit theory approach (Peng et al. 2001). Implicit theories reflect individuals’ beliefs and stances, and provide a means to describe differences across groups and individuals. These theories are implicit because, unlike most scientific theories, they are seldom explicitly articulated. They can nevertheless be used as an interpretive frame within which information is processed (Chiu et al. 1997). Research provides evidence of differences in implicit theories across cultures (Choi and Nisbett 1998, 2000; Choi et al. 1999; Ji et al. 2000; Nisbett et al. 2001). Two implicit theories are particularly relevant to the present study. They are implicit beliefs about causality, and about the malleability of individual dispositions. Both are described below.

**Causality**

Recent research (Choi and Nisbett 1998, 2000; Choi et al. 1999; Ji et al. 2000; Nisbett et al. 2001) consistently shows that relative to Westerners, East Asians believe in a more holistic theory of causality. In general, East Asians’ implicit theory is that everything in the universe is related to everything else. They tend to believe that nothing is isolated and independent. Given their holistic theory of causality, East Asians tend to think and reason holistically. Nisbett et al. (2001, 293) define holistic thought as having 4tan orientation to the context or field as a whole, including attention to relationships between a focal object and the field, and a preference for explaining and predicting events on the basis of such relationships.” Consequently, East Asians are more likely than Westerners to explain behavior in terms of situational or contextual factors. For example, Morris and Peng (1994) found that Chinese newspapers’ accounts of two mass murder incidents reported more situational factors as possible explanations than those of American newspapers.

A study by Choi and Nisbett (1998) provides further evidence of East Asians’ holistic theory of
causality. The authors sought to determine whether the more holistic East Asians are less susceptible than Americans to the correspondence bias. The correspondence bias (or the fundamental attribution error) is the tendency to draw inferences about a person's unique and enduring dispositions from behaviors that can be entirely explained by the situations in which they occur (Gilbert and Malone 1995).

In their study, Choi and Nisbett (1998) employed the attitude attribution paradigm in which Jones and Harris (1967) first demonstrated the correspondence bias. Specifically, Choi and Nisbett (1998) asked Korean and American subjects to read an essay either supporting or opposing capital punishment. In one condition (choice), participants were told that the essay was written under conditions of free choice. In the other condition (no choice), participants were told that the target person (writer) was assigned by a course instructor to support one side of the capital punishment issue. Subjects were subsequently asked to infer the true attitude of the target person toward capital punishment. The results showed that when the situational constraints were made salient, correspondence bias was lower among Korean subjects than among American subjects. Choi and Nisbett (1998) conclude that unlike American participants, Korean participants recognized the influence of situational constraints on behavior.

In summary, research consistently shows that East Asians endorse a more holistic model of causality than Westerners. This cultural difference in implicit theory of causality provides the primary basis for the hypotheses of the present study.

Malleability of Individual Dispositions
At a more specific level, people may have implicit theories about the stability of personal attributes. Dweck et al. (1995a, 1995b) and Chiu et al. (1997) found that individuals differ in their belief about the malleability of individual traits such as intelligence and morality. At one extreme are entity theorists who believe that a personal attribute (e.g., morality) is fixed and nonmalleable. At the other extreme are incremental theorists who believe that the attribute is malleable and can be changed.

The implicit theory about the malleability of individual traits is not inconsistent with the implicit theory about causality described in the preceding subsection. Indeed, Choi et al. (1999, 57) note, “If East Asians have a holistic notion of the person and the situation, it would be reasonable for them to hold to an incremental theory rather than an entity theory.” In other words, to the extent that East Asians are holistic, they would be expected to recognize the role of situational factors in shaping individuals’ dispositions, and consequently, they should believe in their malleability. Thus, it seems that both the theory about causality and the theory about malleability of individuals’ disposition relate to the degree of holistic tendency. The difference appears to be in the specificity of the beliefs. Whereas the theory about causality reflects beliefs about causal relationships in general, implicit
theories about individual dispositions can be more specific. For example, a person may have an entity theory about intelligence (believing that it is fixed), and at the same time, have an incremental theory about moral character (believing that it is malleable). Thus, individuals’ may have different theories of different attributes (Dweck et al. 1995a).

In their study, Chiu et al. (1997) examined implicit theories in a variety of serial (non-business) domains. They found no significant cultural difference in perceived malleability of moral character between their American and Chinese student samples. Nevertheless, given its relevance to the study of fraudulent behavior, the present study examines the potential impact of individuals’ implicit theory about moral character on their attributions of morality.

HYPOTHESES

Attribution of Morality
Based on the Chinese participants’ endorsement of a more holistic theory of causality, it is predicted that the Chinese will be more sensitive than the Americans to situational factors when making attributions of the morality of a person engaging in a fraudulent act. In other words, compared to American subjects, they will be influenced to a greater extent by situational factors when inferring the morality of the target person. To test this prediction, the present study uses two separate cases. The first case manipulates the target person’s degree of choice to engage in the fraudulent behavior, and the second case manipulates the target person’s rationale for engaging in the fraudulent behavior. Below, specific hypotheses are developed with respect to each situational factor.

Choice
The first case involves corruption. It describes a newly hired accountant who personally benefited by agreeing to participate in an over-billing scheme to defraud his company. In the case, choice to commit the fraud is either high or low. The design is similar to that of Choi and Nisbett (1998). Recall that in their study, Koreans showed a lower degree of correspondence bias than Americans presumably due to their greater attention to the salient situational constraints. Based on these findings, the following interaction effect between culture and choice on the attribution of morality is hypothesized:

HI: Chinese participants will infer that the target person is significantly less immoral when the fraud is committed under conditions of low choice than under conditions of high choice. In contrast, the morality attributions of American subjects will be influenced less by the target person’s choice to engage in the fraud.

Rationale
The second case involves fraudulent financial statements. It describes an entry-level accountant who
complies with a request from his manager to misstate the financial statements after the latter offers a rationale for committing the fraud. The availability of a rationale is a key element common to most fraudulent acts (Albrecht 2003). The present study examines two rationales. One rationale is to save a division of the company and the jobs of its hundreds of employees (“collective” rationale) whereas the other rationale is to save a divisional manager’s job (“individual” rationale).

It is predicted that when inferring the morality of a target person, the relatively holistic Chinese subjects will be more sensitive than American subjects to the target person’s rationale for engaging in the fraud. Specifically, the following is hypothesized:

H2: Chinese participants will infer that the target person is significantly less immoral when the fraud is committed for a collective rationale than when it is committed for an individual rationale. In contrast, the morality attributions of American subjects will be influenced less by the rationale for committing the fraud.

**Reaction to Fraudulent Behavior Attribution of Morality**

Research has established that attributions are associated with a number of consequences (Kelley and Michela 1980). In accounting, for example, Kaplan and Reckers (1985) found a significant association between attributions about a subordinate’s performance and the action‐responses directed toward the subordinate. Similarly, a study by Reckers et al. (1992) found that dispositional inferences about management were significantly associated with the perceived risk of fraudulent financial reporting. Based on these findings, the following is hypothesized:

H3: The less moral the participants infer the target person to be, the more they will agree with recommendations that focus on punishing the target person for fraudulent behavior.

**Culture**

As noted earlier, the Chinese believe in a holistic theory of causality. As a result, they are expected to believe in the malleability of dispositions and endorse an incremental theory of morality. Research by Dweck et al. (1995a) has shown that individuals who adopt an entity theory differ in their reaction to social behaviors from those who adopt an incremental theory. For example, after observing people’s negative behavior, entity theorists are more likely than incremental theorists to recommend punishment. In other words, relative to entity theorists, incremental theorists are less likely to recommend punishment.

Given their holistic tendency, the Chinese are expected to react to socially undesirable behaviors in a manner consistent with that of incremental theorists. Thus, the Chinese are expected to be less likely than Americans to recommend punishment for fraudulent behavior. Accordingly, the following is hypothesized:
H4: Relative to Americans, Chinese participants are less likely to agree with recommendations that focus on punishing the target person for fraudulent behavior.

METHOD

Subjects
Subjects were all students enrolled in a senior level accounting course. In a survey conducted at the beginning of the semester, the majority indicated that they had either accepted or were interviewing for entry-level positions in accounting. All students participated in the study for extra credit. Twenty-nine (male = 18, female = 11) were American students registered at a university in the U.S. Their mean age was 22.4 years and their average work experience was 2.8 years. Thirty-three (male = 17, female = 16) were Chinese students enrolled at a university in Hong Kong. Their mean age was 21.5 years, and their average work experience was 2.5 years. Gender, age, and work experience were not significantly related to the dependent measures (p > 0.10).

Procedure
The survey was administered at each university at the beginning of a class period. Subjects read two independent cases, each describing a fraudulent act by an employee (the target person). The scenarios were based on actual cases documented by Albrecht (2003) and Wells (1997). The first case (hereafter the corruption case) involved corruption and contained the choice (low versus high) manipulation. The second case (hereafter the fraudulent statements case) related to fraudulent statements and contained the rationale (collective versus individual) manipulation. Subjects from both cultures were randomly assigned to one of two versions of the survey instrument that contained one of two combinations of the corruption and fraudulent statements cases (low choice/collective rationale or high choice/individual rationale). Subjects were told to consider each case independently.

After reading that the target person engaged in fraud, subjects were asked to infer the morality of the target person. They then read that the fraud was detected and were asked the extent to which they agreed with each of three punishment-related recommendations. Upon completion of the cases, participants responded to scales that measured their implicit theory of holistic causality (Choi et al. 2003) and their implicit theory of the malleability of individuals’ morality (Dweck et al. 1995a). The survey required approximately 20 minutes to complete.

Independent Variables
CULTURE
American and Chinese cultures were examined. Since the hypothesized differences were predicted based on the difference in implicit theory of causality, it was necessary to verify that the two cultures
differed on that characteristic. To that end, subjects from both groups were administered a ten-item holistic tendency scale developed by Choi et al. (2003). The ten items (see Appendix A) were rated from 1 (strongly disagree) to 7 (strongly agree). Higher scores reflect a greater extent of holistic tendency.

Subjects' perceived malleability of morality was also measured. The three-item measure (see Appendix A) developed by Dweck et al. (1995a) was used. Responses were scored on a six-point scale ranging from 1 (very strongly disagree) to 6 (very strongly agree). Higher (lower) scores reflect a greater belief in the fixedness (malleability) of moral character.

CHOICE

The corruption case contained the “choice” manipulation. In the “low choice” condition, the request to engage in the fraudulent act is made by an immediate supervisor with whom the target person has developed a good working relationship. In the “high choice” condition, an outsider (a vendor) makes the request.

RATIONALE

The fraudulent statements case contained the “rationale” manipulation. In the “collective,” condition, a manager explains that the misstatements are necessary in order to save hundreds of jobs. In the “individual”, condition, the manager justifies the fraudulent statements by claiming that he otherwise would lose his job.

Dependent Measures

Attribution of MORALITY

For each case, subjects were asked to infer the morality of the target person about whom they read. Following Reeder and Spores (1983), an 11-point scale was utilized with the endpoints labeled 0 (“very immoral”) and 10 (“very moral”).

REACTION to Fraudulent Behavior

Following the discovery of the fraudulent behavior, subjects were asked to indicate on an eleven-point scale labeled 0 (not at all) to 10 (completely agree), the extent of their agreement with each of three punishment-related statements. The first statement recommended termination of the target. The second statement recommended that the company give the target person another chance. The third statement recommended prosecution of the target. After reversing the score of the second item, a mean reaction score was computed by averaging the total of the scores for the three items. Thus, a higher mean reaction score reflects a greater level of agreement with recommendations that focus on punitive actions directed at the target person. The three-item scale had acceptable reliability in both the corruption (Cronbach alpha = 0.76) and the fraudulent statements (Cronbach alpha = 0.77).
cases.

RESULTS

Implicit Theories

CAUSALITY
As expected, Chinese subjects (5.26, std. dev. = 0.76) scored higher on the holistic CAUSALITY scale than American subjects (4.64, std. dev. = 0.79). This difference was significant (F (1,60) = 9.96, p = 0.002), and comparable to that found by Choi et al. (2003) between Koreans (5.29) and Americans (4.97).

Table 1 shows the correlations between holistic CAUSALITY and the other measured variables. In each case, the MORALITY attributions were significantly and negatively correlated with the REACTION scores. The MORALITY attributions were not significantly associated with the holistic CAUSALITY scores. One potential explanation is that the effect of holistic CAUSALITY on the attribution of MORALITY is not direct, at least in the present study. It is possible that at the individual level the effect is moderated by other variables.

MALLEABILITY of MORALITY
The American (3.98, std. dev. = 1.15) and Chinese (3.91, std. dev. = 0.63) subjects did not differ significantly in their implicit belief about the MALLEABILITY of MORALITY (F (1,60) = 0.09, p = 0.77). This lack of significant difference between the two cultures is consistent with the findings of Chiu et al. (1997).

Manipulation Checks

CHOICE
To check whether the manipulation of CHOICE was understood as intended, participants were asked to indicate on an 11-point scale labeled 0 (not at all) to 10 (completely agree), the extent to which they agreed that the target person had no choice but to comply with the request to participate in the fraud. Compared with subjects in the “low choice” condition (4.2, std. dev. = 2.88), those in the “high choice” condition (2.0, std. dev. =2.42) agreed to a lesser extent that the target had no choice (F (1, 58) = 15.46, p <0.001). The CULTURE x CHOICE interaction effect was not significant (F (1, 58) =0.81, p = 0.371) indicating that the CHOICE treatment effect did not vary across cultures.
<table>
<thead>
<tr>
<th></th>
<th>MORALITY.A</th>
<th>REACTION.A</th>
<th>CHOICE.MC</th>
<th>MORALITY.B</th>
<th>REACTION.B</th>
<th>RATIONALE.MC</th>
<th>MALLEABILITY</th>
<th>CAUSALITY</th>
</tr>
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<tbody>
<tr>
<td>MORALITY.A</td>
<td>1</td>
<td>-0.637**</td>
<td>0.559**</td>
<td>0.377**</td>
<td>-0.392**</td>
<td>-0.073</td>
<td>-0.096</td>
<td>0.029</td>
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<td>REACTION.A</td>
<td>1</td>
<td>-0.619**</td>
<td>-0.252*</td>
<td>0.507**</td>
<td>0.105</td>
<td>0.103</td>
<td>-0.111</td>
<td>0.698</td>
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<td>CHOICE.MC</td>
<td>1</td>
<td>0.165</td>
<td>-0.293*</td>
<td>0.190</td>
<td>-0.113</td>
<td>0.004</td>
<td>0.111</td>
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<tr>
<td>MORALITY.B</td>
<td>1</td>
<td>-0.321*</td>
<td>0.110</td>
<td>-0.354**</td>
<td>0.090</td>
<td>0.021</td>
<td>0.038</td>
<td></td>
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<tr>
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<td></td>
<td>1</td>
<td></td>
<td>-0.041</td>
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<td>MALLEABILITY</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>CAUSALITY</td>
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<td></td>
<td></td>
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</table>

* and ** Significant at the 0.05; 0.01 levels, respectively.

Variable Definitions:
- **MORALITY.A** and **REACTION.A** = the Attribution and Reaction scores for the Corruption case;
- **CHOICE.MC** = the response to the Choice manipulation check;
- **MORALITY.B** and **REACTION.B** = the Attribution and Reaction scores for the Fraudulent Statements case;
- **RATIONALE.MC** = the response to the Rationale manipulation check; and
- **MALLEABILITY** and **CAUSALITY** = the scores from the scales for measuring the implicit theory about morality and holistic causality.
RATIONALE
Participants were asked to indicate on an 11-point scale labeled 0 (not at all) to 10 (completely agree), the extent to which they agreed that the target person’s RATIONALE for participating in the fraud was “for the good of the employees and the company as a whole.” This provided a check of whether the manipulation of the RATIONALE for the fraud was understood as intended. Compared with subjects in the “individual” condition (4.64, std. dev. = 2.41), those in the “collective” condition (6.41, std. dev. = 2.36) agreed to a greater extent that the rationale for participating in the fraud was “for the good of the employees and the company as a whole,” (F (1,60) = 8.54, p = 0.005). The CULTURE x RATIONALE interaction effect was not significant (F (1, 58) = 0.72, p = 0.401) indicating that the RATIONALE treatment effect did not vary across cultures.

Tests of Hypotheses
Hypothesis 1
The first hypothesis predicts an interaction between CULTURE and CHOICE on the attribution of MORALITY. Panel A of Table 2 shows the results of the analysis of covariance (ANCOVA) with MALLEABILITY as a covariate. The predicted interaction between CULTURE and CHOICE is significant (F (1,57) = 9.03, p = 0.004). As shown in Panel B of Table 2, the effect of CHOICE on the attribution of MORALITY was stronger among Chinese participants than among American participants. Specifically, Chinese subjects perceived the target person to be significantly (p < 0.001) less immoral when the fraud was committed under low CHOICE (4.00, std. dev. = 1.27) than when it was perpetrated under high CHOICE (2.12, std. dev. = 0.81). In contrast, American subjects’ attributions of MORALITY did not differ significantly (p = 0.965) between the low (1.64, std. dev. = 1.69) and the high (1.66, std. dev. = 1.17) CHOICE conditions. This pattern of evidence supports HI.

Hypothesis 2
The second hypothesis predicts an interaction between CULTURE and the target person’s RATIONALE on the attribution of MORALITY, Panel A of Table 3 shows the results of the ANCOVA with the MALLEABILITY score as a covariate. The predicted interaction between CULTURE and RATIONALE is significant (F (1,57) = 7.13, p = 0.010). As shown in Panel B of Table 3, Chinese subjects perceived the target person to be significantly (p < 0.05) less immoral when the fraud was committed for the benefit of an entire division of the company (5.05, std. dev. = 1.67) than when it was perpetrated for the individual (3.93, std. dev. = 1.29). In contrast, American subjects inferred that the target was not significantly (p = 0.221) less immoral when the fraud was perpetrated for the good of the company (4.00, std. dev. = 1.57) than when it was committed for the individual (4.86, std. dev. = 2.10). This pattern of evidence supports H2.

Panel A of Table 3 also reveals that the MALLEABILITY measure is a significant covariate (F (1,57) = 10.13, p < 0.002). The association between subjects’ implicit theory about the MALLEABILITY of
MORALITY and their attribution of MORALITY is negative (see Table 1). Thus, the more participants believed in the MALLEABILITY of moral character (i.e., endorsed an incremental theory), the less immoral they perceived the target person to be.

Hypothesis 3

The third hypothesis predicts a significant association between the inferred MORALITY of the target person and the REACTION score. For each case, an ANCOVA with MORALITY as a covariate was performed on the REACTION measure. The results for the corruption case are shown in Panel A of Table 4. The predicted association between MORALITY and the REACTION is significant (F(1, 59) = 21.23, p < 0.001). This is consistent with the significant negative correlation (−.637, p < 0.01) between the two variables as shown in Table 1.

The ANCOVA results for the fraudulent statements case are shown in Panel B of Table 4. As in the corruption case, the predicted association between MORALITY and REACTION is significant (F(1, 59) = 8.12, p = 0.006). This is consistent with the significant negative correlation (−.321, p < 0.05) between the two variables as shown in Table 1. Thus, the results for both cases provide support for H3.
Hypothesis 4

The fourth hypothesis predicts an association between CULTURE and REACTION scores. The ANCOVA results are shown for the corruption case in Panel A of Table 4. The effect of CULTURE is significant ($F(1,59) = 12.38, p = 0.001$). The extent of agreement with recommendations that focus on punishing the target person was lower among Chinese subjects (5.74, std. dev. = 1.58) than among American subjects (8.19, std. dev. = 1.94).

---

TABLE 3
Attribution of MORALITY*—Fraudulent Statements Case

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<thead>
<tr>
<th>Variable</th>
<th>df</th>
<th>SS</th>
<th>MS</th>
<th>F</th>
<th>p</th>
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<td>0.00</td>
<td>.00</td>
<td>.968</td>
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<tr>
<td>RATIONALE</td>
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<td>0.34</td>
<td>.14</td>
<td>.712</td>
</tr>
<tr>
<td>CULTURE x RATIONALE</td>
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<td>17.38</td>
<td>17.38</td>
<td>7.13</td>
<td>.010</td>
</tr>
<tr>
<td>MALLEABILITY</td>
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<td>24.68</td>
<td>10.13</td>
<td>.002</td>
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<td>57</td>
<td>138.93</td>
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Panel B: Cell Means

<table>
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<th>CULTURE</th>
<th>Individual Rationale</th>
<th>Collective Rationale</th>
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<tr>
<td>Americans</td>
<td>4.86 (2.10) n = 15</td>
<td>4.00 (1.57) n = 14</td>
</tr>
<tr>
<td>Chinese</td>
<td>3.93 (1.29) n = 16</td>
<td>5.05 (1.67) n = 17</td>
</tr>
</tbody>
</table>

* Attribution of MORALITY was measured using an eleven-point scale with the endpoints labeled 0 (“very immoral”) and 10 (“very moral”). (Standard deviations are in parentheses.)

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TABLE 4
REACTION to Fraudulent Behavior*

Panel A: Corruption Case—Results of ANCOVA on REACTION to Fraudulent Behavior

<table>
<thead>
<tr>
<th>Variable</th>
<th>df</th>
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<th>F</th>
<th>p</th>
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<td>28.73</td>
<td>12.38</td>
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</tr>
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<td>49.25</td>
<td>49.25</td>
<td>21.23</td>
<td>.000</td>
</tr>
<tr>
<td>Error</td>
<td>59</td>
<td>136.87</td>
<td>2.32</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Panel B: Fraudulent Statements Case—Results of ANCOVA on REACTION to Fraudulent Behavior

<table>
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<th>Variable</th>
<th>df</th>
<th>SS</th>
<th>MS</th>
<th>F</th>
<th>p</th>
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<tr>
<td>CULTURE</td>
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<td>57.98</td>
<td>15.26</td>
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</tr>
<tr>
<td>MORALITY</td>
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<td>30.84</td>
<td>8.12</td>
<td>.006</td>
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<tr>
<td>Error</td>
<td>59</td>
<td>224.20</td>
<td>3.80</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Reaction to Fraudulent Behavior was the average measure of the extent of agreement with three recommendations that focus on punitive actions directed at the target person. Each recommendation was assessed on an 11-point scale labeled 0 (not at all) to 10 (completely agree).
The ANCOVA results for the fraudulent statements case are shown in Panel B of Table 4. The effect of CULTURE is significant \( F(1,59) = 15.26, p < 0.001 \). As in the corruption case, the extent of agreement with recommendations that focus on punishing the target person was lower among Chinese subjects (3.84, std. dev. = 1.51) than among American subjects (5.80, std. dev. = 2.55). Together, the results provide support for H4.

**DISCUSSION**

The purpose of this study was to examine the extent to which Americans and Chinese differed in their attribution of morality and their reaction to fraudulent acts. It was predicted that, given their endorsement of a more holistic theory of causality, Chinese subjects would be more sensitive than American subjects to situational factors, and less likely than American subjects to agree to punitive measures directed at the target person.

Taken together, the results from the two cases suggest that the Chinese are more sensitive than the Americans to situational factors when making attributions of morality following observed fraudulent acts. The results also showed that the less moral the target person was inferred to be, the more participants agreed to punitive measures directed at the target person. Finally, Chinese subjects were less likely than American subjects, to agree to punitive measures that were directed at the target person. This result tentatively suggests that, compared to Americans, the Chinese are less likely to support severe actions directed at the target in response to fraudulent acts.

The findings of the present study should be interpreted in light of its limitations. First, because in the corruption case, the two conditions (high versus low choice) were controlled by contrasting the request made by an immediate supervisor with that made by an outsider (a vendor), it is possible that the results obtained may be due to differences in power distance between the two cultures. Hofstede’s (1980, 1997, 2001) research suggests that power distance is higher among Asians than among Americans. If, indeed, there was such a difference between the two samples in the current study, in the corruption case, one would expect that in the low choice (supervisor) condition, perceived choice would be significantly lower among the Chinese than among the Americans. No significant difference between cultures would be expected in the high choice (outside vendor) condition. As reported earlier (see manipulation check on choice), the results of a two-way (culture x choice) ANOVA on perceived choice showed no significant interaction effect \( F(1,58) = 0.81, p = 0.371 \). Thus, it does not appear that power distance differed significantly between the two current samples and contributed to the culture x choice interaction effect on morality attributions. Nevertheless, the potential influence of power distance cannot be entirely ruled out since it was not measured.
Another possible limitation is that the difference in collectivism (individualism) between the two cultures may have influenced morality attributions in the fraudulent statements case. Hofstede’s (1980, 1997, 2001) research suggests that Asians are more collectivist than Americans who tend to be individualist. If such a difference did exist between the two samples in the current study, in the fraudulent statements case, one would expect a culture X rationale interaction effect on the response to the rationale manipulation check question. That interaction effect was not obtained \(F (1, 58) = 0.72, p = 0.401\). This suggests that any difference in collectivism (individualism) between the two cultures was not significant, and it did not influence morality attributions. However, as in the case of power distance, the potential influence of any cross-cultural difference in collectivism (individualism) cannot be entirely ruled out since it was not assessed.

The study’s limited external validity should also be noted. While the theory on which the hypotheses were based and developed is not meant to be context specific, in this study they were tested with respect to particular fraudulent acts (corruption and fraudulent statements) by new employees, using accounting students from two specific cultures (American and Chinese). Accordingly, any generalizations must be made with care.

Notwithstanding the foregoing limitations, the results of the present research have potentially important implications for both practice and research. From a practical standpoint, the results provide insights into possible areas of disagreement between employees from different cultures that can result from their divergent opinions about individuals’ responsibility for fraudulent acts. In particular, the findings suggest that there may be cultural differences in the degree of endorsement of situational ethics. Similarly, the divergent views between American and Chinese individuals regarding the appropriateness of punishment for fraudulent acts indicate possible disagreement between the two cultural groups, regarding the need for and the effectiveness of punishment-related actions. In the current era of business globalization, an awareness of the existence of, and an understanding of the reasons for these divergent views may help in preventing or minimizing the likelihood of cross-cultural conflicts that may otherwise arise.

With respect to research implications, the findings of this study suggest that the implicit theory approach may be a viable way of examining the influence of culture on accounting practices, at least between East Asian and Western cultures. In particular, the implicit theory approach and Hofstede’s (1980) value approach can be viewed as complementing each other. The circumstances under which implicit theories may be more important than cultural values (and vice versa) in determining cross-cultural differences in accounting-related judgments and behaviors can be a productive area for future investigation.

Future research may also explore the generalizability of the current findings to other accounting
domains. To this end, research can use an implicit theory approach to re-examine accounting issues that have previously been studied using Hofstede’s (1980) value dimensions. Examples include project evaluation decisions (Chow et al. 1997; Salter and Sharp 1997; Harrison et al. 1999), and auditors’ ethical reasoning (Cohen et al. 1995; Tsui 1996). Such studies could examine the relevance of cultural differences in the theory of causality as well as in other implicit theories. Results would provide evidence of the predictive ability of the theory approach relative to the value approach.

FOOTNOTES

1. Eight non-American students were excluded from the U.S. sample.
2. The results are not significantly different without the covariate. The malleability score is included as a covariate in the corruption case to provide comparability with the fraudulent statements case.
3. As shown in Panel A of Table 2, there was a significant effect of CULTURE on the attribution of MORALITY. It was therefore important to assess the degree of the multicollinearity between the two factors in the ANCOVA used to test H3 and H4. According to Judge et al. (1988, 869), a variance inflation factor (VIF) value of five or higher is indicative of significant multicollinearity. In the present case, the computed VIF was 1.26 suggesting that multicollinearity was not a serious problem.

APPENDIX A

SCALE ITEMS FOR HOLISTIC CAUSALITY AND MALLEABILITY OF MORALITY

Holistic Causality (Choi et al. 2003)
1. Everything in the universe is somehow related to each other.
2. Even a small change in any element in the universe can lead to substantial alterations in others.
3. Any phenomenon has a numerous number of causes although some of the causes are not known.
4. Any phenomenon has a numerous number of results although some of the results are not known.
5. Nothing is unrelated.
6. It’s not possible to understand the pieces without considering the whole picture.
7. The whole is greater than the sum of its parts.
8. Paying attention to the field is more important than paying attention to its elements.
9. A marker of good architecture is how harmoniously it blends with other buildings around it.
10. Sometimes, the empty space in a painting is just as important as the objects.
The ten items were rated from 1 (strongly disagree) to 7 (strongly agree). Higher scores reflect a greater extent of holistic tendency.

Malleability of Morality (Dweck et al. 1995a)
1. A person’s moral character is something very basic about them, and it can’t be changed very much.
2. Whether a person is responsible and sincere or not is deeply ingrained in their personality. It
cannot be changed very much.

3. There is not much that can be done to change a person's moral traits (e.g., conscientiousness, uprightness, and honesty).

Responses were scored on a six-point scale ranging from 1 (very strongly disagree) to 6 (very strongly agree). Higher (lower) scores reflect a greater belief in the fixedness (malleability) of moral character.

REFERENCES
Association of Certified Fraud Examiners (ACTE). 2004. Report to the Nation on Occupational Fraud and Abuse. Austin, TX: ACFE.


