

# **Master of Philosophy**

## **The Influence of Ethnic Identity and Construal of Self on Whistleblowing Judgments in a Multi-Ethnic Country: The Case of Kenya**

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## **Statement of Authentication**

The work presented in this thesis is, to the best of my knowledge and belief, original except as acknowledged in the text. I hereby declare that I have not submitted this material, either in whole or in part, for a degree at this or any other institution.

Jane Nyambura Mbuki

**Signature**

## **Dedication**

This thesis is dedicated to my daughters, Natalie, Angela and Nicole for giving me a purpose in life. May this thesis inspire you.

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## **Abstract**

This thesis examines the influence of ethnic identity and construal of self on whistleblowing judgments of auditors in a multi-ethnic country, Kenya, in which strong loyalties within ethnic groups exist. In order to assess Kenyan auditors' whistleblowing judgments, this thesis used both single-item questions and the Multidimensional Ethics Measure developed by Reidenbach and Robin (1988, 1990). The influences of ethnic identity and construal of self were determined utilising the Multigroup Ethnic Identity Measure developed by Phinney (1992) and Roberts et al. (1999) and the Self-Construal Questionnaire developed by Singelis (1994). The findings suggest that one's sense of self as a member of an ethnic group cannot be ignored in an auditing context. Specifically, Multivariate Analysis of Variance results indicate that ethnic identity is significantly related to auditors' whistleblowing judgments; however, construal of self only has a partial influence. This has implications for the composition of audit teams. The results suggest that the influence of ethnic identity on whistleblowing in Kenya may be mitigated if audit teams comprise auditors from diverse ethnic backgrounds. This thesis makes a methodological contribution by showing that the constructs of construal of self and ethnic identity provide a more comprehensive understanding on how ethnicity influences whistleblowing judgments compared to treating ethnicity as a simple categorical variable.

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## **List of Abbreviations**

ANOVA	Analysis of Variance
CBK	Central Bank of Kenya
CPA	Certified Public Accountant
ICC	International Criminal Court
ICPAK	Institute of Certified Public Auditors of Kenya
IFAC	International Federation of Accountants
MANOVA	Multivariate Analysis of Variance
MEIM	Multigroup Ethnic Identity Measure
MEM	Multidimensional Ethics Measure
SPSS	Statistical Package for the Social Sciences
US	United States
WPA	Witness Protection Agency

## **Chapter 1: Introduction**

Whistleblowing within audit firms has been widely recognised as an essential monitoring mechanism for deterring and preventing accounting fraud (Alleyne, Hudaib, & Pike, 2013; Maroun & Atkins, 2014). Whistleblowing in an audit context is defined as

the audit practitioner's voluntary act, over and above the profession's existing standards and legal requirement, to report any discovered unethical acts committed by other staff within the organisation to any party (internal or external) having potential to correct the wrongdoing. (Alleyne et al., 2013, p. 12)

Whistleblowing becomes important in auditing firms when there is collusion between the client management and the audit senior or partner to perpetrate and conceal fraud. This raises the need for audit staff to protect the interests of both the public and the profession by blowing the whistle on colleagues who commit wrong or questionable acts (Alleyne et al., 2013; Liyanarachchi & Adler, 2011). Thus, whistleblowing in audit firms creates valid expectations that auditors will act in the public interest by increasing the sense of transparency and accountability (Maroun & Atkins, 2014).

However, previous research has shown that audit staff do not always report on colleagues who commit wrong and questionable acts (Alleyne et al., 2013; Finn & Lampe, 1992; Kaplan & Whitecotton, 2001; Kaplan, 1995). For example, Toffer and Reingold (2003) observed that none of the audit staff of Arthur Anderson, Enron's auditors, blew the whistle when the partner in charge of the audit advised the audit managers to shred the documents. This raises the question of what factors contribute to the willingness (or unwillingness) of individual external auditors to

blow the whistle. Therefore, research on factors affecting whistleblowing among auditors is important, as it can enable audit firms to promote whistleblowing behaviour among their staff.

Previous studies have suggested that culture and other individual, organisational and situational factors have an important effect on whistleblowing among auditors and accountants (Henik, 2015; Hwang, Chen, Staley, Tsai, & Chu, 2014; Patel, 2003). However, several studies have highlighted that culture is a complex construct, and studies referring to national culture as a substitute for culture have failed to take into account significant within-country differences (Heidhues & Patel, 2011; Heinz, Patel, & Hellmann, 2013). National culture refers to ‘a collective programming of the mind that distinguishes the members of one group or category of people from another’ (Hofstede, 2001, p. 9). Importantly, national culture disregards the fact that ethnic groups exist within nations (Baskerville, 2003; Chand & White, 2006). Most contemporary societies are multi-ethnic or diverse; as such, a more nuanced concept of ethnicity may offer an enhanced alternative to nations and nationality when examining issues such as differences in the behaviour and judgments of auditors and professional accountants in various countries. Consequently, accounting and auditing research is moving from examining the influence of macro-level factors, such as national culture, to micro-level factors, such as ethnicity in diverse or pluralistic societies, on professional accountants’ judgments (e.g., Yunos, Ismail, & Smith, 2012).

Ethnicity is defined as ‘individuals’ socially defined membership in putatively cultural, but sometimes also physiognomically, linguistically, geographically, or ancestrally based, ethnic groups’ (Zaff, Blount, Philips, & Cohen, 2002, p. 723). An ethnic group is ‘a named group of

people who identify themselves as members of a social distinct “people” based on shared cultural traditions and history that distinguish them from other groups’ (Bailey & Peoples, 2013, p. 213). Ethnicity is a complex combination of many variables, such as ideologies, sense of tradition and sense of belonging, that reveal individuals’ sociocultural interactions with their environment (Ruvalcaba & Venkatesh, 2015, p. 119; Zaff et al., 2002).

Thus, the aim of this thesis is to examine the influences of ethnicity on auditors’ whistleblowing judgments, specifically by applying Phinney’s (1992) construct of ethnic identity and Markus and Kitayama’s (1991) construal of self in a Kenyan context. Ethnic identity is defined as ‘a dynamic, multidimensional construct that refers to one’s identity or sense of self as a member of an ethnic group’ (Phinney, 2003, p. 63), while construal of self is defined as ‘constellation of thoughts, feelings and actions concerning one’s relationship to others such as the self being distinct from others or connected to others’ (Singelis, 1994, p. 581). The construal of self and ethnic identity have been examined in connection to ethnicity in earlier studies (e.g., Barry, Elliott, & Evans, 2000; Khakimova, Zhang, & Hall, 2012; Zaff et al., 2002).

Kenya has been selected as the site of this examination of the influence of ethnic identity and construal of self on auditors’ whistleblowing judgments because it is a highly ethnically diverse country, with populations of most major ethnic groups found in Africa. It has more than 42 ethnic groups with different cultures and values (Abubakar, Van de Vijver, Mazrui, Arasa, & Murugami, 2012). In Kenya, accounting fraud is the second most frequently reported type of economic crime after asset misappropriation. Indeed, according to the 2014 Global Economic Crime Survey, Kenya recorded an incidence of accounting fraud of 38%, which is substantially

higher than the global average of 22% (PriceWaterhouseCoopers, 2014). Thus, Kenya provides an excellent environment for examining whistleblowing judgments among external auditors in a multi-ethnic country.

The remainder of this thesis is organised as follows. Chapter 2 reviews the relevant literature on whistleblowing and its relevance to auditing, and develops the concepts of ethnic identity and construal of self. Chapter 3 is devoted to theory development. Chapter 4 formulates hypotheses for the effects of ethnic identity and construal of self on whistleblowing judgments, while Chapter 5 outlines the research methodology. Chapter 6 discusses the results of the study, and finally, Chapter 7 summarises the results, concludes the thesis and offers suggestions for future research.

## **Chapter 2: Literature Review**

The objective of this chapter is to review the research on whistleblowing and its relevance in auditing. It describes key concepts and reviews previous studies on whistleblowing. This chapter is organised as follows. Section 2.1 reviews whistle-blowing in Kenya. 2.2 addresses the concept of whistleblowing in auditing. Section 2.3 reviews prior studies on factors influencing whistleblowing. Section 2.4 critically reviews cultural studies on whistleblowing, and finally, Section 2.5 reviews studies on ethnicity and auditing.

### **2.1 Review of whistleblowing in Kenya**

In the wake of the Enron, WorldCom and Global Crossing scandals, there has been a substantial increase in recognition of the importance of whistleblowing as an internal control mechanism by government and private organisations. Over 30 countries around the globe have embraced specific whistleblowing protections, while others have adopted protections in other legal forms, such as labour laws or public sector employment rules (Banisar, 2006; Mustapha & Siaw, 2012). Recognising the importance of whistleblowing, Kenya has been developing legal systems to encourage disclosures and protect whistleblowers. It enacted the Witness Protection Act of 2006, effective from May 15, 2007, which gives legal protection to witnesses and their families where the Attorney General feels that such protection is required. For example, the Witness Protection Agency (WPA) in Kenya has provided protection to many witnesses in the International Criminal Court (ICC) in relation to the 2007 post-election violence (Bowry, 2012).

In Kenya, this recent focus on whistleblowing was highlighted in October 2004, when Transparent International awarded David Munyakei an Integrity Award for being Kenya's leading whistleblower by helping to expose the Goldenberg scandal, one of the largest and most complex financial scandals in Kenya's history, worth in the vicinity of USD \$1 billion. David Munyakei, then a newly employed accounts clerk in the bank division of the Central Bank of Kenya (CBK), noticed in the course of his processing work that a company called Goldenberg International was receiving unusually large sums of money as compensation for the alleged export of gold and diamonds. When he raised questions about this, he was advised, essentially, to 'shut up and toe the line'. He blew the whistle on the Goldenberg scandal by providing CBK documents to an opposition member of parliament (Kahora, 2008); these documents revealed illegal transactions between CBK and Goldenberg. CBK dismissed Munyakei and set the police after him. His mother, traumatised at the news, collapsed and later died, while Munyakei managed to escape into anonymity (Kahora, 2008; Kantai, 2009).

The focus on whistleblowing in Kenya as an important tool in the prevention and detection of corruption and malpractice was further emphasised when President Uhuru Kenyatta pledged to launch a whistleblowing website through which members of public can report corrupt government officials ('President pledges whistleblowing website', 2013). Despite this increasing focus on whistleblowing in Kenya and its increasing importance globally, there have been very few empirical studies on whistleblowing in auditing contexts in Kenya. This suggests a need to investigate this issue further in Kenyan contexts. The present study goes towards addressing this gap in the literature by examining external auditors in Kenya.

## **2.2 The concept of whistleblowing in auditing**

In Chapter 1, whistleblowing in an auditing context was defined as ‘the audit practitioner’s voluntary act, over and above the profession’s existing standards and legal requirement, to report any discovered unethical acts committed by other staff within the organisation to any party (internal or external) having potential to correct the wrongdoing’ (Alleyne et al., 2013, p. 12). This definition supports the view that statutory audit reporting does not constitute whistleblowing because it is part of a prescribed role, while whistleblowing is an act of dissent. A similar view was expressed by Jubb (2000), who contended that an act of disclosure that is authorised and obligatory does not represent dissent. Further, Alleyne et al. (2013) argued that whistleblowing for auditors can include the reporting of unethical acts committed by others through any reporting channels, whether external or internal, anonymously or not. Similarly, Curtis (2006) and Near and Miceli (1985) argued that reporting through both internal and external channels may be viewed as whistleblowing, since both channels can represent a challenge to an organisation’s authority structure in an attempt to effect change. In contrast, Jubb (2000) viewed whistleblowing by an external auditor as an act where it is on public record (i.e. to an external entity).

Auditors can report wrongdoing or questionable acts taking place within the organisation to relevant internal or external authorities. Graham (1986, p. 2) defined a questionable act as an action that ‘violates a standard of justice, honesty or economy’. This definition is consistent with the various standards in the auditing literature involving illegal acts, wrongdoings and intentional errors in financial statements (Schultz, Johnson, Morris, & Dyrnes, 1993). Within the auditing context, organisational wrongdoing may include fraudulent financial reporting, shredding of



working papers and manipulation of accounting standards (Alleyne et al., 2013). Internal whistleblowing refers to the reporting of wrongdoings and questionable acts to the appropriate superior in the firm's hierarchy who may be able to rectify such misconduct. Within the auditing context, internal whistleblowing can refer to reporting within the audit-client relationship: that is, reporting either to a member of the auditing firm's hierarchy, such as an audit senior or partner, or to a relevant party in the client firm, such as a member of the audit committee (Chung et al., 2004; Finn, 1995). External whistleblowing refers to the reporting of wrongdoing to an authority outside the organisation. In auditing, external whistleblowing can include reporting to any party outside the auditor-client relationship, such as media, professional associations, politicians or regulatory bodies and interest groups (Holtzhausen, 2007; Near & Miceli, 1995).

Chung et al. (2004) suggested that within the audit profession, there is likely to be more pressure to blow the whistle internally within the firm. The importance of internal reporting was supported by Brennan and Kelly (2007) and Kaplan and Schultz (2007). Indeed, Chung et al. (2004) argued that internal reporting is important to the audit process, since the auditor can approach internal sources, such as top management in the audit firms, to correct the wrongdoing. Internal whistleblowing also allows the organisation to privately and internally correct the wrongdoing before the matter intensifies—for example, when it is publicised in the media—and becomes detrimental and costly to the organisation. For example, when she discovered fraudulent accounting procedures at her company, Cynthia Cooper of WorldCom chose to report the matter internally to the audit committee. Her internal report allowed the company to address the issue by firing the chief financial officer and publicly disclosing the issue (Near, Rehg, Van Scotter, & Miceli, 2004).

External auditors reporting wrongdoing involves considerable ambiguity, and the concept of the whistleblowing auditor has been described as a contradiction in terms (Brennan & Kelly, 2007; Vinten, 1992). External auditors face many ethical, professional and legal restrictions on 'going public' with confidential information concerning any wrongdoing by their clients. Indeed, it would appear that independent auditors face more severe penalties than other professions for disclosing confidential information publicly (Mitschow & Langford, 2000). The audit profession has a requirement to maintain confidentiality and loyalty to the client, and yet the auditor may be required to report sensitive information that could harm the client, risking being perceived as disloyal. These potential conflicts thus encourage auditors to report internally.

However, there are risks that wrongdoings reported internally by auditors may not be satisfactorily resolved; this is because whistleblowing is often rejected within an organisation, as it can be deemed threatening and a form of organisational dissent. Thus, whistleblowers may be silenced or their reports ignored. If the audit staff member is unable or reluctant to report the matter internally, they may opt to report externally. External whistleblowing can adversely affect the audit firm, which may be perceived as violating client confidentiality, and may gain a reputation as a whistleblowing firm, potentially leading to the loss of current and future clients (Alleyne et al., 2013). Therefore, a dilemma arises as to whether the auditor has a moral and legal obligation to report internally or externally when they observe a questionable act performed by other audit staff.

In addition, external auditors are placed in a unique position compared to other professions by virtue of their privileged access to client information and accounts and their relationships with client company directors or management. This can give rise to several conflicts, including loyalties to the public, and ethical, legal and professional restrictions on publicising wrongdoing (Alleyne et al., 2013; Brennan & Kelly, 2007). Auditors are employed by their clients' shareholders to report on the financial statements of the company, and their remuneration is fixed by those shareholders. However, in practice, directors and management, whose stewardship of the company is crucial to the auditor's report, exercise their prevailing power when selecting auditors and fixing remuneration (Brennan & Kelly, 2007). Ashbaugh (2004, p. 144) argued that since top management are ultimately responsible for the financial statements, then the audit contract may be seriously affected in line with the old adage, 'a dog will not bite the hand that feeds him'. Yet, external auditing promotes the view that it protects the public interest by making corporate managers and their companies accountable for the resources entrusted to them by various stakeholders. Further, from the professional point of view, an auditor is expected to be an independent professional who will act with integrity in the public interest (Mitschow & Langford, 2000). Thus, external auditors are faced with this problem of dual loyalty—to the client and to the wider public interest—which may complicate their whistleblowing decisions.

The above review reveals that auditors are often faced with moral dilemmas on whether or not to report observed questionable acts performed by other audit staff, because auditing profession is unique in terms of its legal, ethical and professional restrictions and loyalties to the client and the public (Alleyne et al., 2013; Brennan & Kelly, 2007). Thus, the decision by the auditor to blow the whistle is a difficult one and affected of many factors.

## **2.3 Prior studies on factors influencing whistleblowing**

Whistleblowing decisions are complex, and involve various demographic, individual, organisational and situational factors (Alleyne et al., 2013; Brennan & Kelly, 2007; Henik, 2015). Key demographic factors include gender (Ahmad, Smith, & Ismail, 2012; Liyanarachchi & Adler, 2011) and age (Brennan & Kelly, 2007; Liyanarachchi & Adler, 2011). Individual factors include professional commitments (Elias, 2008; Taylor & Curtis, 2010), personal responsibility to report and perceptions (Kaplan & Whitecotton, 2001; Mustapha & Siaw, 2012). Organisational factors include adequacy of reporting channels (Brennan & Kelly, 2007) and threat of retaliation (Liyanarachchi & Adler, 2011), and situational factors include seriousness of wrongdoing (Kaplan & Schultz, 2007) and the status of the wrongdoer (Gao, Greenberg, & Wong-On-Wing, 2015). The following discussion reviews prior literature on the influence of these demographic, individual, organisational and situational factors on whistleblowing in auditing and accounting contexts. This review is important to achieving a thorough understanding of what previous work has been done on whistleblowing, and of the complexity of the issue.

### **2.3.1 Demographic factors**

Potential whistleblowers' demographic characteristics may influence their decision-making processes (Gao et al., 2015). Previous studies have suggested that demographic characteristics such as age, gender and tenure are likely to influence the decision to blow the whistle. However, to date, such studies have produced mixed results on the relationship between demographic

variables and whistleblowing intentions. For example, investigations of age and gender as predictors of whistleblowing have produced mixed findings. Liyanarachchi and Adler (2011) examined the association between age and gender and propensity to blow the whistle among Certified Public Accountants of Australia. The researchers found that among early career accountants, males were more likely than females to blow the whistle. In contrast, Kaplan, Pany, Samuels and Zhang (2009) found that females were more likely than males to report fraudulent acts through anonymous reporting channels. Meanwhile, Kaplan (1995) found no support for an influence of gender on audit seniors' intentions to report wrongdoing. Ahmad et al. (2012) found that age was not a significant predictor of intentions towards whistleblowing behaviour among internal auditors.

Further, although some studies have failed to establish age as a significant predictor of intention to whistleblow (Ahmad et al., 2012; Mesmer-Magnus & Viswesvaran, 2005), employees of longer tenure and higher job level are said to have a greater understanding of the authority and control systems within their organisations, and thus to have less resistance to whistleblowing compared to new members (Ahmad et al., 2012; Gao et al., 2015; Lee, Heilmann, & Near, 2004). The mixed findings described above have led some researchers to conclude that demographic variables have no significant relationships with whistleblowing behaviour (Park, Rehg, & Lee, 2005), while others have concluded that age and gender have complex effects on whistleblowing (Hoffman, 1998). Brennan and Kelly (2007) contended that demographic variables have yielded weak and conflicting results regarding their influence on individual whistleblowing.

### **2.3.2 Individual factors**

Previous research has shown that individual characteristics may have important influences on decisions about whistleblowing. Such characteristics may include ethical judgments (Ahmad et al., 2012), attitudes towards whistleblowing (Alleyne, 2012), locus of control (Curtis & Taylor, 2009), professional commitments (Taylor & Curtis, 2010) and personal responsibility to report.

On ethical judgment and whistleblowing, research on whistleblowing decision-making processes has shown that individual ethical judgments may influence whistleblowing behaviour (Chiu, 2002, 2003; Zhang, Chiu, & Wei, 2009). Ahmad et al. (2012) found that the probability of internal whistleblowing intentions was significant among internal auditors' ethical judgments. In addition, Finn and Lampe (1992) examined intentions to report questionable acts among students, audit managers and audit staff using vignettes. This study focused on the auditors' propensities to engage in unethical behaviour and to report their colleagues' unethical behaviour. The authors found a significant positive correlation between ethical judgments and whistleblowing decisions, which was mediated by certain issues and situational factors. The results also indicated that auditors themselves were not likely engage in the unethical behaviour in the scenarios. However, only a minority indicated their willingness to whistleblow on a colleague who performed the questionable act. Further, it was found that practising auditors were less supportive of whistleblowing compared to auditing students.

A personality variable known as locus of control may also contribute to explaining the likelihood of individual whistleblowing behaviour (Ahmad et al., 2012). Locus of control is also known as internal versus external control of reinforcement. People with internal locus of control are

associated with more ethical behaviours than people with external locus of control (Trevino, 1986). As whistleblowing is considered an ethical act, it is expected that whistleblowers have internal locus of control traits (Ahmad et al., 2012; Chiu, 2003). Curtis and Taylor (2009) found that locus of control was an important antecedent to whistleblowing intentions among in-charge-level auditors in the United States (US). Auditors with internal locus of control were more likely to blow the whistle than auditors with external locus of control.

Theoretical models of whistleblowing have also recognised the potential influence of individual commitment to the organisation on the likelihood of whistleblowing (Graham, 1986; Near & Miceli, 1985). Taylor and Curtis (2010) found that auditors' commitment to the organisation increases perseverance in reporting. In contrast, Ahmad et al. (2012) proposed that individuals with high organisational commitment are more likely to display prosocial behaviour in whistleblowing than those with lower organisational commitment. However, their study failed to find a significant influence of organisational commitment on whistleblowing intentions among internal auditors. This variable is important in explaining whistleblowing intentions among external auditors, given that firms are being encouraged to implement hotlines, ethics committees and ethics training to facilitate whistleblowing culture.

Individual levels of professional commitment are another potentially influential factor. In an audit context, professional commitment can be described as the auditor's identification with the norms, codes and practices inherent in the profession, and the auditor's willingness to accept and behave in accordance with these professional goals and values (Alleyne, 2012). Hall, Smith and Langfield-Smith (2005) contended that accountants with strong commitment to their profession

are likely to experience a stronger sense of moral obligation to engage in behaviours that are beneficial to the profession, such as reporting questionable acts of others. Kaplan and Whitecotton (2001) found that commitment to the auditing professional was positively correlated with perceptions of responsibility for reporting the unethical acts of others. These results on professional commitment are similar to those of Taylor and Curtis (2010), who found that professional commitment increases the likelihood that an auditor will initially report an observed violation.

Regarding personal responsibility to report, Alleyne et al. (2013) suggested that this is a very important variable in the auditing profession, because auditors' professional rights and responsibilities to report wrongdoing are set out in their professional codes of conduct. Previous studies have shown that personal responsibility has a positive, direct effect on whistleblowing intentions among external auditors. For example, Kaplan and Whitecotton (2001) and Schultz et al. (1993) found a strong positive link between personal responsibility and likelihood of reporting questionable acts. Similarly, Alleyne (2012) found a significant positive relationship between personal responsibility and internal whistleblowing intentions among external auditors who perceive moderate and high levels of organisational support. This relationship is important to auditing firms, who could implement mechanisms for improving audit staff's personal responsibility to report unethical acts of their colleagues, given that non-disclosure may result in loss of reputation and income to the firm.

Attitudes towards whistleblowing are another potentially significant variable. An attitude can be defined as an individual's assessment of the extent of their approval or disapproval of a specific



behaviour. Attitudes have an independent and direct influence on whistleblowing intentions by evaluating how positively or negatively an individual feels towards whistleblowing. It has been suggested that a positive attitude towards whistleblowing is the only individual factor that has been capable of consistently predicting whistleblowing behaviour (Henik, 2015). In one example, Alleyne (2012) found that a positive attitude towards whistleblowing was a strong predictor of auditors' intentions to whistleblow internally.

### **2.3.3 Organisational factors**

Organisational factors include organisational support (Alleyne et al., 2013; Kaplan & Whitecotton, 2001), organisational climate (Chung, Monroe, & Thorne, 2004) and threat of retaliation (Liyanarachchi & Adler, 2011; Mesmer-Magnus & Viswesvaran, 2005). Previous studies (Alleyne et al., 2013; Kaplan & Whitecotton, 2001) have proposed a relationship between the level of organisational support and the acceptability of whistleblowing within that organisation. It is expected that individuals will feel comfortable making decisions to report unethical acts when they perceive that the organisation will be supportive (Gao et al., 2015), thereby reducing the personal cost of reporting. Examining whistleblowing intentions among external auditors in Barbados, Alleyne (2012) found that when perceived organisational support was high, there was a significant positive relationship between personal cost of reporting and external whistleblowing intentions. This variable is important to explaining whistleblowing intentions among external auditors, since auditors may perceive potentially high personal costs of reporting, which may be mitigated by the perception that the firm will support them.

In addition, previous research has shown that the level of perceived support from the organisation's hierarchy may be influential on decisions to whistleblow, and also on the choice of reporting channel (internal or external) (Hooks, Kaplan, & Schultz, 1994). Some studies have indicated that senior managers who benefit significantly from continued wrongdoing within their organisation have tendencies to retaliate against whistleblowers who stand in their way (Mesmer-Magnus & Viswesvaran, 2005; Miceli, Near, & Schwenk, 1991). Further, Taylor and Curtis (2013) investigated auditors' likelihoods of reporting their observations of colleagues' unethical behaviour by considering prior organisational response and power distance between reporter and reportee. Data collected from 106 senior-level auditors suggested that auditors are more likely to report on their peers than their superiors, but also that they are more likely to report superiors when prior organisational response has been strong than when it has been weak.

In relation to the choice of reporting channel, Brennan and Kelly (2007) surveyed 100 trainee auditors in Ireland. They examined the level of confidence that the trainee auditors had in their firms' internal and external reporting mechanisms, their willingness to question their audit partners' unsatisfactory decisions, and the impact of legal and regulatory protection on their likelihood of blowing the whistle. The authors found that where audit firms had implemented adequate reporting mechanisms, respondents were more likely to whistleblow and were less fearful of retaliation that could affect their careers. Further, the researchers found that trainee auditors seemed more willing to challenge inappropriate decisions or actions by the audit partner in response to the wrongdoing. In another study, Chung et al. (2004) examined auditors' intentions to report wrongdoing internally (to the audit firm's managing partner) or externally (to

the board of directors). The authors found that auditors preferred to report internally rather than externally.

In relation to organisational climate, Chung et al.'s (2004) study also examined the effect of organisational climate on external auditors' intentions to whistleblow. The researchers compared rule-based and principle-based organisational climates; rule-based organisational climates are those that reinforce the need to comply with detailed rules and laws, while principle-based organisational climates are those that reinforce the need to apply overall principles in ethical decision making. The results indicated that auditors were more likely to whistleblow in a principle-based organisational climate compared to a rule-based climate.

Research has also suggested that potential retaliation against whistleblowing is an important factor in explaining individual decisions to engage in whistleblowing (Liyanarachchi & Adler, 2011; Mesmer-Magnus & Viswesvaran, 2005). Forms of retaliation can include isolation, defamation, coercion or termination of employment, downgrading or assigning work without responsibility. The potential whistleblower assesses what will happen after the whistleblowing occurs, and this assessment determines whether they will blow the whistle or not; the harsher the retaliation, the less likely they are to blow the whistle. However, studies on the effects of retaliation on whistleblowing have shown mixed results (Miceli & Near, 1988; Near & Miceli, 1986; Near et al., 2004). For example, Liyanarachchi and Adler (2011) proposed that the potential strength of resulting retaliation may negatively influence accountants' propensities to whistleblow. However, Liyanarachchi and Adler (2011) found that accountants in the age group of 45 years and above responded to retaliation differently depending on gender. The female

accountants' propensity to whistleblow tended to decline as the threat of retaliation increased from weak to strong. In contrast, they found that changes in threat of retaliation had little impact on male accountants' propensity to whistleblow.

#### **2.3.4 Situational factors**

Previous research has suggested that almost any employee has the potential to become a whistleblower depending on the circumstances (Brown, 2008, p. 77). Two main situational factors examined in this thesis include the seriousness of the wrongdoing and the status of the wrongdoer. The type of wrongdoing and its perceived severity have significant relationships with whistleblowing (Near et al., 2004). Near et al. (2004) found that employees who observed wrongdoing involving mismanagement or unspecified legal violations were significantly more likely to report it than were employees who observed instances of stealing, waste, safety problems or discrimination. Further, previous studies using case scenarios have shown that whistleblowing behaviour is dependent on the facts of the case (Ayers & Kaplan, 2005; Kaplan & Schultz, 2007; Schultz et al., 1993). Kaplan and Schultz (2007) focused on the characteristics of the instances of wrongdoing and the resulting reporting behaviour across three different cases involving financial fraud, theft and poor quality work. They found that the presence of economic or non-economic factors in the three cases resulted in key differences in the participants' reporting intentions. Similarly, Ayers and Kaplan (2005) found that consultants' perceptions of the seriousness of wrongdoings were related to reporting in both anonymous and non-anonymous reporting channels.

The status of the wrongdoer is often measured in terms of the wrongdoer's position in the organisation, which can reflect bases of power or the organisation's degree of dependence on the individual (Gao et al., 2015; Miceli, Near, & Dworkin, 2008). The status of organisational members who commit wrongdoing can also influence whistleblowing intentions based on its effect on the perceived seriousness of the act and the personal cost of whistleblowing (Gao et al., 2015). For example, organisational wrongdoing committed by higher-level members may have automatic implications about the amount and/or extent of the damages associated with the wrongdoing; thus the wrongdoer's status may influence whistleblowing intentions based on the perceived seriousness of the act. In addition, Rehg, Miceli, Near and Van Scotter (2008) found that the more powerful the wrongdoer, or the more dependent the organisation is on the wrongdoer, the more retaliation will be directed towards the whistleblower. Retaliation is an important component of personal cost, and the potential whistleblower is likely to perceive the potential personal cost as higher when the status of the wrongdoer is high (Gao et al., 2015).

## **2.4 Cultural studies in whistleblowing**

Culture is considered an important factor influencing whistleblowing behaviour, and has been used as an independent variable in examining differences in such behaviour (Behrens, 2015; Hwang et al., 2014; MacNab et al., 2007; Tavakoli, Keenan, & Cranjak-Karanovic, 2003). Culture is described as a complex representation of average tendencies in the values, attitudes, beliefs and behaviours that are shared among a group of people (Hofstede, 1980; Matsumoto & Juang, 2004). Shared systems of meanings shape the social environment by influencing social structures, traditions and informal and institutionalised practices, thereby influencing individuals' psychological processes and social behaviour (Mosquera, Fischer, & Manstead,

2004). Culture influences whistleblowing behaviour by shaping people's perceptions on what kinds of activities are wrong, what the appropriate response is to wrongdoing, and in what situations whistleblowing is an appropriate response (Park, Blenkinsopp, Oktem, & Omurgonulsen, 2008).

Previous studies on whistleblowing have acknowledged national cultural differences and cross-cultural effects (Behrens, 2015; Hwang, Staley, Te Chen, & Lan, 2008; Patel, 2003). However, these studies have been characterised by the methodological approach of identifying cultures without empirically operationalising or measuring culture as a complex construct. Most studies have used proxies such as nationality to represent culture. In addition, there has been heavy reliance on Hofstede's (1980) taxonomy of work-related national cultures. Hofstede (1980) identified four dimensions of national cultures: power distance, uncertainty avoidance, individualism versus collectivism and masculinity versus femininity. Hofstede (2001) later reported the existence of a fifth national culture dimension of long-term versus short-term orientation (Hofstede, 2001).

Although Hofstede's work has been highly influential in cultural studies, it has not escaped criticism (Fang, 2003; Heinz et al., 2013). Some researchers have argued that the attribution of nation as culture is a weak strategy that creates methodological flaws (Baskerville, 2003; Baskerville-Morley, 2005; McSweeney, 2002), and that associating nationality with culture may be an oversimplification of the complex construct of culture. For example, Lenartowicz, Johnson and White (2003) argued against equating nations with culture:

simply because national boundaries are easy to identify does not make them an appropriate variable for segmenting behaviour. Differences in behaviour that are culturally based would exist even if the world were not organised into nation states. (p. 100)

Many nations in the world represent diverse cultures and ethnicities, and therefore it would be erroneous to assume cultural homogeneity in cultural studies of those nations. Lenartowicz et al. (2003) provided support for the existence of subcultures within a nation that may result in within-country cultural variations. Similar sentiments were expressed by Matsumoto and Juang (2004), who contended that equating nationality with culture is problematic because it ignores the possibility of multiple cultures coexisting within a nation. Indeed, Jacob (2005) stressed that homogenous cultural identities do not exist within any country. Jacob (2005) explained that 'even a small country like Switzerland, with a population of only 7.5 million, is not culturally homogenous' (p. 515). Therefore, it may be unrealistic to assume cultural homogeneity within a multi-ethnic country like Kenya. The following discussion critically reviews current cultural studies in whistleblowing and their reliance on Hofstede's work, with a view to identifying a possible methodological alternative for examining whistleblowing behaviour.

The following studies have examined the relationship between culture and whistleblowing. Behrens (2015) examined the impact of culture on the efficacy and fairness of whistleblowing in Brazil and the US. The researcher surveyed 175 alumni of executive MBA programs from both Brazilian and US schools who were working in different multinational companies operating in Brazil. The results of the study indicated that whistleblowing behaviour was active in US-owned corporations, but infrequent in Brazilian-owned corporations. In addition, among the corporations, support for whistleblowing was strong, except where the respondents happened to

be acquainted with someone who had been unfairly accused. The researcher concluded that a mechanism of control developed in an individualist country (the US) may fail to produce the desired results in a collectivist country (Brazil). Arguably, Behrens's (2015) study used nationality to represent culture, which may have created problems in interpreting the differences in the perceptions of whistleblowing. In theorising the relevance of culture, Behrens (2015) relied largely on the national work-related value dimensions of Hofstede (1980). However, only the dimension of individualism versus collectivism was used in the study, and these cultural characteristics were not validated in the methodology. According to Harrison and McKinnon (1999), there is a need to consider the cultural dimensions together in totality and not to omit any. Behrens (2015) concluded that the effectiveness of whistleblowing instruments cannot be separated from country-specific cultures. However, Behrens (2015) examined individual MBA executives; when the aim is to examine variations in individual attributes, such as fairness in whistleblowing, individual-level values should be used rather than cultural-level analysis in cultural research.

Cheng, Karim and Lin (2015) examined cultural influences on whistleblowing decisions and compared the perceptions of people from individualistic cultures with those from collectivistic cultures. From a survey of 94 British and Chinese students of the University of Glasgow representing different cultural environments, the results showed that individuals from collectivist cultures were less likely to become whistleblowers and less likely to be accepting of whistleblowing behaviour than those from individualistic cultures. It can be argued that Cheng et al. (2015) used the nation as a unit of analysis representing culture, because they took students from different countries (i.e. Britain and China) to represent different cultural environments.



Cheng et al. (2015) adopted Hofstede's (1980) dimensions of collectivism and individualism in comparing cultures. However, these researchers relied on these dimensions without specifically measuring them, and failed to show that the other cultural dimensions were irrelevant.

Similarly, based on the work of Hofstede (1980), Hwang et al. (2014) demonstrated that individuals in individualistic and egalitarian cultures such as that of the US have greater propensity to whistleblow and are more accepting of whistleblowing than those in collective, hierarchical cultures such as those of China and Taiwan. Hwang et al. (2014) again used the nation as a unit of analysis to represent culture. Although the researchers relied on Hofstede's (1980) dimensions, they failed to specifically measure the dimensions of collectiveness and individualism in the Chinese and Taiwanese and US cultures respectively, and ignored the other dimensions of power distance, uncertainty avoidance and masculinity versus femininity. The participants in the study were individuals from China, Taiwan and the US, and therefore it is questionable whether Hofstede's ecological dimensions were appropriately applied, since Hwang et al. (2014) established these dimensions using nations as a unit of analysis rather than individuals.

Keenan (2007) investigated individual, organisational and moral perception variables relating to whistleblowing among US and Chinese managers. The results of the study indicated that Chinese managers, compared to US managers, held stronger moral perceptions with respect to minor forms of fraud, because they tended to see such forms of fraud as potentially causing more damage and harm to the welfare of their organisations than US managers. In addition, the findings of the study indicated that US managers had more positive perceptions about

whistleblowing than their Chinese counterparts. Keenan (2007) concluded that the Chinese managers were less likely to blow the whistle than the US managers. The researcher argued that such differences can be attributed to Chinese culture's collectivistic rather than individualistic character. By comparing Chinese and US managers in their whistleblowing behaviour, Keenan (2007) used nationality to operationalise cultural differences, and assumed that national cultural differences would predict differences in behaviour. The researcher's assumption that the Chinese and US managers in the sample respectively would subscribe to collective and individualistic national cultural values, as described by Hofstede (1980), failed to take into consideration that all people within a nation may not share a common culture, as suggested by Hofstede.

Zhuang, Thomas and Miller (2005) examined the effects of culture (Canadian and Chinese) and type of reporting (whistleblowing and peer reporting) on tendencies to report unethical acts within organisations. Zhuang et al. (2005) identified culture with reference to Hofstede's (1980) national cultural dimensions. The research examined the dimensions of individualism, long-term orientation and power distance, which they considered to represent strong cultural differences between Canada and China. These researchers found that the Chinese were more likely to report the unethical acts of their peers than the Canadians were, and the Chinese were also more likely to report the unethical acts of peers than those of supervisors. Without actually measuring the cultural dimensions represented by the Canadian and Chinese final year accounting students, Zhuang et al. (2005) failed to provide empirical support for the relevance of culture to the instances of whistleblowing and peer reporting that were being examined. In addition, in relying on Hofstede's (1980) national culture dimensions without specifically measuring them, these researchers failed to consider the complexities of culture and the possibility of variations in

cultural norms and values within countries. Using national culture to represent culture per se ignores the fact that people within the same country may not necessarily have the same cultural traits (Matsumoto & Juang, 2004). As a result of this use of national culture to represent culture, the validity of the results is questionable.

Patel (2003) conducted a cross-cultural study on the effects of culture on professional judgments in relation to whistleblowing as an internal control mechanism. Patel sampled professional accountants from Australia, India and Malaysia as representatives of different cultural environments, to examine whether they would judge whistleblowing differently. Patel (2003) found that the Australian professional auditors were more likely to accept and engage in whistleblowing as an internal control mechanism than the Chinese-Malaysian and Indian professional auditors. Patel (2003) validated the cultural dimensions of the three countries using Hofstede's (1980) Value Survey Questionnaire. However, Hofstede's (1980) value survey model was developed to measure culture at a national level, while Patel's study examined individual accountants from Malaysia, Australia and India. Therefore, it may have been inappropriate to analyse data collected on the individual level using nationality as a unit of analysis. In addition, in theorising the significance of cultural influences on professional accountants' judgments, Patel (2003) theoretically justified the choice to use power distance and individualism in his study, but did not empirically prove that the other cultural dimensions were irrelevant and did not discuss the theoretical implications of the omitted cultural dimensions of uncertainty avoidance, masculinity and long-term orientation.

The preceding discussion shows that most researchers in the field have used nationality as a stand-in for culture, and that there has been considerable reliance on the work-related cultural values constructs developed by Hofstede (1980) in examining the impact of culture on whistleblowing decision-making processes. This reliance of Hofstede's (1980) cultural dimensions to predict whistleblowing decisions is arguably problematic, also because of the use of national cultures as a substitute for culture. There are many cultures and ethnicities represented within single nations; evidence supports the existence of subcultures within a nation, and ignoring sub-cultural variations can lead to non-significant results on cross-national differences (Lenartowicz et al., 2003). Therefore, an alternative method of examining whistleblowing decisions may be beneficial to the whistleblowing literature. Ethnicity may provide an alternative approach to nationality that could yield clearer and more comprehensive understanding on whistleblowing behaviour in nations and cultures.

## **Chapter 3: Theory Development**

This chapter is organised as follows: Section 3.1 examines the concept of ethnicity. Section 3.2 describes the components of ethnic identity. Section 3.3 describes Phinney's three-stage model of ethnic identity. Section 3.4 examines construal of self. Finally, Section 3.5 deals with ethnic identity and construal of self.

### **3.1 Ethnicity**

Ethnicity has been described as an individual's objective group membership as determined by their parents' ethnic heritage (Phinney, 1992; Phinney & Ong, 2007). According to Liebkind (2006), an individual's ethnicity is ascribed in the sense that one cannot choose the ethnic group into which they are born, but it is realised to the extent that the meaning it acquires for one's overall identity can be a matter of choice. Therefore, self-ascribed and other-ascribed ethnic labels are the explicit expression of an individual's identification with a particular ethnic group (Fishman & García, 2010).

Ethnicity is multidimensional in nature and involves the biological, cultural, social and psychological domains. The cultural aspects of ethnicity refer to the norms, values, attitudes and behaviours that characterise and are embraced by an ethnic group. The social dimension is made up of political, ideological and economic features. The psychological (intraindividual) and personal characteristics focus on individual pride in and identification with one's ethnic group. This dimension is important because when an individual self-identifies as a member of a

particular ethnic group, they are then willing to be perceived and treated as a member of that group (Bailey & Peoples, 2013; Fishman & García, 2010). The salience of ethnicity varies as one interacts with different situations in everyday life. Thus, ethnicity is dynamic and influenced by both the internal and the external environments of the individual (Ruvalcaba & Venkatesh, 2015; Zaff et al., 2002).

Previous studies (e.g., Ahmad, Houghton, & Yusof, 2006; Nazri, Smith, & Ismail, 2012; Yunos et al., 2012) have shown that ethnicity affects behaviours in auditing and accounting. Nazri, Smith and Ismail (2012) examined ethnicity and choice of auditor in Malaysian audit environments for the period 1990–2008. The researchers provided evidence on the relationship between choice of auditor and seven related variables, including change of management, ethnicity of management, client firm financial risks, client firm financial distress, complexity of the client, ethnicity of audit partners and industry specialisation. The results indicated that auditor choice was significantly influenced by the client firm's characteristics, including changes in management, financial risk, financial distress and complexity. In addition, there was a relationship between the ethnicity of the board of directors and the ethnicity of the auditor partner when clients changed from a Big Four to non-Big Four audit firm.

While providing useful insights into the influence of ethnicity on auditor choice, Nazri et al.'s (2012) conclusions are limited. This is because, although all ethnic members were treated as similar (i.e. as part of the same category), there can be great variations in the degree to which individuals use ethnicity in their self-identifications. For example, some individuals in the same ethnic group may strongly define themselves in terms of their ethnicity and experience strong

commitment to their ethnicity, while others may not identify themselves with their ethnic group at all. Therefore, it would impossible to draw accurate conclusions based solely on ethnic group membership (ethnicity). Previous research (e.g., Peplau, Veniegas, Taylor, & DeBro, 1999; Phinney, 1996; Zaff et al., 2002) has suggested that it is important to identify and assess the various multiple dimensions associated with ethnicity in order to understand its impact on psychological outcomes. Ultimately, Nazri et al.'s (2012) research treated ethnicity as a simple categorical variable rather than a complex multidimensional construct, failing to identify and examine the various dimensions of ethnicity that may explain its influence.

Ahmad, Houghton and Yusof (2006) examined how ethnicity (Chinese and Bumiputra) in company ownership and national issues influence the audit services market in Malaysia. The researchers proposed that ethnic affiliation influences business conduct. As such, they hypothesised that Chinese-controlled companies would have a significant association with the choice of Chinese auditors, while Bumiputra-controlled companies would have a significant association with the choice of Bumiputra auditors. For foreign companies, they would be likely to select the same auditors as their parent companies or auditors that are prominent in their home countries due to perceived need for international-standard (high-quality) auditing. The results indicated that shared ethnicity between auditor and client was a significantly influence on the client's choice of auditor. Chinese- and Bumiputra-controlled companies were associated with auditors from the same ethnic background. Foreign-owned companies were likely to choose quality-differentiated auditors. Similarly to Nazri et al. (2012) above, Houghton and Yusof (2006) measured ethnicity as a simple categorisation of participants into Chinese and Bumiputra

ethnic groups based on a single question about their ethnic identification. As a result, the researchers failed to identify how and why ethnicity affects the audit service market in Malaysia.

The above discussion shows that, although prior studies examining ethnicity in auditing contexts have contributed significantly to the auditing literature by showing that ethnicity is an important variable that merits investigation, these studies lack explicit analysis of what characteristics or subcultures within ethnicity have produced the claimed effects. Specifically, Zaff et al. (2002) suggested that ethnicity must be assessed via multiple continuous dimensions, such as construal of self and ethnic identity, because individuals within an ethnic group may differ significantly. Prior studies (e.g., Barry et al., 2000; Khakimova et al., 2012; Ting-Toomey, Oetzel, & Yee-Jung, 2001) have adopted both construal of self and ethnic identity as significant variables in examining the influences of ethnicity. Likewise, Phinney (1996) and Kim and Gelfand (2003) also identified ethnic identity as an important factor in explaining the influences of ethnicity. Singelis and Brown (1995) argued that construal of self is an ideal choice of variable for explaining the psychological impacts of ethnicity for individuals. Thus, in this thesis, the constructs of construal of self and ethnic identity are adopted as viable alternatives to the previously used categorical conceptualisations of ethnicity in examining whistleblowing judgments in Kenya.

### **3.2 Concept of ethnic identity**

The concept of ethnic identity is highly diverse in its scholarly usage (Brubaker & Cooper, 2000). This diversity is due to the variety of underlying theories embraced by researchers and



how researchers have conceptualised ethnic identity in relation to the questions they intend to resolve (Phinney, 1990; Trimble & Ryan, 2005). For example, some researchers have emphasised self-identification related to social group membership (e.g., Tajfel, 1981), while others have given importance to feelings of belonging, commitments and the sense of shared values and attitudes, or attitudes towards one's group (e.g., Parham & Helms, 1981; Ting-Toomey, 1981). In addition, other researchers have concentrated on the cultural aspects of ethnic identity, such as behaviour, language, values and knowledge of one's ethnic group's history (e.g., Rogler, Cooney, & Ortiz, 1980).

Given this diversity of underlying theories and conceptualisations embraced by researchers in relation to ethnic identity, a wide range of definitions of ethnic identity exist. In fact, Phinney (1990) stated, these definitions display wide discrepancies. For example, Branch, Tayal and Triplett (2000) defined ethnic identity as 'a sense of psychological connection to a group of people with a common heritage and a place of geographical origin' (p. 778). In contrast, Smith and Silva (2011) defined ethnic identity as 'the degree to which individuals perceive themselves to be included and aligned with an ethnic group' (p. 42). Therefore, there is no generally agreed-upon definition of ethnic identity. However, the most widely used definition of ethnic identity in psychology, and the definition adopted in this thesis, is that developed by Phinney (1990, 2000, 2003). She defined ethnic identity as 'a dynamic, multidimensional construct that refers to one's identity, or sense of self as a member of an ethnic group' (Phinney, 2003, p. 63).

As implied by the above definition adopted in this thesis, ethnic identity is a multidimensional construct encompassing cognitive, affective and behavioural components, including self-

identification, the salience and centrality of ethnicity in one's life, sense of belonging and affiliation, private regard (positive affect towards one's group), public regard (perceived favourability of one's group) and interest and participation in ethnicity-specific activities (Ashmore, Deaux, & McLaughlin-Volpe, 2004; Phinney, 1990; Phinney & Ong, 2007). It is argued that these different aspects of ethnic identity are accessible, salient or central to the individual based on the moment or situation.

Certain characteristics of a situation may influence when an individual becomes more or less aware that they are a member of a particular ethnic group. Therefore, although individuals may acknowledge membership of a particular ethnic group, what that membership means and how it is experienced will differ between individuals and is, in part, dependent on the context (Kenny & Briner, 2013). As such, there is wide variation in the importance attributed to one's ethnic identity across individuals and groups (Phinney & Ong, 2007) depending on the context. Indeed, ethnic identity varies along a continuum from weak to strong, and individuals within groups may be located at any point between the extremes of strong and weak ethnic identity (Newman & Newman, 2011, p. 373; Phinney, 1991; Phinney & Ong, 2007). Persons with strong ethnic identity self-identify as group members; evaluate their group positively; prefer or are comfortable with their group membership; are interested in, knowledgeable about and committed to the group; and are involved in ethnic practices. In contrast, where there is little ethnic interest, knowledge, commitment or involvement, and negative evaluation of the group and of one membership in the group, then an individual's ethnic identity could be called weak (Phinney, 1991). Table 3.1 below shows different aspects of strong and weak ethnic identity.

**Table 3.1: Aspects of strong and weak ethnic identity**

<b>Strong ethnic identity</b>	<b>Weak ethnic identity</b>
High, strong, secure or achieved ethnic identity	Low, weak or diffuse ethnic identity
Involvement in ethnic behaviours and practices	Little involvement in ethnic behaviours
Positive evaluations of the group	Negative evaluation of the group
Preference for own group; happy with one's membership	Preference for majority group; unhappy with one's membership
Interest in and knowledge about the group	Little interest in or knowledge about the group
Commitment, sense of belonging to the group	Little commitment or sense of belonging to the group

Previous studies, such as those of Saylor and Aries (1999) and Yip and Fuligni (2002), have shown that one's ethnic identity varies in strength according to social context. The strength of ethnic identity in social context influences thoughts, feelings and actions (Newman & Newman, 2011, p. 373). For example, strong ethnic identities play a crucial role in influencing social and political behaviour in Kenya (Gutiérrez-Romero, 2013). Indeed, strong ethnic identities have been observed to influence ethical decisions in professions such as journalism in Kenya (Wasserman & Maweu, 2014). As such, it is of interest in this thesis to examine how ethnic identity influences auditors' whistleblowing judgments in Kenya. The following section examines the components of ethnic identity.

### **3.3 Components of ethnic identity**

Phinney (1990, 1992) identified components that are central to the construct of ethnic identity and that have been used in studies of a wide variety of ethnic groups. The *affirmation and belonging* subscale measures an affective component that assesses the degree to which one accepts her or his ethnicity (i.e. feelings of attachment, ethnic pride and attitudes towards one's

own group). The *ethnic identity achievement* subscale measures a developmental and cognitive component (i.e. the degree to which a person identifies with and explores the ethnic group; their understanding of the ethnicity; and secure knowledge and sense of clarity of who one is as member of an ethnic group). The *ethnic behaviour* subscale measures a behavioural component that explores involvement in ethnic activities and practices, participation in cultural traditions and socialisation with in-group members (Kosic & Caudek, 2006). The MEIM also includes a six-item scale to assess orientation towards other ethnic groups; this is not part of the ethnic identity scale and was not included in the present study. The following subsections provide descriptions of different components of ethnic identity that are common to a wide range of ethnic groups.

### **3.3.1 Ethnic self-identification**

Ethnic self-identification refers to the ethnic label that an individual gives themselves as a member of an ethnic group (Phinney, 1992; Phinney & Ong, 2007). It is considered a necessary precondition for ethnic identity and a basic element of group identity (Phinney & Ong, 2007). This means that individuals must first recognise that they belong to an ethnic group before the deeper meaning of their ethnic identity is understood. When an individual identifies themselves as a member of a particular ethnic group, then they are willing to be perceived and treated as a member of that ethnic group. Individuals who use a given ethnic label may vary widely in their sense of belonging to their group, their attitudes towards the group, their ethnic behaviours and their understanding of the meaning of their ethnicity.

### **3.3.2 Affirmation and belonging**

This refers to the individual's sense of group membership and attitudes towards the group (Ganeva & Phinney, 2009). A sense of belonging or commitment is the most important component of ethnic identity (Phinney & Ong, 2007). The term 'commitment' refers to strong attachment and investment in a group. A sense of belonging to one's group can also be defined in contrast to another group (i.e. experiences of exclusion, contrast or separateness from other group members). This component assesses ethnic pride, feeling good about one's background and being happy with one's group membership, as well as feelings of belonging and attachment to the ethnic group.

In addition to the sense of belonging, individuals may have positive or negative affect towards their own ethnic group (2007). Affirmation involves the degree to which the individual feels positively (or negatively) about their ethnic group membership (2008). Positive attitudes include pride, pleasure, satisfaction and contentment in one's own group. The term 'acceptance' is frequently used for positive attitudes. The presence of negative attitudes can be seen as a denial of one's ethnic identity. According to social identity theorists, one's affect towards one's group can influence the attitudes that one has towards other ethnic groups, and more specifically towards members of groups different from one's own (Tajfel & Turner, 1986).

### **3.3.3 Ethnic achievement**

This refers to extent to which a person has achieved a secure and confident sense of his or her ethnicity (Ganeva & Phinney, 2009). Ethnic identity achievement involves an exploration of the

meaning of one's ethnicity that leads to a sense of commitment to one's ethnicity that is based on a clear understanding of the implications of ethnic identity and a secure, confident sense of group membership. Exploration is defined as seeking information and experiences relevant to one's ethnicity. This can involve a range of activities, such as reading and talking to people, learning cultural practices and attending cultural events. Exploration helps one to learn more about one's ethnic background and obtain a clear understanding of the role of ethnicity for oneself. This is an important aspect of ethnic identity because, without it, one's commitment may be less secure and more subject to change in response to new experiences.

### **3.3.4 Ethnic behaviours and practices**

'Ethnic behaviours' refers to the extent to which an individual partakes in interactions and behaviours that implicate that individual as a member of the collective group (Ashmore et al., 2004). It includes activities associated with group membership, such as participating in activities and traditions specific to the ethnic group. Involvement in the social life and cultural practices of one's ethnic group is the most widely used indicator of ethnic identity. The indicators of ethnic involvement include language, friendship, social organisation, religion and cultural traditions.

## **3.4 Phinney's three-stage model of ethnic identity**

Phinney's (1989) three-stage model of ethnic identity is grounded in the work of three theorists: Tajfel's (1981) social identity theory, Erikson's (1968) theory on ego identity formation and Marcia's (1980) work on ego identity statuses. Tajfel's (1981) social identity theory is a social-psychological theory that explains cognition and behaviour with the help of group processes

(Hogg, 2006, p. 112; Trepte, 2006). This theory focuses on ‘the group in the individual’ (Hogg & Abrams, 1988, p. 3), and assumes that a key part of the self-concept (collective self or social identity) is defined by belonging to social groups. According to Erikson’s (1968) theory of identity formation, identity is a subjective feeling of sameness and continuity, which provides individuals with a stable sense of self and serves as a guide for choices in key areas of one’s life (Erikson, 1968; Phinney & Ong, 2007). Marcia’s (1980) developmental model of ego identity formation is based on an operationalisation of Erikson’s theory of identity formation. Marcia stated that two key processes underlie ego identity development: an exploration of identity issues and alternatives and a commitment or decision regarding one’s identity. Marcia proposed and identified four ego identity statuses—*diffuse*, *foreclosed*, *moratorium* and *achieved*—that depend on the individual’s degree of exploration and commitment.

In her early work, Phinney conducted interviews with white, Asian, Hispanic and black adolescents to explore the application of Marcia’s (1980) operationalisation of the construct of ethnic identity. Phinney (1989) was unable to distinguish adolescents who were foreclosed with respect to their ethnicity from those who were diffuse. Accordingly, she developed a model that describes ethnic identity as a three-stage process, as opposed to Marcia’s four statuses (1966, 1980). In her three-stage model of ethnic identity development, which is intended to apply to members of all ethnic groups, individuals progress through three stages: *unexamined ethnic identity*, *ethnic identity search* (or exploration), and *achieved ethnic identity*.

The unexamined stage is characterised by a lack of exploration of one’s ethnicity. Individuals at this stage have not really critically thought about or explored their ethnic identity; instead, these

individuals may either have adopted the dominant culture's characterisation of their ethnic group or may never have been exposed to any groups other than their own (Cokley & Vandiver, 2011, p. 306; Umaña-Taylor, Yazedjian, & Bámaca-Gómez, 2004). The second stage is characterised by individuals who have begun to explore their ethnic identity. Such exploration may lead individuals to develop a meaning for their ethnicity in the context of their own lives and define the salience of their ethnic identity with respect to their broader social self (Phinney, 1990; Umaña-Taylor et al., 2004). The final stage of ethnic identity achievement corresponds to the acceptance and internalisation of one's ethnicity. Individuals at this stage have resolved their feelings about their ethnic identity and what it means to them (Cokley & Vandiver, 2011, p. 306). It is at this stage that individuals have come to terms with group membership (Phinney, 1989, 1990). Phinney's theoretical model conceptualises ethnic identity achievement as a continuous variable, ranging from the lack of exploration and commitment to the fully achieved ethnic identity. Table 3.2 below shows these ethnic identity processes and statuses.



**Table 3.2: Definitions of ethnic identity processes and statuses**

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<b>Ethnic identity processes</b>	
Exploration	Evidence of current or past efforts to learn about or gain understanding of the history, practices and beliefs of the group and the implications of ethnic group membership, such as the positive and negative aspects of one's group.  Exploration involves individual efforts, such as talking to people, reading, going to museums, attending cultural events or taking classes.
Commitment	Clear feelings of belonging to one's ethnic group, together with positive attitudes and pride in the group. Commitment implies feeling comfortable with one's group, even though there may be awareness of problems associated with group membership (e.g., discrimination).
<b>Ethnic identity statuses</b>	
Diffuse	Absence of both exploration and commitment. Individuals show little interest in or understanding of their ethnicity, and have made little or no effort to learn more about it. There is little evidence of pride or of a positive sense of belonging to the ethnic group.
Foreclosed	Commitment without exploration. Individuals express pride and a sense of belonging, but there is little or no evidence of having explored or questioned the meaning of this group membership for themselves. Rather, the views they hold reflect the opinions of parents or other authority figures.
Moratorium	Exploration without commitment. Individuals have engaged (or are engaging) in an effort to learn about and understand their ethnicity, but remain unclear about it or express ambivalence about belonging to the group.
Achieved	Presence of both exploration and commitment. Individuals have thought about and made an effort to understand the meaning and implications of their ethnic group membership for themselves, and have a clear sense of belonging to the group based on that understanding.

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Adopted from Phinney et al. (2007 p. 479)

### **3.5 Construal of self**

The concept of construal of self focuses on how an individual thinks, feels and acts in relation to others. Construal of self can influence an individual's perceptions, motivations, evaluations, behaviours and relationships (Markus & Kitayama, 2010; Singelis, 1994). Singelis (1994)

described the two general constructs of construal of self as differing views of self that reflect the degree to which individuals emphasise their connectedness (interdependent self-construal) or their separateness from others (independent self-construal). An interdependent self-construal is defined as a 'flexible, variable' self that emphasises (a) external, public features, such as statuses, roles and relationships; (b) belonging and fitting in; (c) occupying one's proper place and engaging in appropriate action; and (d) being indirect in communication and 'reading others' minds' (Singelis, 1994, p. 581). Interdependent construal of self has also been labelled as 'sociocentric, holistic, collective, allocentric, ensemble, constitutive, contextualist, connected and relational' (Markus & Kitayama, 1991, p. 227).

An interdependent construal of self involves describing the self as embedded in in-groups and interconnected with other members of these groups (Gudykunst & Lee, 2003). Such individuals consider themselves, their thoughts, emotions and behaviours in relation to other relevant in-group members. They are motivated by norms and duties imposed by the in-group, and they give priorities to the goals of the in-group instead of their own personal goals (Downie, Koestner, Horberg, & Haga, 2006; Heine, 2008; Snibbe, Kitayama, Markus, & Suzuki, 2003). Maintaining harmony within the in-group, the ability to adjust to the in-group and restrain themselves are sources of self-esteem for individuals with an interdependent self-construal (Gudykunst & Lee, 2003; Singelis, 1994). In order to maintain relationships and ensure a harmonious social interaction, interdependent self-construers prefer indirect communication and to be attentive to the in-group's feelings and unexpressed thoughts (Gudykunst & Lee, 2003; Singelis, 1994). Within the in-group, achieving harmony also requires acting in an appropriate manner and occupying one's proper place (Snibbe et al., 2003).

In contrast to the interdependent construal of self, the independent construal of self is defined as a ‘bounded, unitary, stable’ self that is separate from social context. Independent construal of self focuses on (a) internal abilities, thoughts and feelings; (b) being unique and expressing self; (c) realising internal attributes and promoting one’s own goals; and (d) being direct in communication (Singelis, 1994, p. 581). Independent construal of self is also referred to as individualist, egocentric, bounded, separate, autonomous, idiocentric and self-contained (Markus & Kitayama, 1991). For an independent construal of self, an individual’s behaviour is organised and made meaningful primarily by reference to one’s own internal repertoire of thoughts, feelings and actions, rather than by the reference to the thoughts, feeling and actions of others (Gudykunst & Lee, 2003; Markus & Kitayama, 1991). When thinking about themselves, independents refers to their own abilities, attributes, characteristics or goals, rather than referring to the thoughts, feelings or actions of others. Similarly, when thinking about others, these individuals will consider others’ individual characteristics and attributes rather than relational or contextual factors (Singelis, 1994). They emphasise attending to the self, furthering and promoting their unique attributes as an individual, accomplishing their own goals, expressing themselves and being direct (Gudykunst & Lee, 2003; Parson & Artistico, 2014). Their self-esteem is based on expressing themselves and validating their internal attributes.

Markus and Kitayama (1991, p. 230) provided a summary of the various features and differences between an independent and an interdependent construal of self. These features, presented in Table 3.3, are relevant to this study.

**Table 3.3: Summary of key features and differences between an independent and an interdependent construal of self**

<b>Feature compared</b>	<b>Independent</b>	<b>Interdependent</b>
Definition	Separate from social context	Connected with social context
Structure	Bounded, unitary, stable	Flexible, variable
Important feature	Internal, private (abilities, thoughts, feelings)	External, public (statutes, roles, relationships)
Tasks	Be unique Express self Realise internal attributes Promote own goals Be direct, 'say what's on your mind'	Belong, fit in Occupy one's proper place Engage in appropriate action Promote others' goals Be indirect, 'read others' minds'
Role of others	Self-evaluation: other important for comparison, reflected appraisal	Self-definition: relationships with others in specific context define the self
Basis of self-esteem	Ability to express self, validate internal attributes	Ability to adjust, restrain self, maintain harmony with social context

The significant differences between the independent and interdependent selves have been proposed as the most important approach to explaining several basic differences in psychological process (Heine, 2008; Oyserman, Coon, & Kemmelmeier, 2002). For example, differences in independence and interdependence have been associated with differences in motivation for uniqueness (Kim & Markus, 1999), kinds of emotional experiences (Mesquita, 2001), and analytical versus holistic reasoning style (Nisbett, Peng, Choi, & Norenzayan, 2001) and judgments (Gardner, Gabriel, & Lee, 1999; Suh, Diener, & Updegraff, 2008). These studies provide empirical support for the validity and reliability of construal of self in its ability to measure differences at the individual level in various psychological processes. Thus, for the

purposes of this study, construal of self is applied to differentiate the judgments of Kenyan professional accountants regarding whistleblowing.

Construal of self has been applied previously in accounting contexts (Heinz et al., 2013; Patel & Psaros, 2000). Heinz et al. (2013) examined the influence of construal of self on professional accountants' judgments about earnings management. Patel and Psaros (2000) operationalised construal of self to provide evidence that significant differences exist in the perceptions of external auditors' independence among final year undergraduate accounting students in the United Kingdom, Australia, India and Malaysia. However, the study by Patel and Psaros (2000) may be criticised on the grounds that the authors failed to explicitly measure the construal of self. Construal of self has not been applied extensively in accounting research. As such, one of the significant contributions of this study is to draw on the concept of construal of self to examine differences in whistleblowing judgments among Kenyan accountants.

### **3.6 Ethnic identity and construal of self**

The literature on ethnic identity and construal of self share some similar concepts that can be used to explain the impact of ethnic group membership on behaviour. Both ethnic identity and construal of self invoke a level of commitment and attachment to a group, and are dynamic constructs that change over time in response to contextual factors. For example, ethnic identity is not something that individuals have automatically; rather, it is a process that develops over time, beginning in childhood with an unexamined ethnic identity, followed by exploration and ultimately leading to an achieved, secure commitment to one's ethnic identity (Erikson, 1968;

Phinney & Ong, 2007). Thus, members of the same ethnic group enter various stages of ethnic identity development at different times under different conditions. This implies that at any given time, members of the same ethnic group may vary in the degree to which they have explored and committed to their ethnic group membership. Consequently, ethnic identity also varies along a continuum from weak to strong among individuals within groups (Newman & Newman, 2011, p. 373; Phinney, 1991; Phinney & Ong, 2007). Thus, there is wide variability within ethnic groups regarding ethnic identity. This makes ethnic identity an individual-difference variable.

Similarly to variations in ethnic identity among members within the same ethnic group, members of a particular group (collective or individualistic) may vary in the degree to which their individual characteristics reflect group-level patterns. Singelis (1994) addressed this issue in his self-construal theory, postulating that a person may possess both individualistic and collectivistic components in their personality. Indeed, previous studies have indicated that both types of construal of self co-exist within the individual, and the relative strength and accessibility of each type of construal is dependent on contextual influences (Pilarska, 2014; Singelis, 1994; Stapel & Koomen, 2001; van Baaren, Maddux, Chartrand, de Bouter, & van Knippenberg, 2003).

In addition, construal of self and ethnic identity have been examined together to explain the influence of ethnicity on individual behaviour (e.g., Khakimova et al., 2012; Zaff et al., 2002). This reinforces the status of ethnicity as a complex multidimensional construct that should be assessed via multiple continuous variables in order to provide a clear understanding of its effects. In this study, it is argued that the independent and interdependent construals of self are important in explaining the degree to which auditors identify with their ethnic group (strong or weak ethnic

identification). Moreover, Barry et al. (2000) find that high ethnic identity scores were associated with interdependent self-construal, while lower ethnic identity scores were associated with independent self-construal.

As previously noted, emphasising interdependent construal of self involves viewing the self as connected to or intertwined with relevant in-group members (Heine, 2008; Markus & Kitayama, 2010). Further, individuals with strong ethnic identity have high levels of commitment and a strong sense of belonging to their ethnic group. They have emotional attachments to their ethnic group and its members, and will merge their sense of self with their ethnic group (Ashmore et al., 2004; Phinney & Ong, 2007). As such, it is expected that auditors with strong ethnic identity will have a strong sense of inclusion within their ethnic group and interconnectedness with other members of their ethnic group. Therefore, auditors with a strong ethnic identity will exhibit interdependent self-construal more than those who weakly identify with their ethnic groups. In contrast, emphasising independent construal of self involves viewing the self as unique and separate from others (Markus & Kitayama, 2010). In addition, individuals with weak ethnic identity have less commitment and concern for their ethnic group and its members. They experience exclusion, contrast or separateness from other group members (Phinney, 1990). Therefore, it is expected that auditors with weak ethnic identity will exhibit more independent self-construal than those who strongly identify with their ethnic groups.

## **Chapter 4: Hypothesis Development**

This chapter consists of three sections. Section 4.1 formulates the hypotheses of the study on ethnic identity; this is followed by Section 4.2, which formulates the hypotheses on construal of self. Finally, the Section 4.3 formulates the study hypotheses on the interaction between ethnic identity and construal of self.

### **4.1 Hypothesis formulation for ethnic identity**

The formulation of hypotheses on ethnic identity in this thesis is based on social identity theory, which is an important tool for considering the relationships between ethnic identity and intergroup behaviour. Intergroup behaviour is ‘any perception, cognition or behaviour that is influenced by people’s recognition that they and others are members of distinct social group’ (Vaughan & Hogg, 2005, p. 392). Theories of social identity developed by Tajfel (1981) and Tajfel and Turner (1979) emphasise that group membership has significant effects on behaviours. These behaviours can include feelings of attraction and favourable treatment towards in-group members, social influence and stereotypic judgments of the out-group (Abrams & Hogg, 1990; Ethier & Deaux, 1994).

Social identity theory asserts that people are motivated to favour their in-groups over out-groups in order to maintain or enhance their self-esteem. The desire to have a positive self-esteem or social identity is achieved by positively differentiating the in-group from a comparison out-group. The more positively the in-group is perceived, the greater the positive esteem individuals



can draw from membership to their groups (Kosic & Caudek, 2006). Thus, according to social identity theory, it can be expected that members of a particular ethnic group attempt to achieve a positive differentiation with respect to other ethnic groups to boost their self-esteem.

Further, studies examining ethnic identity within a social identity theory framework (e.g., Sidanius, Van Laar, Levin, & Sinclair, 2004; Stokes-Guinan, 2010; Verkuyten, 2003) have theorised that strong ethnic identity should yield greater intergroup differentiation (i.e. viewing one's own ethnic group as different and more favourable compared to other ethnic groups), thus generating in-group bias (i.e. more favourable evaluations of one's own group compared to other groups), and possibly negative feelings for other ethnic groups. For example, Sidanius, Van Laar, Levin and Sinclair (2004) found among four ethnic groups on a major university campus in Southern California that the more strongly individuals identified with their own ethnic group, the more strongly they demonstrated in-group bias. In general, social identity theory predicts a positive correlation between ethnic identification and ethnic group bias, and as such, individuals who identify strongly with their own ethnic group are motivated to evaluate that group more positively than other ethnic groups. For these individuals, ethnic group memberships have important implications for their self-concept, and motivate them to strive to achieve and maintain a positive social self.

In Kenya, ethnic group loyalties have resulted in widespread manifestations of thinking and acting in favour of one ethnic group at the expense of another in almost every aspect of daily life, including education, religion and politics (Modi & Shekhawat, 2008; Opiyo, 2012) Thus, in this study, it was expected that auditors who are strong ethnic identifiers would demonstrate in-group

bias along ethnic lines by showing preferential treatment and favouritism to members of the same ethnic group to maintain and enhance their self-esteem. In relation to whistleblowing, it was hypothesised that auditors with strong ethnic identity would show favouritism and preferential treatment to members of their own ethnic group by covering up their unethical actions, while remaining less willing to cover up the unethical behaviour of colleagues from a different ethnic group. As whistleblowing by its nature brings shame to the persons involved (Chiu, 2003), it is less likely that strong ethnic identifiers will be willing to report on a member of their ethnic group, as this action may result in low self-esteem when the in-group member is negatively evaluated (Smurda, Wittig, & Gokalp, 2006). Thus, these strong ethnic identifiers may be under greater pressure to cover up for their own ethnic members' wrongdoing to protect their in-group identity and maintain their self-esteem. For instance, Verkuyten (2003) found that ethnic identification moderated youth attitudes towards bullies. Youth with high ethnic identification scores demonstrated less negative attitudes towards in-group perpetrators than respondents with low ethnic identification scores. This is consistent with strong ethnic identifiers being less likely to blow the whistle on a member of their own ethnic group.

In addition, according to social identity theory (Tajfel & Turner, 1979, 1986), people look for negatives among out-groups in order to enhance their self-esteem. Following social identity theory, it was expected that those auditors who were strong ethnic identifiers would be willing to expose unethical and illegal activities of a colleague from a different ethnic group. Indeed, they were expected to respond and expose fraudulent activities associated with members of another ethnic group more quickly than those associated with their own ethnic group. For example, Stokes-Guinan (2010) found that when presented with negative ethnic labels, respondents with

high ethnic identity scores were faster to respond when the labels were paired with their out-group than with their in-group.

In addition, according to social identity theory, threats to one's in-group can result in further increased identification with the in-group, which leads to in-group bias (Tajfel & Turner, 1979, 1986) and derogation of out-groups (Smurda et al., 2006). Further, evidence suggests that the social esteem of high group identifiers suffers under conditions of high threat to their social group (Smurda et al., 2006). Many stereotypes associated with ethnic groups in Kenya are negative, and as such, threaten ethnic group self-esteem. Auditors who most strongly identify with their in-group (strong ethnic identifiers) were expected to be the most threatened by any negative association with their ethnic group, and thus most likely to show greater in-group bias. They were expected to be strongly motivated or willing to participate in a cover-up of wrongdoing of members of their ethnic group because they strive to achieve positive distinctions for their group membership, which may be lowered when group members' self-esteem is lowered. As such, the drive to achieve positive group distinctiveness in Kenyan society, where negative stereotypes threaten positive group identity, may contrast sharply with the motive of exposing the wrongdoings of members of one's ethnic group, which may have adverse implications for the group. This is consistent with strong ethnic identifiers being less likely to blow the whistle on members of the same ethnic group.

In-group bias may also result in negative stereotypical judgments of out-group members. People may make judgments that are harsh, unkind or discriminatory towards out-group members, especially in a society like Kenya, where there are negative labels associated with most ethnic

groups. For example, negative stereotypes such as thieves, murderers and robbers are associated with the Kikuyu ethnic group, while other ethnic groups have the impression that the Luo are ‘proud, individualistic and truculent’ (Nevett & Perry, 2000; Wa Wamwere, 2008). Thus, it was expected that auditors with strong ethnic identity would use stereotypes to interpret the behaviours of colleagues from other ethnic groups. This could increase their motivation to expose unethical actions of colleagues from a different group. This supports the notion that strong ethnic identifiers in Kenya are more likely to blow the whistle on members of different ethnic groups.

According to social identity theory, people who strongly identify with a social group have been found to experience depersonalisation, defining themselves less in terms of their personal idiosyncratic characteristics and more in terms of the characteristics of the prototypical group member (Turner et al., 1987). As such, these people may behave in a way that takes into account the feelings and opinions of other members of the group. Auditors with strong ethnic identities have stronger attachments and commitments to their ethnic groups, and will show concern for the feelings of their ethnic group members. Thus, exposing the wrongdoing of a member of the same ethnic group, which results in humiliation of the group member, may be undesirable. This supports the likelihood that auditors will not blow the whistle on members of the same ethnic group by a strong ethnic identifier. This theory development leads to the following hypothesis:

*H1: Auditors with strong ethnic identity are less likely to blow the whistle on a member of their own ethnic group than a member of a different ethnic group.*

## **4.2 Hypothesis on construal of self**

The independent and interdependent views of self in relation to others were expected to influence the whistleblowing behaviours of professional auditors in Kenya. The previous discussion on construal of self suggests the following in the context of whistleblowing in Kenya. Recall that individuals who hold an interdependent view of self will focus on attending to and fitting in with others, and the importance of harmonious interdependence with relevant in-group members (Heine, 2008; Markus & Kitayama, 2010). Therefore, auditors expressing their interdependent view of self will focus on fitting in and maintaining harmonious relationships with their ethnic group members. This is because the relationship with their ethnic group is of highest importance, as harmonious interpersonal relationships are sources of self-esteem.

This means that these individuals will refrain from any action that may cause conflict with members of their ethnic group, such as exposing wrongdoings. As such, the demand to maintain harmonious relationships and unity with other members of the ethnic group may discourage more interdependent self-construing auditors from blowing the whistle on a member of the same ethnic group. This is because it leads to conflicts and confrontations within the ethnic group members, which contrasts sharply with the pressure to maintain unity and harmony within the group. This is consistent with the notion that auditors who have stronger interdependent construal of self will be less likely to blow the whistle on members of their own ethnic group.

Further, the desire to fit in with other members of the ethnic group may make the unethical actions of a group member undesirable to a stronger, interdependent self-construed accountant. This is because to maintain relationships and ensure a harmonious social interaction requires an

understanding of how others feel, think and act in the context of one's relationship to them (Patel & Psaros, 2000). Indeed, such individuals tend to communicate indirectly and be attentive towards others' feelings and unexpressed thoughts, because connecting with others and fitting in are primary sources of self-esteem. As such, auditors expressing their interdependent view of self in circumstances of whistleblowing were expected to perceive the unexpressed inner emotions of their ethnic group members and be considerate of their feelings. Therefore, they may not be willing to express any negative feeling about a member of their own ethnic group, such as reporting their wrongdoings.

In addition, for auditors with interdependent self-construal, the distinction between in-groups and out-groups is more salient and stable (Heine, 2008). As such, they may differ in attitude and behaviour when interacting with in-group or out-group members (Hahn & Kean, 2009; Parson & Artistico, 2014; Snibbe et al., 2003). It is expected that for more interdependent self-construed auditors, the difference between their own ethnic group members and other ethnic group members will be more significant; thus they are likely to adjust their behaviour when dealing with members of other ethnic groups. For example, they may demonstrate favourable treatment towards their ethnic group members by being more willing to cover up or participate in a cover-up of their ethnic group member's unethical actions. Conversely, they may behave differently when dealing with an individual from a different ethnic group by reporting their unethical actions.

In contrast, individuals with independent construal of self mainly focus on autonomy and have a strong desire to view themselves as distinct from others (Heine, 2008). In relation to

whistleblowing in Kenya, professional accountants with a strong independent construal of self will minimise the influence of their ethnic group membership on their whistleblowing behaviour. These individuals are more likely to blow the whistle on a member of their ethnic group if involved in unethical behaviour because they distinguish themselves from others and consider themselves unique. As such, strong independent self-construed auditors are more likely to blow the whistle on a member of their ethnic group.

Further, strongly independent self-construed individuals emphasise a rational relationship with others, and engage in similar behaviour irrespective of whether they are interacting with an out-group or in-group member (Heine, 2008). When thinking about others, they will consider the other's individual characteristics and attributes rather than relational or contextual factors. Thus, it was predicted in this study that strongly independent self-construed individuals would not show preferential treatment to a member of their ethnic group by covering their up unethical actions; this is because they do not adjust their behaviour depending on group relations with others.

*H2: Auditors with interdependent construal of self are less likely to blow the whistle on a member of their own ethnic group than on a member a different ethnic group.*

### **4.3 Hypothesis on interaction between ethnic identity and construal of self**

Previous literature has revealed that the decision to blow the whistle is a complex one, and is a function of many different organisational, personal, situational and contextual factors (Brennan & Kelly, 2007; Henik, 2015). Drawing upon the information presented in the literature review,

this section discusses how ethnic identity and construal of self are related to these variables in order to determine the interaction between ethnic identity and construal of self in whistleblowing judgments. Research has shown that individual factors such as ethical judgments (Ahmad et al., 2012; Chiu, 2002, 2003), locus of control (Curtis & Taylor, 2009) and professional commitments (Taylor & Curtis, 2010) are important in influencing decisions about blowing the whistle. The literature suggests that ethnic identity is related to psychological processes (Kim & Gelfand, 2003; Phinney, 1990). For example, ethnic identity has been linked to the ways in which individuals interact with others. Individuals higher on ethnic identity have greater psychological closeness to their ethnic group and hold more positive view about their ethnic group than individuals with weak ethnic identity (Phinney, 1996).

Thus, this thesis argues that individuals with weaker ethnic identity make more ethical judgments in relation to whistleblowing than individuals with stronger ethnic identity. This is because strong ethnic identities demonstrate connectedness with their ethnic group members. This strong connection with ethnic group members may influence them to favour group members, and as such not blow the whistle on their wrongdoings. However, individuals weak in ethnic identity may make more ethical judgments because they are less connected with their ethnic group members and may not hold positive views about their ethnic group. They are more likely to blow the whistle on their ethnic group members.

The construal of self, an essential component of ethnic identity (Condit, Carter, Tang, & Rothstein, 2015), may provide a link between ethical judgments and ethnic identity in relation to whistleblowing. Recall from the previous discussion on construal of self that individuals with an



independent construal of self are less connected to others and emphasise attending to self and promoting their unique attributes as an individual (Markus & Kitayama, 2010). Thus, individuals with independent construal of self, were expected to have weaker ethnic identity and to be more likely to make ethical judgments by blowing a whistle on a member of their own ethnic group. However, individuals with an interdependent construal of self are interconnected with other members of the in-groups. Consequently, individuals with strong ethnic identity have been found to be positively associated with interdependent construal of self (Barry et al., 2000). As such, individuals with interdependent construal of self have strong ethnic identities and may make unethical judgments by not reporting wrongdoings committed by members of their own group.

In addition, locus of control may also influence the likelihood of individual whistleblowing behaviour. Persons with internal locus of control rely on their determination of what is right and wrong and are more likely to accept responsibility for their behaviour. However, individuals with external focus of control believe that life is beyond one's control and take less responsibility for their actions (Trevino, 1986). In relation to ethnic identity, weak ethnic identifiers are less influenced by their group norms, and culture and will rely on their determination to make judgments; in contrast, strong ethnic identifiers are expected to be more compliant with their ethnic group demand. Consequently, weak ethnic identifiers have internal locus of control while strong ethnic identifiers have external locus of control. In connection to construal of self, individuals with an independent construal of self act in accordance with their own thoughts and feelings (Markus & Kitayama, 2010), are more likely to have weak ethnic identity and internal locus of control. Previous studies have demonstrated that those with an internal locus of control is more likely to engage in whistleblowing (Chiu, 2003; Curtis & Taylor, 2009). Thus,

individuals with weak ethnic identity and an independent construal of self have an internal locus of control and were expected to blow a whistle on a member of their own ethnic group. Meanwhile, for individuals with an interdependent construal of self, their behaviours, thoughts and feelings are determined by the thoughts and feelings of other relevant in-group members. They were expected to have a strong ethnic identity and external locus of control. Consequently, they are less likely to blow the whistle on a member of their own ethnic group.

Ethnic identity is related to professional commitment in relation to whistleblowing. Individuals higher on ethnic identity have greater psychological closeness to their ethnic group (Kim & Gelfand, 2003), and as such they have stronger levels of commitment and sense of belonging to their ethnic groups. Consequently, they may be more willing to accept and behave according to their ethnic group's goals and values, compared to their commitment to the codes and practices of their professions. As such, they are less likely to engage in behaviours that are beneficial to the profession, but may contradict the expectations of their ethnic group membership, such as whistleblowing on a member of the same ethnic group due to their strong ethnic commitment. However, individuals with weak ethnic identity may experience separateness from their ethnic group, and thus were expected to be more committed to their professions than their ethnic groups. Hall et al. (2005) showed that accountants committed to their professionals are likely to report unquestionable acts. Thus, they are more likely to blow the whistle on a member of their own ethnic group, which may be beneficial to the profession even though it may be against the group membership.

In relation to construal of self, individuals with an independent construal of self view themselves as separate from others (Markus & Kitayama, 2010), as such they are less likely to have strong commitment to their ethnic group because their relationship with other is defined by their characteristics and attributes rather than relations and contextual influences. Consequently, may be more committed to their professions than their ethnic group membership. Thus, it is expected individuals with independent construal of self and weak ethnic identity may have stronger professional commitment than their ethnic group commitments and may blow the whistle on a member of the same ethnic group. However, individual with strong interdependent construal of self are interconnected with others and give priorities to the goals of the in-groups rather than personal goals to maintain harmony and one's relationship with others (Heine, Takemoto, Moskaleiko, Lasaleta, & Henrich, 2008; Snibbe et al., 2003). Thus, it was expected that individuals with strong ethnic identity and interdependent construal of self would be less likely to have strong professional commitments, and therefore less likely to report wrongdoing of a member of their own ethnic group.

Therefore, the above discussion leads to the formulation of the following hypothesis:

*H3: The relationship between ethnic identity and whistleblowing is moderated by construal of self*

## **Chapter 5: Research Methodology**

This chapter explains the research methodology used for collecting and analysing data to test the hypotheses. It also presents the strategies utilised to maintain the reliability and validity of the findings of the research.

This chapter consists of eight sections, organised as follows. Section 5.1 describes the research design adopted in the thesis. Section 5.2 discusses the reason for selecting Kenya as the site of the research. Section 5.3 provides the selection of audit firms and respondents to the survey questionnaire. Section 5.4 describes the data collection procedures. Section 5.5 describes the questionnaire and scenario design. Section 5.6 addresses how the dependent variables were measured, and Section 5.7 addresses how the independent variables were measured. The final section 5.8 presents the data analysis.

### **5.1 Research design**

This thesis has adopted a quantitative research design orientation, which involves the collection of data so that information can be quantified and subjected to statistical treatment in order to support or refute ‘alternate knowledge claims’ (Creswell, 2003, p. 153). This type of research depends on hypothesis testing (theory testing) using various statistical tools, and its main goal is to generate predictive conclusions concerning a particular theory and its implications (Johnson & Christensen, 2013, p. 33; Williams, 2011). The quantitative approach was adopted in this study for the following two reasons. First, quantitative research has the ability to develop and test

hypotheses regarding whistleblowing. Most of the prior research on whistleblowing has been based on hypothesis testing and has adopted quantitative methodologies (e.g., Chiu, 2003; Hwang et al., 2014; Zhang et al., 2009). Second, quantitative research focuses on generalisability, as it relies on large representative samples that make inferences about the larger population more feasible (Wahyuni, 2012). The findings of quantitative studies have stronger generalisability or external validity than those derived from qualitative studies (Neuman, 2011). Previous studies on whistleblowing and ethical judgments have obtained data from samples of at least 100 or more participants (Brennan & Kelly, 2007; Hwang et al., 2014).

The quantitative research in this thesis is cross-sectional in nature, using a survey questionnaire. Cross-sectional research designs focus on surveying a sample of a population at one point of time (Gupta, 2004, p. 42; Williams, 2011). This approach was adopted in this study because it is the most popular approach in the whistleblowing literature (Chiu, 2002, 2003; Hwang et al., 2014). Surveys provide an important means of capturing a large number of variables from a large sample of participants. This study required a large representative sample, because it relies heavily on statistical techniques to test the research hypotheses, making a large sample for the cross-sectional survey an important element.

## **5.2 Country selection**

The sample was drawn from Kenya, a former British colony located in East Africa, with an estimated population of 46,748,000 (United Nations, 2015). Kenya is the most industrialised country and the largest economic player in East and Central Africa. According to the Africa Progress Report of 2014, Kenya is rated the third largest economy in Africa and is an emerging

commercial powerhouse for Africa (Kimenyi & Kibe, 2014). It is also a technological and financial hub for East and Central Africa. Its mobile financial infrastructure is ranked the best in the world (Africa Progress Report, 2014; Kimenyi & Kibe, 2014). Kenya's financial sector is the third largest in sub-Saharan Africa (World Bank, 2014). Thus, Kenya is an important player in international business and accounting in Africa.

In Kenya, the accounting and auditing profession is self-regulated by the Institute of Certified Public Auditors of Kenya (ICPAK), which was established by Part 11 of the Auditors Act of 2008. ICPAK is a member of the International Federation of Auditors (IFAC), and its membership is affiliated with other recognised international bodies, such as the International Accounting Standards Board and the Pan-African Federation of Auditors. The audit market is dominated by international accounting firms such as PriceWaterhouseCoopers, Ernst and Young, KPMG and Deloitte and Touche, who audit all the publicly traded companies, banks, insurance and other large corporate entities. In addition, there are a number of smaller local firms, most with just one partner; these largely concentrate on tax cases, along with performing bookkeeping services and conducting audits for small and medium enterprises (Naibei, Oima, & Ojera, 2014; United Nations Conference on Trade and Development, 2010).

Kenya has been selected as the subject of this study for four main reasons. First, ethnic identity is typically studied in pluralistic and diverse societies (Worrell, Conyers, Mpofu, & Vandiver, 2006) like Kenya. Kenya is a multi-ethnic country with more than 42 ethnic groups, representing most major ethnic, racial and linguistic groups found in Africa, including Bantu, Nilotic and Cushite people. In addition, ethnic identity applies only to those who self-identify as ethnic

group members (Phinney, 1991). In Kenya, ethnic identities bind ethnic group members together and are strong forms of social identification (Gumo, Akuloba, & Omare, 2012). A majority of Kenyans have strong loyalties to their ethnic groups, which are often used as referents for social identity (Modi & Shekhawat, 2008; Wa Wamwere, 2008). Loyalty to one's ethnic group comes first and that to the country a distant second (Gumo et al., 2012; Modi & Shekhawat, 2008). These strong loyalties to ethnic groups have resulted in pervasive manifestations of tribalism<sup>1</sup> in virtually every aspect of daily life in Kenya, including religion, education, politics and, to a larger extent, development (Masakhalia, 2011; Opiyo, 2012).

Further, Kenyans tend to have strong beliefs about the superiority of their own ethnic group and despise other ethnic groups. Indeed, hostility, distrust and hatred among various ethnic groups in Kenya are very strong, and have led to ethnic clashes, which are a common occurrence in Kenya (Nevett & Perry, 2000; Wa Wamwere, 2008, p. 97). For example, the eruption of violence following the December 2007 elections in Kenya led to approximately 1,500 deaths, and a further 300,000 people were internally displaced. Therefore, with more than 42 ethnic groups, Kenya provides a unique environment for examining the influence of ethnicity among auditors. Moreover, previous literature (Wasserman & Maweu, 2014) has shown that ethnic considerations affect the ethical decisions of professions in Kenya; indeed, ethnicity has been explicitly cited as a key factor that impairs the independence and integrity of some professionals in the country, such as journalists. Thus, it is of importance to examine how ethnicity affects ethical judgments on whistleblowing among auditors in Kenya.

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<sup>1</sup> The practice of thinking and acting in favour of one's ethnic group at the expense of some other ethnic group is commonly referred to as *tribalism* in Kenya (Nevett & Perry, 2000).

The second reason for selecting Kenya relates to the controversy surrounding the adoption of international standards on accounting and auditing by developing countries. It is important to note that the adoption of international standards by developing countries has led to some concerns as to whether standards developed by developed countries are relevant to the needs of developing countries (Mir & Rahaman, 2004; Tsakumis, 2007; Tyrrall, Woodward, & Rakhimbekova, 2007). For example, concerns have been raised that the accounting environments of developing countries are so different from those of developed countries that no single set of standards can usefully apply to both sets of countries (Chand & White, 2007; Kinsey, 2006). Kenya has adopted the IFAC's Code of Ethics, and it was among the first developing countries to adopt the International Accounting Standards<sup>2</sup> and International Standards on Auditing in 1999 (United Nations Conference on Trade and Development, 2010). As such, Kenya has extensive experience in dealing with issues and challenges of the convergence of international standards in a developing country. Thus, a study on Kenya will provide valuable information to other developing African countries, especially in East Africa, that are adopting international accounting and auditing standards.

Third, accounting fraud<sup>3</sup> has become a major problem that is increasing in frequency and severity in Kenya (Iraya, Mwangi, & Muchoki, 2015). For example, according to Ernst and Young's 2015 Europe, Middle East, India and Africa fraud survey, *Fraud and Corruption—The Easy Option for Growth?*, 41% of managers believed that their companies over-reported their financial performance and 23% of employees were aware of such financial manipulations by their own companies in Kenya. Cases of accounting fraud have resulted in corporate scandal,

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<sup>2</sup> The International Accounting Standards are currently referred to as International Financial Reporting Standards.

<sup>3</sup> Accounting fraud involves accounting alterations or the presentation of financial statements to hide the true values of financial activities of an organisation (PriceWaterhouseCoopers, 2014).



such as the collapse of Euro Bank in 2004, the placement of Uchumi Supermarkets under receivership in 2004 and the near collapse of Unga Group and the National Bank of Kenya (Madiavale, 2011). According to the 2014 Global Economic Crime Survey report<sup>4</sup> by PriceWaterhouseCoopers, accounting fraud is the second most frequently reported type of economic crime in Kenya, accounting for 38% of economic crime, which is higher than the global average of 22% (PriceWaterhouseCoopers, 2014).

The role of auditors continues to be widely implicated in many accounting scandals in Kenya. For example, Deloitte Touche is under investigation by ICPAK and the Ethics and Anti-Corruption Commission over its role in handling the accounts of sugar miller Mumias. It is alleged that Deloitte colluded with the top executive of Mumias to declare false profits. In addition, the ICPAK is also probing Deloitte Touche's alleged misreporting of CMC Motors' financial statements. Further PriceWaterhouseCoopers is alleged to have been involved in the Haco accounting scandal for its failure to detect huge and illegal financial adjustments (Mutegi, 2015). The involvement of audit firms in these scandals means that audit staff in Kenya are likely to witness questionable acts and serious wrongdoings in their workplaces. As whistleblowing is important to help prevent further increases in accounting fraud involving audit firms, without doubt, more research is needed in relation to whistleblowing behaviour among external auditors in Kenya.

Lastly, Kenya has been ranked among the most corrupt nations in the world. For example, according to the Corruption Perceptions Index score, which measured corruption in 177

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<sup>4</sup> The report include three broad classification of economic crimes as asset misappropriation, accounting fraud and bribery and corruption (PriceWaterhouseCoopers, 2014).

countries on a scale from 0 (highly corrupt) to 100 (very clean), Kenya was ranked 136 out of 177, with a score of 27 (Transparent International, 2014). Thus, the high rate of corruption in Kenya provides a complex environment in which to examine whistleblowing behaviour among auditors.

### **5.3 Selection of audit firms and respondents to the survey questionnaire**

The respondents to the survey were external auditors from small, medium and large auditing firms located in four major cities in Kenya: Nairobi, Mombasa, Kisumu and Nakuru. The reason for selecting these major cities was because Kenya's audit firms are concentrated in these cities, and therefore most qualified auditors are likely to be working there. In addition, these major cities have among their residents people from most ethnic groups in Kenya. Thus, sampling from these cities helped to achieve a representative sample of auditors and of the size and distribution of audit firms in Kenya.

To determine the sample, a probability sampling method was adopted. Probability sampling techniques involve 'selecting a relatively large number of units from a population, or specific subgroups (strata) of a population, in a random manner where the probability of inclusion for every member of the population is determinable' (Tashakkori & Teddlie, 2003, p. 713). Probability sampling aims at achieving representativeness, which means the degree to which the sample accurately represents the entire population (Teddlie & Yu, 2007). Specifically, this study used random probabilistic sampling, which means that each sampling unit in a well-defined population has an equal chance of being included in the sample. To achieve this, a list of audit firms in Nairobi, Kisumu, Mombasa and Nakuru (approximately 600 audit firms) was obtained

from ICPAK. From these 600 eligible firms, a random list of 150 firms was generated using Microsoft Excel.

To obtain access to the selected respondents, an introduction letter together with a copy of the questionnaire was emailed to each auditing firm, requesting them to participate in the study and informing them about the nature of the research, its motivations and potential value to the auditing profession (see Appendix 1 for copy of the letter).

Given that human subjects were used, the research plan was subjected to review and approval by the University's Research Ethics Committee to ensure that it met ethical standards for research procedures. Approval from the Research Ethics Committee was obtained.

To enhance the validity and reliability of the survey instrument, a pilot test was conducted in the University. The pilot test was carried out in two stages. In the first stage, the questionnaire was tested among PhD students in the department of Accounting and Corporate Governance at a university in Australia. The students suggested minor changes that were then incorporated in the questionnaire. In the second stage, the amended questionnaire was then given to three academics and two supervisors of this study, who were asked to look at the questionnaire and give their comments on its appropriateness, the general reading and interpretation of the questions and the relevance of the scenarios. They suggested minor amendment to scenarios as well as the layout and presentation of the questionnaires; these suggestions were incorporated.

## **5.4 Data collection**

The surveys used in this research were self-administered, where respondents completed the questionnaires themselves without the presence of the researcher. The researcher left the questionnaire with the respondents to complete and return at their own convenience. Self-administered surveys have the advantage of reducing social desirability bias, because respondents do not feel threatened by the presence of the researcher and are less likely to make false answers when completing the surveys (Neuman, 2011).

Given that access to auditors is normally restricted, permission to access respondents in audit firms was obtained by contacting senior partners from the selected firms, either directly by email or through a colleague. The objectives and relevant details of the survey questionnaires were explained to the senior partners of the firms. After permission to access the respondents in the audit firms was obtained, the survey questionnaires were given to the senior partners based on the number of respondents each partner was prepared to ask to complete the questionnaires. The survey questionnaires were randomly distributed by the partners to the respondents. Each participant was given a package consisting of a cover letter, the questionnaire, an informed consent form and an envelope for returning the completed questionnaire.

The cover letter sought respondents' consent and assistance in completing the attached questionnaire. It also provided general guidelines for completing the survey task. Given the sensitive nature of whistleblowing and the need to obtain full cooperation from respondents, the cover letter also outlined (1) the purpose of the study, (2) the importance of the research to the respondents and the profession, (3) assurance that the respondent's anonymity would be

maintained, (4) assurance that participation is entirely voluntary, (5) assurance that they had been randomly selected, and (6) assurance that their responses would be kept completely confidential. Informed consent letters detailing the nature and purpose of the research and the respondent's right to withdraw any time were given to the respondents in order to promote the credibility of the researcher and the principle of voluntary participation, and also to encourage high levels of participation. Having been provided with this information on the nature of the instrument and the study, each participant was aware of the study's aims, enabling them to make informed decision about their participation.

After completing the questionnaire, the respondents placed it in the envelope provided, sealed it and left it with their receptionist to be posted to the researcher.

## **5.5 Questionnaire and scenario design**

The survey questionnaire, which consisted of four parts, was presented to respondents accompanied by the cover letter. The first part measured the respondent's ethnic identity using 12 items. The second part measured the respondent's construal of self using 24 items. The third part presented two whistleblowing scenarios, each depicting a distinct situation of ethical breach where an auditor was reported to have committed a particular unethical action in the audit firm. Question 1 is a single-item question (see Appendix) and the other eight questions comprise the items in Reidenbach and Robin's (1988, 1990) Multidimensional Ethics Measure (MEM). The fourth part collected the respondent's demographic information.

This study utilised two whistleblowing scenarios to measure auditors' judgments. These scenarios were drawn from previous auditing and accounting research (Alleyne, 2012; Rau & Weber, 2004; Shafer, Morris, & Ketchand, 2000), which supports their construct validity. The scenarios specifically relate to accounting and auditing issues, presenting moral dilemmas most likely to be faced by auditors, and also capturing factors that are likely to influence the reporting of wrongdoings, such as personal cost of reporting and personal responsibility for reporting.

In general, a scenario approach involves a description of a hypothetical situation, and the respondent is required to respond by placing themselves as an actor in the situation (Ferris et al., 2009). Scenarios enable standardisation of the social stimulus across respondents, and at the same time make the decision-making process more realistic (Alexander & Becker, 1978). Given the impracticality of gaining access to participants and observing actual ethical or unethical behaviours, ethics research in accounting and auditing has commonly adopted the scenario approach (e.g., Ketchand, Morris, & Shafer, 1999; Shafer, Morris, & Ketchand, 2001; Sweeney & Roberts, 1997). The names of the companies, the actors and the currency were changed to reflect typical names in Kenya. In addition, the two scenarios differed regarding the nature of the issue and the ethnicity relations of the hypothetical person to be reported on and the potential whistleblower. According to Kaplan and Whitecotton (2001) and Schultz, Johnson, Morris and Dyrnes (1993), respondents must be made aware that some unquestionable or unethical act has occurred for the reporting intention to be triggered. Schultz et al. (1993, p. 78) argued that 'awareness obviously must precede any behavioural response'. The scenarios used in the survey were adapted to give respondents this level of awareness based on the nature of the issue as well as the ethnicity of person to be reported on.

Scenario 1, which was adopted from Rau and Weber (2004), aimed to highlight the violation of the principle of integrity from the IFAC's Code of Ethics. The case describes the actions of a junior auditor, who discovers perceived illegal activities being undertaken in a manufacturing company, and subsequently approaches the engagement partner (Tom) of the company with his concerns and presents documentation in support. He later discovers that the papers have been shredded and no further action has been taken. This scenario was changed from Rau and Weber's (2004) original to capture the fact that the potential whistleblower is from the same ethnic group as the wrongdoer. The partner (Tom) is from the same ethnic group as the audit junior (Daniel). Daniel is supposed to report Tom's wrongdoings, but he is fully aware that he will face disapproval from his family and other ethnic group members because they belong to the same ethnic group. The scenario shows that Daniel does not report the unethical behaviour. This draws awareness to the fact that the potential whistleblower does not blow the whistle because the wrongdoer belongs to his ethnic group. The participants are required to judge Daniel's action using both a single-question item and multi-item questions using a scale of 1 to 7 (where 1 refers to ethical/fair/just/etc. and 7 to unethical/unfair/unjust/etc.).

Scenario 2, which was adopted from Shafer et al. (2000), aimed to highlight a direct violation of IFAC's principles of objectivity and integrity. In this scenario, Paul Smith, the audit senior, is aware of a disagreement between an important client of the firm (Simpson Stores Inc.) and the partner of the firm (Ellis) concerning the sufficiency of the allowance for doubtful debts. Due to the client's perceived worth to the audit firm, it is discovered that Ellis has accepted the recorded allowance of Kshs. 100,000 rather than the best estimate of Kshs. 300,000 and provided an

unqualified audit opinion on the financial statements. This scenario was varied from the original to include the fact that the potential whistleblower and the wrongdoer are from different ethnic groups. Paul is supposed to report on the wrongdoings of Ellis. Paul is aware that Ellis and Simpson (the owner of Simpson Stores) are great friends and belong to the same ethnic group, while he belongs to a different group from both of them. Paul decides to report the matter. This creates awareness of the fact that Paul blows the whistle on Ellis because he belongs to a different ethnic group. The participants are required to evaluate Paul's action using both a single-question item and multi-item questions on a scale of 1 to 7 (where 1 refers to ethical/fair/just/etc. and 7 to unethical/unfair/unjust/etc.).

## **5.6 Measuring dependent variables: Whistleblowing judgments**

Whistleblowing judgments encompass the extent to which one agrees or disagrees with the proposition that reporting wrongdoing in the workplace is an inherently fair, just, acceptable and moral action (Zhang et al., 2009, p. 28). Previous researchers (e.g., Mesmer-Magnus & Viswesvaran, 2005; Patel, 2003) have noted that whistleblowing is a difficult topic to research because of the inherent difficulties of observing actual unethical behaviour and sourcing actual whistleblowers. Therefore, researchers can only examine their participants' behavioural intentions rather than their actual behaviour. Previous researchers, such as Barnett, Bass and Brown (1996), Chiu (2003) and Zhang, Chiu and Wei (2009) have found positive relationships between whistleblowing judgments and intentions in the decision-making process of whistleblowing. Thus, this study examines whistleblowing judgments among auditors rather than actual whistleblowing behaviour.



To determine their whistleblowing judgments, respondents were asked to evaluate the action of the hypothetical auditor through responses on 7-point bipolar scales to nine questions, comprising one single-question item and eight multi-item questions. The reason for using both single-question items and multi-item questions was to enhance the validity of the results (Cohen, Pant, & Sharp, 1993; Patel, 2003). The response scale ranged from 1 to 7, where 1 refers to ethical/fair/just/etc. and 7 to unethical/unfair/unjust/etc. Question 1 is a single-item question asking respondents to evaluate the actions in terms of whether they see them as ethical or unethical (see Appendix). The remaining eight questions comprise the items in Reidenbach and Robin's (1988, 1990) MEM.

The MEM comprises the following three ethical dimensions: (1) a moral equity dimension, (2) a relativism dimension and (3) a contractualism dimension. The first dimension, moral equity, is derived from the ethical philosophy of justice theory, and is the most complex of the three ethical dimensions. The fundamental concepts of justice theory are derived from the writings of Aristotle, who developed the 'principle of formal justice'. This principle states that equals ought to be treated equally, and unequals ought to be treated unequally (Ayers & Kaplan, 2005, p. 125; Beauchamp, 1982, p. 224). The moral equity dimension is represented in four items arranged in order of their theoretical importance as: Fair/Unfair, Just/Unjust, Morally right/Not morally right, and Acceptable/Unacceptable to my family. These items are Q2 through Q5 in the Appendix.

The second dimension, relativism, comprises two items, again ranked in order of their theoretical importance as: Culturally acceptable/Unacceptable and Traditionally acceptable/Unacceptable

(see Appendix, Q6 and Q7). These items suggest that social and cultural systems are important in helping us define our ethical beliefs (Reidenbach & Robin, 1990). Ethical relativism theory states that what is right is determined by what the culture or society sees as right. Thus ethical relativists contend that there is no absolute ethical standard independent of cultural context, no criteria of right and wrong by which to judge other than those of that particular society (Ahmad et al., 2012; Shaw & Barry, 1995, p. 11).

Finally, the third dimension, contractualism, comprises two items: ‘Violates/Does not violate an unwritten contract’ and ‘Violates/Does not violate an unspoken promise’ (see Appendix, Q8 and Q9), also ranked in order of theoretical importance. These two items are derived from the philosophy of deontology. Deontologists hold that an action is right when it conforms to a relevant principle of duty (Ayers & Kaplan, 2005; Beauchamp, 1982, p. 109).

Multidimensional ethics measures were selected for this study because overall they provide a more reliable and valid way of evaluating perceptions of the ethical content of business activities (Heinz et al., 2013; Patel, 2007; Reidenbach & Robin, 1990). Various empirical studies have justified the use of the multidimensional ethics measure, as it provides greater explanatory power than the single-attribute measure (McMahon & Harvey, 2007; Patel, 2003; Reidenbach & Robin, 1990). Additionally, previous studies have demonstrated the applicability of this measure in eliciting complex judgments in whistleblowing studies (Ahmad et al., 2012; Chiu, 2003; Hwang et al., 2014; Patel, 2003).

## **5.7 Measuring of independent variables**

### **5.7.1 Ethnic identity**

The strength of ethnic identity was measured using the Multigroup Ethnic Identity Measure (MEIM) (Phinney, 1992; Roberts et al., 1999). Phinney's (1992) original scale included 14 items that serve as the basis of a measure of ethnic identity. Later, Roberts et al. (1999) subtracted two items from the original 14 for the following two reasons. First, factor analysis established that these two items were not loaded on appropriate factors and were difficult to interpret. Second, the 12-item version had equal reliability compared to the 14-item version (Cronbach's  $\alpha = .85$ ). The overall internal consistency measure of reliability in the original study for the scale, based on a diverse sample of Hispanics, Asians, Caucasian Americans and African Americans was 0.81 for an adolescent population (14–18 years old). In addition, the updated version of MEIM demonstrated high validity, including positive correlations with various measures of psychological well-being, such as coping ( $r = .23, p < .001$ ) and self-esteem ( $r = 0.20, p < .001$ ).

The present study utilised the 12-item version (Part 1 of the questionnaire). The 12 items assess two components. The first component is ethnic identity search, expressed in the items, 'I have spent time trying to find out about my ethnic group such as history, traditions and customs', 'I am active in organisation and social groups that include mostly members of my own ethnic group', 'I think a lot about how my life will be affected by my ethnic group membership', 'In order to learn more about my ethnic background, I often talk to other people about my ethnic group' and 'I participate in cultural practices of my ethnic group such as enjoying special food, music and other customs'. The second component focuses on affirmation, belonging and

commitment to one's ethnic group: 'I have a clear sense of my ethnic background and what it means for me', 'I am happy that I am a member of the ethnic group I belong to', 'I have a strong sense of belonging to my ethnic group', 'I feel strong attachment towards my own ethnic group', and 'I have a lot of pride in my ethnic group', 'I feel good about my ethnic background'. All the items are positively worded. Participants were asked to rate each item on a 4-point Likert scale ranging from 1 (*strongly disagree*) to 4 (*strongly agree*) so that high scores would indicate strong ethnic identity. This scale represents a continuum ranging from a weak to strong ethnic identity (Roberts et al., 1999). In this thesis, these two components were not investigated separately, but all items were taken together to provide a measure of overall ethnic identity, with scores ranging from 12 to 48. This was based on the methods of previous studies such as Zaff et al. (2002), Kosic and Caudek (2006) and Lee (2005).

Included in the MEIM is an open-ended question that elicits ethnic self-identification (self-label). This item allows for the grouping of individuals by self-reported ethnicity, but reveals nothing about the strength of ethnic identity (Kim & Gelfand, 2003; Phinney, 1992). Therefore, it was not included as part of the ethnic identity measure in this study, but was included in the demographic information section of the questionnaire.

MEIM is the most widely used measure of ethnic identity due to its good psychometric properties, such as self-esteem, coping and depression, observed in many contexts throughout the world (Phinney & Ong, 2007; Smith & Silva, 2011), including European (Mastrotheodoros, Dimitrova, Motti-Stefanidi, Abubakar, & van de Schoot, 2012), Kenyan (Abubakar et al., 2012) and Australian (Dandy, Durkin, McEvoy, Barber, & Houghton, 2008) populations. The MEIM is

used because of its validity and ability to measure ethnic identity across different ethnicities while using the same measurement survey (Worrell et al., 2006). This is because it is based on elements of ethnic identity that are common across diverse ethnic groups, such as the sense of identification and feeling of belonging to a particular ethnic group (Yasui, Dorham, & Dishion, 2004).

### **5.7.2 Construal of self**

The strength of auditors' independent and interdependent self-construal was measured using the Self-Construal Questionnaire developed by Singelis (1994). Singelis (1994) stated that individuals can and do hold both independent and interdependent ideologies simultaneously, and that this combination can be measured. Therefore, the questionnaire is comprised of two separate scales, one measuring an independent and the other measuring an interdependent construal of self. The scale consists of 24 items, 12 items assessing an interdependent (items 1–12 in Part 2 of the questionnaire) and the other 12 assessing a dependent self-construal (items 13–24 in Part 2 of the questionnaire). Each item is scored on a 7-point Likert scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*), with scores for each scale ranging from 12 to 84.

Singelis's (1994) self-construal scale was normed on a multi-ethnic sample of college students in the original study, which reported good construct and predictive validity. In this validation sample, the Cronbach's alpha reliability coefficients for the independent and interdependent scales were 0.70 and 0.74 respectively. In this thesis, the wordings of some statements were revised so that the questions would suit auditors, as the questionnaire was initially used for

students. For example, 'I would offer my seat in a bus to my Professor' was changed to 'I would offer my seat to my supervisor'; 'Speaking up during a class is not a problem for me' was changed to 'Speaking up during a meeting is not a problem for me'; and 'I am the same person at home as I am at school' was changed to 'I am the same person at home as I am at work'. The statement 'Even when I strongly disagree with my group member, I avoid an argument' was changed into 'Even when I strongly disagree with my ethnic group member, I avoid an argument'. This is because this thesis deals with ethnic group members. Reliability tests were conducted, yielding reliability coefficients for the independent and interdependent scales of 0.708 and 0.732 respectively. Sekaran (2006) stated that a reliability coefficient of 0.7 is acceptable, thus the internal consistency reliability for these variables was acceptable in this study.

Researchers have used Singelis's (1994) scale when measuring a wide range of psychological phenomena, including coping strategies across various situations and decision making (Hahn & Kean, 2009; Zaff et al., 2002). Previous research has suggested that this scale is the most widely used measure in the literature of construal of self (Lu & Gilmour, 2007).

## **5.8 Data analysis**

Raw data collected from the field was converted into a decision-useful format by editing and coding. Analysis of the data and testing of the hypotheses was conducted using the statistical analysis software Statistical Package for the Social Sciences (SPSS) version 22. Descriptive statistics, including mean, standard deviation and percentages, were computed for each of the variables and used to assess the accuracy of the data entry and missing data. In addition, these

statistics were used to present the profiles of the participants and analyse variables across the two scenarios.

A total of 700 questionnaires were distributed, and a total of 249 responses were received, representing a 35.5% response rate. According to Neuman (2000, p. 266) response rates are important in survey research because if a high proportion of the sampled participants do not respond, a low response rate can create bias and weaken validity, obliging researchers to be careful about generalising results. This response rate of 35.5% is considered appropriate, given Neuman's (2000) acknowledgement that response rates of 10–50% are common with surveys. Thus, it is argued that the results of this thesis are generalisable. Fourteen (5.6%) of the returned questionnaires were not filled in correctly or had missing information, and thus were deleted from the sample. The remaining 235 questionnaires were subjected to a preliminary analysis to assess for multivariate assumptions, as a Multivariate Analysis of Variance (MANOVA) was utilised to test the hypothesis of ethnic identity and construal of self with regard to whistleblowing judgments. MANOVA was conducted because the independent variable has two groups and there are several dependent variables (Tabachnick & Fidell, 2007, p. 21). The eight MEIM items were the dependent variables for the MANOVA. The two independent variable two groups were ethnic identity (strong and weak) and construal of self (interdependent and independent).

Data was first screened to check for any outliers and remove them from the analysis, because MANOVA is sensitive to them (Hair, Anderson, Tatham, & Black, 2007). Outliers are observations with a unique combination of characteristics identifiable as distinctly different from

the other observations (Hair et al., 2007, p. 62). The Mahalanobis distance, which measures the distance of each case from the centroid, was used to check for outliers. If the Mahalanobis distance is significant at  $p < 0.001$ , the case is a potential outlier (Francis, 2004). An examination indicated that for three cases among the independent variables, Mahalanobis distance was significant, at  $p = 0.000$ . These three were identified as outliers and eliminated from the analysis. Therefore, 232 questionnaires were retained for analysis.

A preliminary analysis was conducted to test for four assumptions using MANOVA. First, the independent variables must be categorical, with at least two groups. In this study there are two independent variables of ethnicity: identity and construal of self. Each independent variable was grouped into two categories, strong and weak, using a median split. Thus, this condition is satisfied in this thesis.

The second assumption examined was the multinomial normality of dependent variables. Multivariate normality is the assumption that all observations on the dependent variable are normally distributed. Normal distribution forms a symmetrical, bell shaped curve, with the greatest frequencies of scores in the middle and smaller frequencies towards the extremes (Tabachnick & Fidell, 2007). Using the Kolmogorov–Smirnov statistic for each of the dependent variables, the test showed all that dependent variables violated this assumption, displaying strong degrees of negative and positive skewness in Scenario 1 and Scenario 2 respectively in their distributions. For all dependent variables, the Kolmogorov Smirnov statistic for testing normality is  $p = 0.00$ , which is less than the required value of  $p > 0.05$ . Therefore, normality cannot be assumed. Violations of this assumption have little impact with larger sample sizes, and can be



accommodated as long as the differences are due to skewness and not outliers (Hair et al., 2007, p. 686). Further, because the present sample size was greater than 30, the central limit theorem states that sampling distribution will approximate a normal distribution even if the individual observations do not.

Third, there should be reasonable correlation between variables. The dependent variables should not have a high degree of multicollinearity, which indicates redundant dependent variables and decreases statistical efficiency. Multicollinearity exists when there is a strong correlation between two or more variables. Multicollinearity was assessed through the examination of Spearman's rho correlation matrices. Variables are said to be highly correlated when their  $r$ -value is equal to 0.9 and above (Field, 2009; Pallant, 2007). An examination of Spearman's rho correlation matrices between all variables revealed most of the variables had correlations of less than 0.9. The highest correlation in both Scenarios 1 and 2 was between Just and Fair, at 0.827 and 0.899 respectively, which were considered to be below 0.9. This indicates the absence of serious multicollinearity in the variables.

Finally, there should be between-group homogeneity of variances. Homogeneity of variance means that the variance and correlation between any pair of dependent variables is the same (Francis, 2004). Because Box's M test is sensitive to violation of the multi-normality assumption (Hair et al., 2007, p. 686), as was the case in this thesis, where all dependent variables were not normally distributed, Levene's test was considered appropriate to test homogeneity of variance-covariance. The Levene test for homogeneity of variance in Scenario 1 revealed no significant differences for all dependent variables ( $p > 0.05$ ), and so equal variance estimates was assumed.

For Scenario 2, the Levene's test was not significant for most dependent variables ( $p > 0.05$ ). However, for the dependent variables Acceptable to family and Traditionally acceptable, Levene tests showed significant difference of in the variances ( $t(233) = 2.159$ ,  $p = 0.006$  and  $t(233) = 2.877$ ,  $p = 0.16$  respectively). Levene tests for homogeneity of variance for interdependent construal of self in Scenario 1 were not significant for most dependent variables except for Ethical and Justice, which had significant differences on the test ( $t(233) = 1.429$ ,  $p = 0.045$  and  $t(233) = 1.901$ ,  $p = 0.01$  respectively). The Levene test showed no significant differences for interdependent construal of self in Scenario 2 and for independent construal of self for both Scenarios 1 and 2.

Following the assumptions of no significant violation of MANOVA, it was important to measure the reliability of the data in terms of internal consistency. Internal consistency reliability is only relevant for multi-item scales, and evaluates the extent to which related items measure the same concept. In addition, reliability assesses the extent to which research findings would be the similar if the research were repeated at a later date, or with a different sample of subjects (Tabachnick & Fidell, 2007). In this thesis, reliability was examined using Cronbach's alpha. Cronbach's alpha represents the degree to which items within a scale are inter-correlated with one another (Pallant, 2007). Table 5.1 shows the Cronbach's alpha for the eight dependent variables comprising dimensions of moral equity (4 items), relativism (2 items) and contractualism (2 items). Cronbach's alphas are 0.823, 0.897 and 0.898 respectively for Scenario 1 and 0.890, 0.940 and 0.920 respectively for Scenario 2. Sekaran (2006) stated that reliability coefficients above 0.8 are good, while the closer to 1.0 the better. Table 5.1 indicates

that the internal consistency reliability for the MEIM is good, and that therefore the instrument is reliable.

**Table 5.1: Cronbach's alpha for each dimension of the multidimensional ethics measure for Scenarios 1 and 2**

Dimensions	Scenario 1	Scenario 2
Moral Equity (4 items)	0.823	0.890
Relativism (2 items)	0.897	0.94
Contractualism (2 items)	0.898	0.92

## **Chapter 6: Results**

The objective of this chapter is to explain and present the results of the statistical analysis used in testing the hypothesised relationships between the variables. This chapter consists of three sections as follows: Section 1 describes the participants' demographic profiles. Section 2 discusses the descriptive statistics for both the single-item ethics measure and the multi-item ethnicity measure. Section 3 explains the results of the hypothesis testing.

### **6.1 Participants' demographic profiles**

This study collected demographic data, such as the age, gender, highest level of education and professional qualifications of its participants. Demographic variables were collected at the end of the questionnaire. Age was measured as a dichotomous variable with two categories (male and female), while age, academic qualifications and years of professional membership were measured on ordinal scales (see Appendix). A demographic profile of the participants is provided in Table 6.1.

**Table 6.1: Demographic profile of participants ( $N = 232$ )**

<b>Demographic variable</b>	<b>Frequency</b>	<b>Percentage (100%)</b>
<b>Age</b>		
25–35 years	143	63.8
36–45 years	59	25.1
46–55 years	22	9.4
Over 55 years	4	1.7
<b>Total</b>	<b>232</b>	<b>100</b>
<b>Gender</b>		
Male	146	62.9
Female	86	37.1
<b>Total</b>	<b>232</b>	<b>100</b>
<b>Ethnicity</b>		
Kikuyu	88	37.9
Luo	33	14.2
Luhya	20	8.6
Kalejin	17	7.3
Kamba	14	6.1
Others	60	25.9
<b>Total</b>	<b>232</b>	<b>100</b>
<b>Academic qualifications</b>		
Diploma	45	19.4
Bachelor's degree	163	70.3
Master's degree	24	10.3
<b>Total</b>	<b>232</b>	<b>100</b>

<b>Firm position</b>		
Junior	107	46.1
Senior	84	36.2
Manager	28	12.1
Partner	13	5.6
<b>Total</b>	<b>232</b>	<b>100</b>
<b>Years of professional experience</b>		
0–5 years	125	53.9
6–10 years	78	33.6
Over 10 years	29	12.5
<b>Total</b>	<b>232</b>	<b>100</b>
<b>Firm size</b>		
Small	60	25.9
Medium	124	53.4
Big Four	48	20.7
<b>Total</b>	<b>232</b>	<b>100</b>
<b>ICPAK membership</b>		
Yes	86	37.1
No	146	62.9
<b>Total</b>	<b>232</b>	<b>100</b>
<b>Years of ICPAK membership</b>		
0–5 years	44	51.2
6–10 years	29	33.7
Over 10 years	13	15.1
<b>Total</b>	<b>86</b>	<b>100</b>

The ages of the participants predominantly fell into the 35 years and under group ( $n = 143$ , 63.8%), followed by the 36–45 years group ( $n = 59$ , 25.1%). A further 22 (9.4%) were aged 46–55 years, while only four (1.7%) were aged over 55 years. This finding reflects the fact that most audit firms in Kenya employ young professionals. MANOVA analysis found no significant

influence of age on judgments for either Scenario 1 or 2 ( $F = 1.04$ ,  $p = 0.097$  and  $F = 0.85$ ,  $p = 0.671$  respectively). These results are consistent with those of previous studies (e.g., Ahmad et al., 2012; Mesmer-Magnus & Viswesvaran, 2005) that age is not a predictor of intention to blow the whistle.

The above data indicates that of the 232 survey participants, more males ( $n = 146$ , 62.9%) than females ( $n = 86$ , 37.1%) participated in the survey. Similarly, Naibei, Oima, Ojera and Owiye (2014) found that more male than female auditors participated in their study. This is a reflection of the fact that more males than females work in the auditing and accounting profession in Kenya. Takhtaei and Dezfully (2013) argued that, based on the traditional roles and societal expectations placed on women, there are fewer female employees in audit firms because family responsibilities outside work are incompatible with the intense professional commitment and responsibility that is required in audit firms. Although the descriptive statistics reveal that there were more male than female participants, the MANOVA reveals no significant influence of gender on responses to Scenario 1 or 2 ( $F = 0.95$ ,  $p = 0.180$  and  $F = 0.96$ ,  $p = 0.362$  respectively). These results are consistent with those of previous studies (Ahmad et al., 2012; Kaplan, 1995) that found no support for gender influencing intentions to blow the whistle.

The majority of participants ( $n = 88$ , 37.9%) were from the Kikuyu ethnic group. This reflects the fact that Kikuyu is the largest ethnic group in Kenya, making up over 20% of the population (United Nations, 2015) and dominating nearly every sector of the Kenyan economy, including professions (Wa Wamwere, 2008). A further 33 participants (14.2%) were from the Luo ethnic group. This is consistent with the fact that the Luo ethnic group has historically been known to

produce many professionals in Kenya (Onyango, 2006). Further, 20 (8.6%) were from the Luhya ethnic group, 17 (7.3%) from the Kalenjin ethnic group and 14 (6.1%) from the Kamba ethnic group. About 60 (25.9%) participants consists of small number below 1% and including non-African groups (Arabs and Indians) below 1%.

Most of the participants ( $n = 163$ , 70.3%) had attained a Bachelor's degree; 45 (19.4) had a Diploma qualification, including a Certified Public Accountant (CPA) qualification without a degree, while 24 (10.3%) had attained a Master's degree. From the above analysis, it is worthwhile to note that the majority of the participants had attained the undergraduate and postgraduate qualifications necessary to work in the auditing profession.

The above data indicates that a majority of participants ( $n = 107$ , 46.1%) were junior employees in their audit firm, while 84 (36.2%) and 28 (12.1%) were seniors and managers respectively. Only 13 (5.6%) were partners. The fact that the majority of the participants were junior employees while only a small number were partners may suggest that lower-level employees are more likely to respond to surveys, creating a selection bias in their favour. Partners may wish to concentrate on other responsibilities in the firm, being the highest ranked, and therefore may not be available to complete questionnaires.

Most of the participants ( $n = 125$ , 53.9%), had 5 years' professional experience or less. This is consistent with the fact that most of the participants were junior employees who may have worked in the firm for less than 5 years' time. Another 78 (33.6%) had 6–10 years professional experience and 29 (12.5%) had over 10 years' experience. Audit firm staffs with over 10 years'



professional experience were likely to be at higher ranks, such as partners or managers. The above data shows that only a small percentage of managers and partners participated in the survey. This is revealed in the fact that only 29 (12.5%) of the participants had over 10 years' professional experience. A MANOVA result revealed no significant differences arising from professional experience for Scenario 1 or 2 ( $F = 0.87$ ,  $p = 0.301$  and  $F = 0.92$ ,  $p = 0.307$  respectively). The current findings are in line with those of previous studies (Ahmad et al., 2012; Mesmer-Magnus & Viswesvaran, 2005) that failed to find a significant effect of professional experience on whistleblowing intentions.

The above data reveals that most of the firms surveyed ( $n = 124$ , 53.4%) were medium-sized. Small-sized firms numbered 60 (25.9%), while Big Four firms were 48 (20.7%). This shows that the majority of the firms that participated in the survey were local, small- and medium-sized audit firms.

Further, a majority of the participants ( $n = 146$ , 62.9%) were not members of ICPAK; only 86 (37.1%) were members. This is consistent with the report on observance of standards and codes in Kenya by the United Nations Conference on Trade and Development (2010), which found that many people who had completed the final level of the CPA examinations were not ICPAK members. Most of the participants who were ICPAK members ( $n = 44$ , 51.2%) had had their membership for 5 years or less; 29 participants (33.7%) had 6–10 years' membership and 13 (15.1%) had 10 years' membership.

## **6.2 Descriptive statistics for dependent variables (single-item questions and eight multi-item questions) for Scenarios 1 and 2**

The participants were required to consider two scenarios involving making judgments in relation to whistleblowing on a member of the same ethnic group and a member of a different ethnic group. The nine questions (one single-item and eight multi-item questions) were measured on a scale of 1 to 7, where 1 = ethical/fair/just and 7 = unethical/unfair/unjust. Table 6.2 provides the mean and standard deviation for each of the nine questions.

To categorise participants as having either strong or weak ethnic identity, a median split was utilised, in line with previous studies (Appiah, 2004; Brunst et al., 2014; Gamst et al., 2002). A median of 36 was found. Participants who scored values below the median were classified as having weak ethnic identities, while participants who scored values at or above the median were classified as having strong ethnic identities. A total of 110 (47.4%) Kenyan auditors were classified as having weak ethnic identities and 122 (52.6%) auditors were classified as having strong ethnic identities.

**Table 6.2: Descriptive statistics for dependent variables (single-item question and eight multi-item questions) for Scenarios 1 and 2**

	Ethnic identity				Construal of self			
	Strong (N = 122)		Weak (N = 110)		Interdependent (N = 172)		Independent (N = 60)	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD
<b>Scenario 1</b>								
<b>Single item (Ethical)</b>	5.97	1.75	6.23	1.63	6.15	1.63	6.16	1.70
<b>Moral Equity Dimension</b>								
Fair	5.55	1.84	5.85	1.94	5.63	1.81	5.73	1.92
Just	5.74	1.94	5.83	1.86	5.58	2.03	5.85	1.81
Morally right	5.68	1.82	5.94	1.89	5.63	2.02	5.86	1.80
Acceptable to family	4.92	1.93	5.70	2.18	4.90	2.30	4.90	1.95
<b>Relativism Dimension</b>								
Culturally acceptable	4.42	2.13	4.72	2.03	4.80	2.10	4.55	2.03
Traditionally acceptable	4.60	2.25	4.72	2.04	4.92	2.20	4.63	2.13
<b>Contractualism Dimension</b>								
Violates unwritten social contract	4.80	2.14	4.99	1.92	5.18	2.12	5.38	2.07
Violates an unspoken promise	5.11	2.10	5.96	2.10	5.27	2.25	5.40	2.06
<b>Scenario 2</b>								
<b>Single item (Ethical)</b>	1.75	1.63	1.81	1.85	1.55	1.38	2.42	2.39
<b>Moral Equity Dimension</b>								
Fair	1.87	1.58	1.93	1.65	1.71	1.37	2.55	2.21
Just	1.91	1.61	1.95	1.73	1.67	1.26	2.55	2.23
Morally right	1.86	1.62	1.89	1.73	1.69	1.44	2.40	2.13
Acceptable to family	2.45	1.86	3.07	2.21	2.45	1.87	3.60	2.33
<b>Relativism Dimension</b>								
Culturally acceptable	2.69	1.95	3.28	2.11	2.74	1.96	3.62	2.16
Traditionally acceptable	2.64	1.90	3.46	2.18	2.85	2.01	3.53	2.21
<b>Contractualism Dimension</b>								
Violates unwritten social contract	2.31	1.85	2.40	1.79	2.27	1.72	2.60	2.13
Violates an unspoken promise	2.29	1.93	2.67	2.06	2.45	2.01	2.48	1.96

Response scale ranged from 1 to 7 (where 1 refers to ethical/fair/just etc., and 7 to unethical/unfair/unjust/etc.)

In addition, a computation rule used in previous studies (Hannover, Birkner, & Pöhlmann, 2006; Holland, Roeder, Brandt, & Hannover, 2004; Pöhlmann, Carranza, Hannover, & Iyengar, 2007) was applied to classify the auditors as having independent or interdependent construals of self. Participants' average scores on the independent and interdependent self-construal measures were computed. The differences between the independence and interdependence subscales were computed to obtain the  $z$ -standardised score. Participants scoring higher on the independence subscale had a score larger than zero and thus were classified as having an independent construal of self, whereas participants scoring higher on interdependence subscale had a difference score equal to or less than zero, and thus were classified as having an interdependent construal of self. A total of 70 (30%) Kenyan auditors were classified as having an independent construal of self, while 162 (70%) Kenyan auditors were classified as having an interdependent construal of self.

For Scenario 1, the descriptive statistics presented in Table 6.2 show that the mean scores of the strong ethnic identity group were lower than those of the weak ethnic identity group on both the single-item ethics measure (ethical/unethical) and the eight multidimensional ethics measures. The descriptive statistics for the single-item measure (strong ethnic identity group,  $M = 5.97$ ,  $SD = 1.746$ ; weak ethnic identity group,  $M = 6.23$ ,  $SD = 1.633$ ) reveal that, on average, auditors with strong ethnic identity judge not blowing the whistle on a member of the same ethnic group as slightly more ethical than do auditors with weak ethnic identity.

For Scenario 2, the scores of the strong ethnic identity group ( $M = 1.75$ ,  $SD = 1.63$ ) are lower than those of the weak ethnic identity group ( $M = 1.81$ ,  $SD = 1.85$ ) for the single ethics measure (ethical/unethical). This indicates that auditors with strong ethnic identity consider blowing the

whistle on a member of a different ethnic group as more ethical than do auditors with weak ethnic identities. Thus, these descriptive results for the single ethic measure are in direction with H1 that auditors with strong ethnic identity are more likely to blow the whistle on a member of a different ethnic group.

For the eight multidimensional measures of ethics, all eight attributes were given lower mean scores by the strong ethnic identity group compared to the weak ethnic identity group. Generally, the descriptive statistics for ethnic identity point to auditors with strong ethnic identity being more likely to blow the whistle on a member of a different ethnic group than a member of their own ethnic group.

The descriptive statistics for Kenyan auditors classified as having independent and interdependent construals of self show that the mean score for interdependent construal of self is lower than the mean score for independent construal of self for both the single ethics measure (ethical/unethical) and the eight multidimensional ethics measures in Scenario 1. The descriptive statistics for the single-item measure—interdependent construal ( $M = 6.15$ ,  $SD = 1.63$ ) and independent construal ( $M = 6.16$ ,  $SD = 1.70$ )—reveal that auditors with interdependent construal of self consider not blowing the whistle on a member of the same ethnic group as slightly more ethical compared to those with independent construal of self. In addition, the eight multidimensional items indicate that auditors with interdependent construal of self are less likely to blow the whistle on a member of their own ethnic group, and thus are more accepting of not blowing the whistle on a member of their own ethnic group.

For Scenario 2, the mean scores for the interdependent group were lower than those for the independent group, both on the one-dimensional ethics measure (ethical/unethical) and the eight multidimensional ethics measure. The descriptive statistics for the single-item ethics measure for the interdependent group ( $M = 1.55$ ,  $SD = 1.38$ ) and the independent group ( $M = 2.42$ ,  $SD = 2.39$ ) show that those with interdependent construal of self consider blowing the whistle on a member of a different ethnic group as more ethical than those with independent construal of self. Further, the mean scores for the eight attributes of the multidimensional measure were lower for the interdependent group, indicating that the interdependent group are more likely to blow the whistle on a member of a different ethnic group. Overall, the descriptive statistics for the variable of construal of self in both Scenarios 1 and 2 fall in line with the likelihood that interdependent self-construed auditors are more likely to blow the whistle on a member of a different ethnic group than a member of their own ethnic group.

### **6.3 Hypothesis tests**

Three hypotheses were developed in Chapter 3 concerning whether auditors' whistleblowing judgments are affected by: (1) ethnic identity, (2) construal of self (interdependent and independent) and (3) interaction of ethnic identity and construal of self. An independent t-test was used to examine the single-item questions; this test is appropriate for revealing differences between two groups (Francis, 2004, p. 60). The two ethnic identity groups—weak and strong ethnic identity—were compared with the two construal of self groups—interdependent and independent construal of self. MANOVA and ANOVA were used to test the effects of the independent variables on the dependent variables collectively. MANOVA was used to test the

eight multidimensional questions. Where a MANOVA result reveals significant relationships, ANOVA is used to further ascertain the drivers of the relationship.

### **6.3.1 Results for single-item question (ethical/unethical)**

An independent t-test was conducted to examine whether the mean differences that exist between the strong ethnic identity and weak ethnic identity groups on the single-item question (ethical/unethical) are statistically significant. For the independent t-test, ethnic identity was the independent variable and ethical/unethical was the dependent variable. In Scenario 1, which involves blowing a whistle on a member of the same ethnic group, the mean score for the strong ethnic identity group ( $M = 5.97$ ,  $SD = 1.75$ ,  $n = 122$ ) was slightly lower than that for the weak ethnic identity group ( $M = 6.23$ ,  $SD = 1.63$ ,  $n = 110$ ). This difference was found to be statistically significant ( $t(230) = 0.34$ ,  $p = 0.000$ ). This result reveals that auditors with strong ethnic identity evaluate the behaviour of not blowing the whistle on a member of the same ethnic group as less unethical than do auditors with weak ethnic identity. This statistically significant difference supports H1.

A possible explanation for these results is that auditors with strong ethnic identities have a strong attachment towards their own ethnic group due to the strong ethnic loyalties and bonds that exist in Kenya. Therefore, judgments of what is ethical or unethical are dependent on the other members of their ethnic group rather than the individual. Blowing the whistle on a member of the same ethnic group may be considered inappropriate by family and other group members. Therefore, auditors with strong ethnic identities will be concerned with acting appropriately by not blowing the whistle on a member of their own ethnic group. Consequently, this group judged

blowing the whistle on a member of the same ethnic group as less ethical than the auditors with weak ethnic identities.

For Scenario 2, which involves blowing the whistle on a member of a different ethnic group, the mean score for the strong ethnic identity group ( $M = 1.75$ ,  $SD = 1.634$ ,  $n = 122$ ) was lower than that for the weak ethnic identity group ( $M = 1.81$ ,  $SD = 1.845$ ,  $n = 110$ ). An independent t-test showed that this difference is statistically significant ( $t(230) = 6.67$ ,  $p = 0.029$ ). These results reveal that auditors with strong ethnic identity evaluate the behaviour of blowing the whistle on a member of a different ethnic group as more ethical compared to those with weak ethnic identity. A possible reason for this difference may lie in the fact that in Kenya, members of the same ethnic group may hold negative stereotypes about members of different ethnic groups. Thus, auditors with strong ethnic identity may strive to achieve positive self-esteem by emphasising negatives among members of other ethnic groups. As such, auditors with strong ethnic identity judge blowing the whistle on wrongdoings committed by members of other ethnic groups as more ethical compared to those with weak ethnic identity. These results support the relationship predicted in H1. Overall, the results of the independent t-test for the single-item question (ethical/unethical) in Scenarios 1 and 2 provide support for H1: that auditors with strong ethnic identity are more likely to blow the whistle on members of a different ethnic group than on members of their own ethnic group.

In addition, an independent t-test was conducted to examine whether differences exist between the interdependent construal of self and independent construal of self groups on the single-item question (ethical/unethical). For Scenario 1, the mean for the interdependent group ( $M = 6.15$ ,



$SD = 1.63$ ,  $n = 172$ ) was slightly lower than that for the independent group ( $M = 6.16$ ,  $SD = 1.70$ ,  $n = 70$ ). This difference is not statistically significant ( $t(230) = 0.04$ ,  $p = 0.885$ ). The results reveal that while auditors who have interdependent construal of self evaluate the behaviour of not blowing the whistle on a member of the same ethnic group as slightly less unethical than auditors who have independent construal of self, this difference is not statistically significant and does not support H2.

A possible reason for this contradictory result, and the fact that the mean scores on the single-item ethics measure for the interdependent group are just slightly lower than for the independent group, may lie in the strength of the influence of professional context for those working in the auditing profession. The scenario indicates that shredding the papers is in direct violation of the integrity of the IFAC codes of ethics. Kenya has adopted the IFAC's Code of Ethics, and auditors are aware of its principles. The professional context of auditing may make the independent self characteristics of the interdependent self group temporarily highly accessible, and influence that group to make decisions based on the independent rather than interdependent self. Thus, the interdependent and independent groups made similar decisions on the single-item ethics measure in Scenario 1. The literature has suggested that if the context primes a particular self-construal, it becomes temporarily accessible and is likely to influence decisions (Ng & Lee, 2015, p. 127).

For Scenario 2, the mean score of the interdependent group ( $M = 1.55$ ,  $SD = 1.38$ ,  $n = 172$ ) was lower than that of the independent group ( $M = 2.42$ ,  $SD = 2.39$ ,  $n = 60$ ), indicating that the interdependent group considered blowing the whistle on a member of a different ethnic group as

more ethical than the independent group. However, this difference is not statistically significant ( $t(230) = 1.40, p = 0.233$ ), and thus does not support H2. The absence of statistically significant differences in the judgments of the interdependent and independent groups may be explained by the fact that auditors in Kenya are aware of the principles of the IFAC code of ethics and that issuing an unqualified opinion based on client pressures is in violation of IFAC's principle of objectivity and integrity; this shared awareness may have influenced the two groups to make similar judgments.

### **6.3.2 Multivariate Analysis of Variance (MANOVA one-tailed) of associations between ethnic identity and interdependent construal of self and auditors' judgments (multi-item questions)**

The MANOVA results reported in Table 6.3 indicate a significant main effect in Scenario 1 for ethnic identity ( $F = 2.59, p = 0.005$ ) and no significant effect for construal of self ( $F = 0.76, p = 0.319$ ). For Scenario 2, the table indicates a significant effect for both ethnic identity ( $F = 2.26, p = 0.012$ ) and construal of self ( $F = 4.56, p = 0.000$ ). There is no significant effect for the interaction between construal of self and ethnic identity for either Scenario 1 ( $F = 1.38, p = 0.105$ ) or Scenario 2 ( $F = 1.47, p = 0.085$ ). These results provide support for H1, partial support for H2, and no support for H3.

**Table 6.3: MANOVA (one-tailed) of associations between ethnic identity and interdependent construal of self and auditors' judgments (multi-item questions)**

Independent variables	Scenario 1			Scenario 2		
	Wilks	F	Sig	Wilks	F	Sig
Ethnic identity	0.914	2.59	0.005***	0.924	2.26	0.012**
Construal of self	0.973	0.76	0.319	0.858	4.56	0.000***
Ethnic identity * construal of self	0.953	1.38	0.105	0.950	1.47	0.085*

\*\*\* Statistically significant (1% level, one-tailed), \*\*statistically significant (5% level, one-tailed), \*statistically significant (10% level, one-tailed).

H1 states that auditors with strong ethnic identity are more likely to blow the whistle on a member of a different ethnic group than a member of their own ethnic group. A MANOVA was conducted with respect to the multidimensional ethics measure. For Scenario 1, which asks the participant to evaluate the decision not to blow the whistle on a member of the same ethnic group, MANOVA (see Table 6.3) shows that auditors with strong ethnic identity are less likely to blow the whistle on a member of the same ethnic group ( $F = 2.59$ ,  $p = 0.005$ ). These results are consistent with the findings of Verkuyten (2003) that individuals who score highly on ethnic identity show less negative attitudes towards bad behaviour by their in-group members compared to out-group members. The reluctance of Kenyan auditors with strong ethnic identities to blow the whistle on members of their own ethnic group can be explained by the influence of strong tribal loyalties and bonds among ethnic group members. Loyalty to ethnic group members plays a crucial role in everyday Kenyan life, including religion, education, politics and professions (Gumo et al., 2012; Wasserman & Maweu, 2014).

Auditors with strong ethnic identity in Kenya have a strong sense of belonging to their ethnic group, and as such, they will feel obligated to downplay the wrongdoings of a member of their own ethnic group. Exposing the wrongdoings of a fellow group member will bring shame and embarrassment to the ethnic group, which can affect self-esteem because of the strong identification and bond they share with its members. Further, blowing the whistle on a member of the same group may be perceived as being disloyal and traitorous by other ethnic group members. Therefore, it is not surprising that the results of this study show that auditors with strong ethnic identity are less likely to blow the whistle on members of their own ethnic group. These results provide support for H1. The significant relationship revealed by the MANOVA was further clarified by looking at the ANOVA for each measure of judgment to ascertain the direction of relationship and to gain further insights into the drivers of the relationship.

For Scenario 2, which relates to blowing the whistle on a member of a different ethnic group, the MANOVA results indicate that auditors with strong ethnic identity are more likely to blow the whistle on a member of a different ethnic group ( $F = 2.26, p = 0.012$ ). These results can be explained by the fact that, in Kenya, each ethnic group has strongly held opinions and attitudes about other ethnic groups, which have become embedded in popular belief and resulted in clashes, hostilities and tensions among groups (Modi & Shekhawat, 2008; Wa Wamwere, 2008). Thus, in a society like Kenya, when wrongdoing is committed by a person from an ethnic group different to that of a potential whistleblower who has strong ethnic identity, then the potential whistleblower is more likely to blow the whistle. In addition, according to studies by Tajfel and Turner (1979, 1986), people with strong ethnic identification look for negatives among out-groups in order to enhance their self-esteem. These results are similar to those of Stokes-Guinan

(2010) that individuals with stronger ethnic identities react more quickly to negative labels associated with members of their out-group than of their in-group. The results support H1—that auditors with strong ethnic identity are more likely to blow the whistle on a member of a different group.

H2 states that auditors with interdependent construal of self are more likely to blow the whistle on a member of a different ethnic group than a member of their own ethnic group; further, auditors with an interdependent construal of self are more likely than those with an independent construal of self to blow the whistle on a member of a different ethnic group. The MANOVA (see Table 6.4) reveals no significant difference between interdependent and independent self-construal groups for Scenario 1, which relates to blowing the whistle on a member of the same ethnic group ( $F = 0.76, p = 0.319$ ). This result is contrary to H2. This contradictory result may lie in the influence of the IFAC's Code of Ethics on Kenyan auditors' judgments. The importance of adhering to the principles of the IFAC's code may have had the greatest effect on the decision regarding whistleblowing on members of the same ethnic group to both independent and interdependent auditor groups. Thus, the features of independent construal of self in the interdependent group became highly accessible, influencing them to make decisions that were similar to those of the independents. The result was that there is no statistically significant difference in the judgments of the interdependent and independent groups.

However, a high significance level was found for Scenario 2 ( $F = 4.56, p = 0.000$ ), which involves making judgments about blowing the whistle on a member of a different ethnic group. The reason for this highly significant difference can be explained by the fact that for those with

interdependent self-construal, the distinctions between in-groups (same ethnic group) and out-groups (different ethnic group) are more significant than for those with independent self-construal, who display similar behaviours regardless of whether they are relating with an out-group or an in-group. The literature has suggested that when there is a greater distinction made between out-groups and in-groups, this may lead to derogation of the out-groups (Smurda et al., 2006). Derogation of out-groups makes it more likely that auditors who have interdependent construal of self will accept the notion of blowing the whistle on a member of a different ethnic group. Further, recall that in Kenya, negative stereotypes among various ethnic groups have resulted in conflicts and mistrust among ethnic groups. As such, the interdependent will be strongly influenced by negative stereotypes associated with members of different ethnic groups. Consequently, wrongdoing committed by a member of a different ethnic group will be more prominent to them than it will to independents, who are more likely to consider individual characteristics than relational or contextual factors when considering others. These results support the relationship predicted by H2 that auditors with strong interdependent construals of self are more likely to blow the whistle on members of a different ethnic group. The overall results for MANOVA provide partial support for H2.

It is important to note that in Scenario 2, there is a highly significant difference ( $p = 0.000$ ) between the two construal of self groups, compared to no significance ( $p = 0.319$ ) for Scenario 1. A possible reason for this result may lie in the fact that the distinction between in-groups and out-groups is more salient for those with interdependent construal of self. The literature has suggested that the interdependent differ in attitude and behaviour when dealing with in-group and out-group members (Parson & Artisticco, 2014; Snibbe et al., 2003). The interdependent are

embedded and connected and define themselves in relation to their in-groups. According to social identity theory, in order to achieve a positive self-concept, those with interdependent self-construal may emphasise the negatives of the out-group more than those of their in-group. In this case, by blowing the whistle on a member of a different ethnic group, an interdependent giving strong emphasis to a negative event for that group, thus enhancing their own self-image. This may explain why there is a highly significant difference between the interdependent and independent construal groups in Scenario 2, which deals with blowing the whistle on a member of a different ethnic group.

H3 states that the relationship between ethnic identity and whistleblowing is moderated by construal of self. The MANOVA reveals that there is no significant interaction for Scenario 1, which involves blowing the whistle on a member of the same ethnic group ( $F = 1.38, p = 0.105$ ). This result indicates that the effect of ethnic identity in Scenario 1 is separate from the construal of self. In other words, the relationship between blowing the whistle on a member of the same ethnic group and ethnic identity does not depend on whether the auditor has interdependent or independent construal of self. A possible reason for these results may lie in the fact that ethnicity is of great importance in Kenyan society. Strong loyalties to fellow ethnic group members are important to a majority of Kenyans. Therefore, ethnic identity may strongly influence decisions on whether or not to blow the whistle on a member of the same ethnic group.

However, for Scenario 2, which involves blowing the whistle on a member of a different ethnic group, construal of self moderating the relationship of ethnic identity and whistleblowing is supported ( $F = 1.47, p = 0.085$ ). This result indicates that the relationship between ethnic identity

and blowing the whistle on a member of a different ethnic group depends on whether an auditor has an interdependent or independent construal of self. A post-hoc Bonferroni test was conducted. Plotting was utilised to assist in determining whether it is the independent or interdependent construal of self driving the change in the whistleblowing judgment. Overall, the MANOVA results partially support H3.

### **6.3.3 ANOVA—Eight multidimensional ethics measures and ethnic identity, construal of self and interaction for ethnic identity and construal of self**

In response to the significant MANOVA results for ethnic identity in both Scenarios 1 and 2, and for construal of self for Scenario 2, inspection of ANOVA was conducted to determine the drivers of these significant results. Table 6.4 shows the ANOVA results. For H1, which states that auditors with strong ethnic identity are less likely to blow the whistle on a member of their own ethnic group than a member of a different ethnic group, follow-up univariate tests indicated that when each dependent variable is considered separately, two attributes, including Just ( $F = 2.22$ ,  $p = 0.069$ ) and Acceptable to family ( $F = 4.91$ ,  $p = 0.014$ ) reach statistical significance. This suggests that, as hypothesised, auditors with strong ethnic identity are less likely to blow the whistle on a member of their own ethnic group.

These two statistically significant attributes (Just and Acceptable to family) comprise the moral equity dimension. The moral equity dimension is the most fundamental decision rule for evaluating the moral content of business situations. This dimension depends on the lessons learned early at home about what is fair, just, right or wrong, and includes the idea of family acceptance (Patel, 2007; Reidenbach & Robin, 1990). Thus, the difference between identity



groups for these two fundamental attributes in judgments may potentially be attributed to the fact that auditors with strong ethnic identity may consider it unjust to take any action that might be disapproved of by the family, such as reporting the wrongdoings of a member of the same ethnic group. This is supported by the fact that the mean score on the Just attribute for the strong ethnic identity group is lower ( $M = 5.74$ ) compared to the mean score for the weak ethnic identity group ( $M = 5.83$ ), suggesting that auditors with strong ethnic identities consider not blowing the whistle on a member of the same ethnic group more just than do those with weaker ethnic identities.

**Table 6.4: ANOVA of eight multidimensional ethics measures and ethnic identity, construal of self and interaction for ethnic identity and construal of self**

Independent variable	Dependent variable	Scenario 1					Scenario 2			
		DF	SS	MS	F	Sig	SS	MS	F	Sig
Ethnic identity	Fair	1	0.01	0.01	0.00	0.480	3.25	3.24	1.23	0.134
	Just	1	7.87	7.87	2.22	0.069**	7.96	7.96	3.30	0.036**
	Morally right	1	4.90	4.90	1.41	0.118	2.85	2.85	1.05	0.153
	Acceptable to family	1	20.77	20.77	4.91	0.014**	6.14	6.14	1.56	0.107
	Culturally acceptable	1	0.62	0.62	0.14	0.353	8.26	8.26	2.05	0.077*
	Traditionally acceptable	1	0.46	0.46	0.09	0.377	28.88	28.88	6.98	0.005***
	Unwritten contract	1	0.74	0.74	0.18	0.338	0.04	0.04	0.01	0.459
	Unspoken promise	1	2.98	2.98	0.68	0.206	2.02	2.02	0.51	0.238
Construal of self	Fair	1	0.56	0.56	0.16	0.345	34.75	34.75	13.18	0.000***
	Just	1	5.46	5.46	1.54	0.108	39.95	39.95	16.54	0.000***
	Morally right	1	3.54	3.54	1.02	0.156	25.05	25.05	9.27	0.002***
	Acceptable to family	1	0.02	0.02	0.00	0.473	51.44	51.44	13.03	0.000***
	Culturally acceptable	1	2.40	2.40	0.55	0.229	27.56	27.56	6.85	0.005***
	Traditionally acceptable	1	2.86	2.86	0.62	0.217	12.30	12.30	2.97	0.043**
	Unwritten contract	1	0.33	0.33	0.08	0.391	5.02	5.02	1.48	0.112
	Unspoken promise	1	0.40	0.40	0.09	0.381	0.19	0.19	0.03	0.432
Construal of self * Ethnic identity	Fair	1	14.63	14.63	4.12	0.021**	7.07	7.07	2.68	0.052*
	Just	1	16.16	16.16	4.55	0.017**	11.96	11.96	4.95	0.014**
	Morally right	1	0.37	0.37	0.11	0.372	6.71	6.71	2.48	0.058*
	Acceptable to family	1	0.35	0.35	0.08	0.387	1.92	1.92	0.49	0.243
	Culturally acceptable	1	0.49	0.49	0.11	0.369	0.48	0.48	0.14	0.365
	Traditionally acceptable	1	2.55	2.55	0.55	0.230	0.82	0.82	0.20	0.378
	Unwritten contract	1	1.21	1.21	0.29	0.297	0.99	0.99	0.29	0.295
	Unspoken promise	1	7.95	7.95	1.81	0.090*	5.86	5.86	1.48	0.113

**Scenario 1.** Fair:  $R^2 = 0.024$ ; Just:  $R^2 = 0.024$ ; Morally right:  $R^2 = 0.009$ ; Acceptable to family:  $R^2 = 0.002$ ; Culturally acceptable:  $R^2 = 0.005$ ; Traditionally acceptable:  $R^2 = 0.006$ ; Violates unwritten social contract:  $R^2 = 0.037$ ; Violates an unspoken promise:  $R^2 = 0.021$ .

**Scenario 2.** Fair:  $R^2 = 0.061$ ; Just:  $R^2 = 0.080$ ; Morally right:  $R^2 = 0.045$ ; Acceptable to family:  $R^2 = 0.076$ ; Culturally acceptable:  $R^2 = 0.050$ ; Traditionally acceptable:  $R^2 = 0.053$ ; Violates unwritten social contract:  $R^2 = 0.008$ ; Violates an unspoken promise:  $R^2 = 0.016$ .

\*\*\* Statistically significant (1% level, one-tailed), \*\*statistically significant (5% level, one-tailed), \*statistically significant (10% level, one-tailed).

These results can be partially explained by the fact that, in Kenya, people may learn from early childhood from their families to be loyal to their ethnic group members due to the strong ethnic ties and bonds within the group. Again, this is supported by the fact that the mean score for Acceptable to my family is lower ( $M = 4.92$ ) for strong ethnic identities than for weak ethnic identities ( $M = 5.70$ ), suggesting that those with strong ethnic identities consider it more acceptable to their families not to blow the whistle on a member of the same ethnic group compared to those with weak ethnic identities.

For Scenario 2, which relates to blowing the whistle on a member of a different ethnic group, a follow-up inspection of ANOVA results reveals that three attributes of the multi-item ethic measure—Just, Culturally acceptable and Traditionally acceptable—have significance difference of ( $F = 3.30, p = 0.036$ ), ( $F = 2.05, p = 0.077$ ) and ( $F = 6.98, p = 0.004$ ) respectively. Just is one of the attributes in the moral equity dimension. The significance difference between strong and weak ethnic identity attributed to just may be linked to the fact that among various ethnic groups hostility, distrust and hatred are very strong. Therefore, when wrongdoing is committed by a member of a different ethnic group, those with stronger ethnic identities are likely to evaluate this more severely than when the same is done by a member of their own ethnic group. This is supported by the fact that the mean score for the Just attribute is lower among strong ethnic identities ( $M = 1.93$ ) compared to among weak ethnic identities ( $M = 5.85$ ), suggesting that auditors with strong ethnic identities evaluate blowing the whistle on a member of a different ethnic group as more just than do those with weak ethnic identities.

In addition, the attributes of Culturally acceptable and Traditionally acceptable within the relativism dimension show significant ANOVA results. The essence of the relativism dimension is that all cultural values are important in defining an individual's ethical beliefs (Patel, 2007). The significant result for this dimension may be attributed to the fact that those with stronger ethnic identities have stronger attachments to cultural values and norms, and are more involved in the cultural practices of their ethnic group. In Kenya, cultural beliefs held about different ethnic groups are often negative. Thus, those with stronger cultural beliefs may judge blowing the whistle on a member of a different ethnic group as more traditionally and culturally acceptable because of the strong hostility among ethnic groups in Kenya. This is supported by the lower mean scores of the strong ethnic identity group for both Culturally acceptable ( $M = 2.69$ ) and Traditionally acceptable ( $M = 2.64$ ) compared to those of the weak ethnic identity group (Culturally acceptable,  $M = 3.28$ ; Traditionally acceptable,  $M = 3.46$ ). This indicates that those with strong ethnic identities evaluate whistleblowing on a member of a different ethnic group as more culturally and traditionally acceptable compared to those with weak ethnic identities.

H2 states that auditors with interdependent construals of self are more likely to blow the whistle on a member of a different ethnic group than a member of their own ethnic group. A follow-up univariate test for Scenario 2 revealed that for all four attributes of the moral equity dimension, the differences are statistically significant. These four attributes are Fair ( $F = 13.18, p = 0.000$ ), Just ( $F = 16.54, p = 0.000$ ), Morally right ( $F = 9.27, p = 0.003$ ) and Acceptable to family ( $F = 13.03, p = 0.000$ ). Recall that the moral equity dimension is the most fundamental decision rule for evaluating the moral content of business situations. Thus, these significant results

indicate that there is strong support among interdependents for whistleblowing against a member of a different ethnic group. Further, differences in the two attributes of the relativism dimension were statistically significant. These attributes are Culturally acceptable ( $F = 6.85, p = 0.005$ ) and Traditionally acceptable ( $F = 2.97, p = 0.043$ ). The relativism dimension includes the perception of what is right or wrong based on the guidelines or parameters embedded in the social or cultural systems (Nguyen & Biderman, 2008; Schepers, 2003).

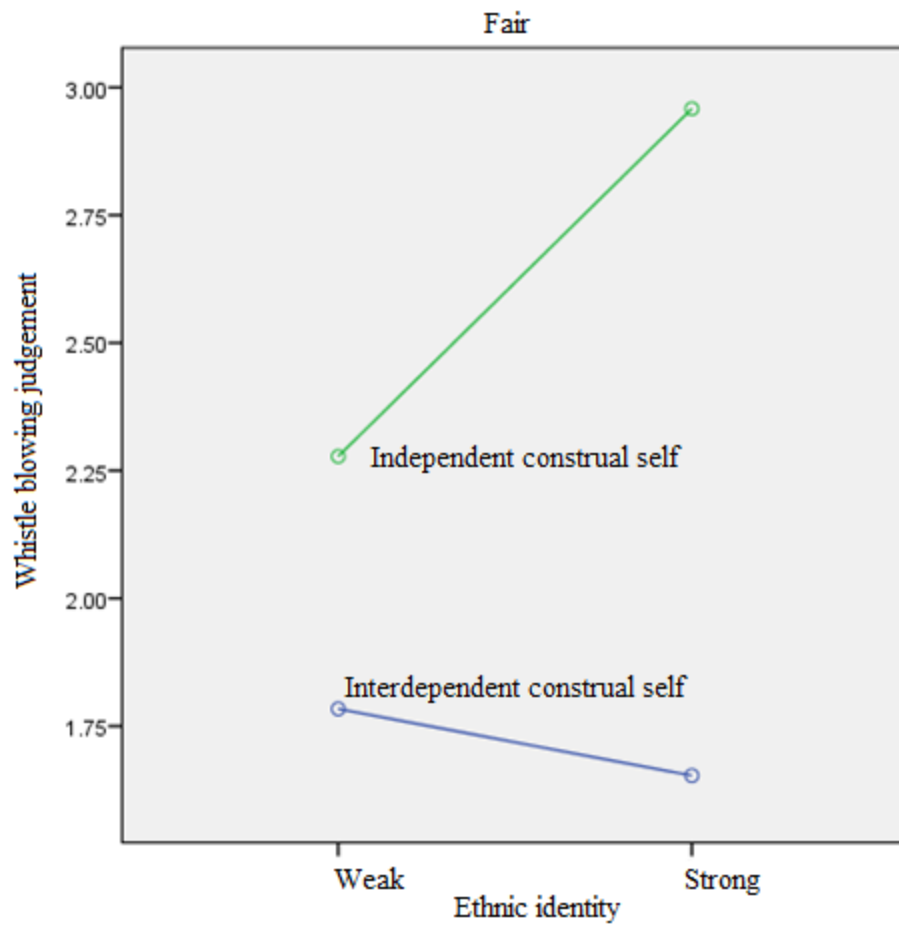
In Kenya, negative ethnicity among various ethnic groups is manifest in every aspect of daily life, including religion, education and politics (Gumo et al., 2012; Modi & Shekhawat, 2008). Those with interdependent self-construal consider themselves and their thoughts and emotions in relation to their relevant in-group (Downie et al., 2006), and are thus more likely to be influenced by the social demands and guidelines of their ethnic group when determining what is right or wrong. Given that in Kenya most ethnic group hold negative beliefs about other ethnic groups, those with interdependent self-construal are likely to emphasise the wrongdoing of a member of a different ethnic group more strongly compared to those with independents self-construal, whose behaviour is organised and determined by their own thoughts. This is supported by the fact that the mean scores among the interdependent group for the attributes of Culturally acceptable and Traditionally acceptable ( $M = 2.74$  and  $M = 2.85$  respectively) were lower compared to the scores among the independent group on the same attributes ( $M = 3.62$  and  $M = 3.53$  respectively). This indicates that interdependents evaluate blowing the whistle on a member of a different ethnic group as more culturally and traditionally acceptable than independents do. These results are in line with H2.

H3 states that the relationship between ethnic identity and whistleblowing is moderated by construal of self. Table 6.4 shows that there is significant interaction between ethnic identity and construal of self for the attributes of Fair ( $F = 2.68, p = 0.052$ ), Just ( $F = 4.95, p = 0.014$ ) and Morally right ( $F = 2.48, p = 0.058$ ). That is, with respect to blowing the whistle on a member of a different ethnic group, the effect of ethnic identity is dependent on construal of self for the attributes of Fair, Just and Morally right. These attributes constitute the first three important attributes of the moral equity dimension. Ayer and Kaplan 2005 find moral equity dimension to be significantly associated with a normal reporting channel but not with the anonymous reporting channel. Thus, the moral equity dimension can be significantly associated with whistle-blowing intentions.

Figure 1, shows when ethnic identity is weak, the mean score for whistle-blowing judgment for interdependent versus independent construal of self for fair attribute is ( $M = 1.78$  vs.  $M = 2.28$ ), while when ethnic identity is strong, the mean score for whistle-blowing judgments for interdependent versus independent construal of self ( $M = 1.65$  vs.  $M = 2.96$ ). For the just attribute, figure 2 shows when ethnic identity is weak, the mean score for whistle-blowing judgment for interdependent versus independent construal of self ( $M = 1.73$  vs.  $M = 2.17$ ), while when ethnic identity is strong, the mean score for whistle-blowing judgments for interdependent versus independent construal of self ( $M = 1.63$  vs.  $M = 3.13$ ).

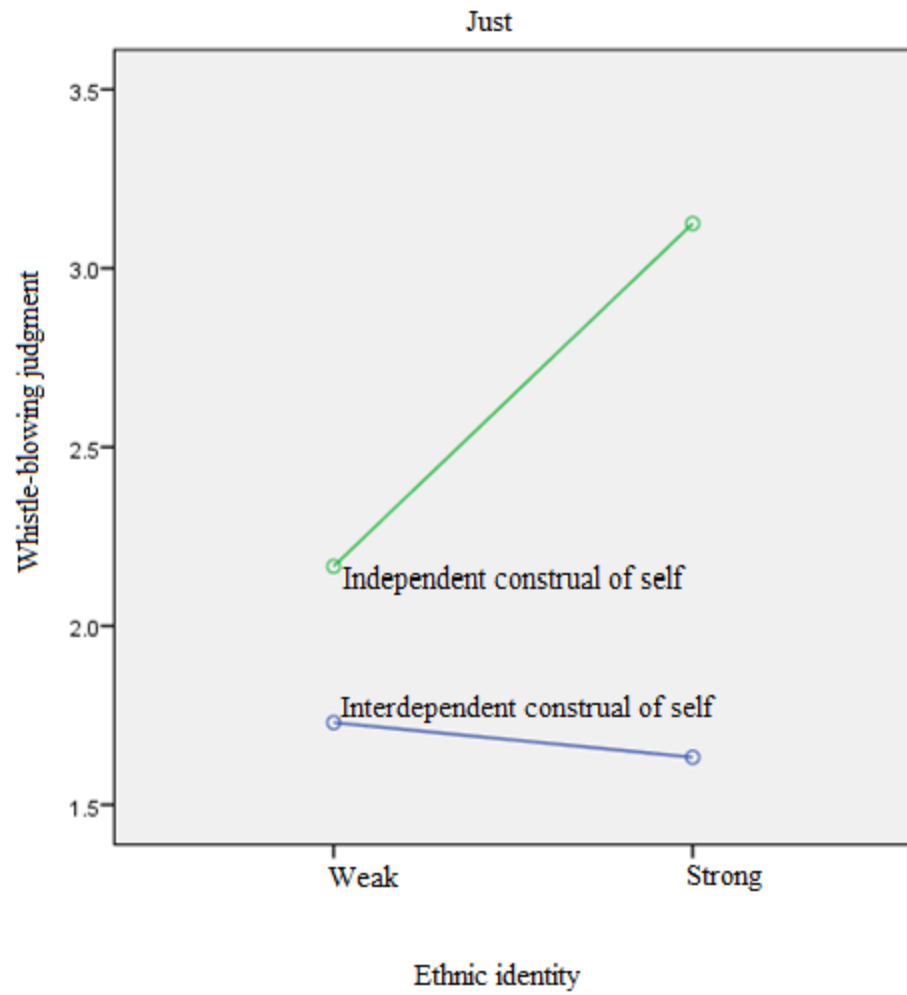
For the attribute morally right, figure 3 shows when ethnic identity is weak, the mean score for whistle-blowing judgment for interdependent versus independent construal of self ( $M = 1.77$  vs.  $M = 2.14$ ) while when ethnic identity is strong, the mean score for whistle-blowing judgments for interdependent versus independent construal of self ( $M = 1.63$  vs.  $M = 2.79$ ). These results reveals significant change on the whistle-blowing judgments for independent construal of self for

the three attributes compared to the change caused by the interdependent construal of self. Thus, the results reveals that the effect of ethnic identity on whistle blowing judgment is influenced by independent construal of self rather than interdependent construal of self for the three attributes of fair, just and morally right. Recall that the dimension of moral-equity dimension states that equals ought to be treated equally whereas unequals ought to be treated unequal. In addition, the independent construal of self emphasises on a rational relationship with others irrespective of their group, while interdependent construal of self differ in behaviour when interacting with in-group and out-group. Furthermore, as ethnic identity moves from weak to strong, in-group bias may result to out-group derogation. Thus, interdependent may have the same influence on ethnic identity. However, for independent it does not matter whether the wrongdoer is a member of same ethnic group or a different ethnic group. Thus, the independent may cause a significant impact as ethnic identity for the three attributes of moral dimension compared to interdependent construal of self.

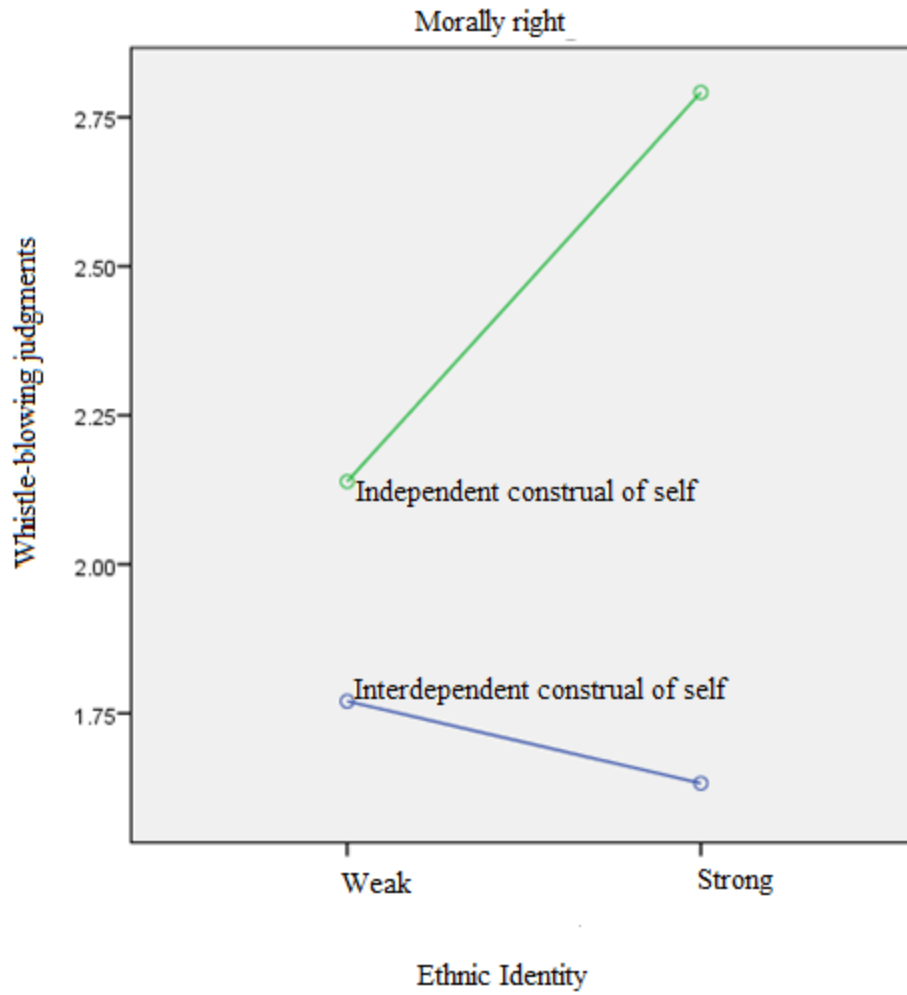


**Figure 6.1: Fair—Interaction between ethnic identity and construal of (Scenario 2)**





**Figure 6.2: Just—Interaction between ethnic identity and construal of self (Scenario 2)**



**Figure 6.3: Morally right—Interaction between ethnic identity and construal of self**

## **Chapter 7: Conclusions, Contributions, Limitations and Future Research**

This chapter summarises the main findings of the study, its contributions and limitations, as well as suggestions for future research. The chapter consists of three sections. Section 7.1 discusses the main findings. Section 7.2 presents some recommendations for industry practice arising from the results. Section 7.3 notes some limitations and offers suggestions for future research.

### **7.1 Main findings**

This thesis has examined the influence of ethnic identity and construal of self on whistleblowing judgments among auditors in Kenya. These two dimensions were chosen because previous studies have shown that they are important in investigating ethnicity. It has also investigated the interactions between ethnic identity and construal of self in whistleblowing judgments. Whistleblowing judgments were measured using both a single-item ethics measure (ethical/unethical) and multidimensional ethics measures.

The findings for H1—that auditors with strong ethnic identity are less likely to blow the whistle on a member of their own ethnic group than a member of a different ethnic group—are as follows for the single-item question (ethical/unethical). The results of an independent t-test reveal a significant difference between those with strong and weak ethnic identities regarding not blowing the whistle on members of one's own ethnic group. Auditors with strong ethnic identity considered refraining from blowing the whistle on a member of the same ethnic group as less unethical than auditors with weak ethnic identities. As such, auditors with strong ethnic identities

are less likely to blow the whistle on a member of the same ethnic group. In addition, the t-test for Scenario 2 on the single item shows a significant difference between the strong and weak ethnic identity groups regarding blowing the whistle on a member of a different ethnic group. Auditors with strong ethnic identity considered blowing the whistle on a member of a different ethnic group as more ethical compared to auditors with weak ethnic identity. Consequently, auditors with strong ethnic identities are more likely to blow the whistle on a member of different ethnic group. Overall, the results for the single items provide support for H1.

The findings for H2—that auditors with interdependent construal of self are less likely to blow the whistle on a member of their own ethnic group than a member a different ethnic group—reveal the following for the single-item ethics measure (ethical/unethical). The independent t-test for not blowing the whistle on a member of the same ethnic group reveals no significant difference between those with independent and interdependent construals of self. The results do not provide support for H2. Further, the results of the independent t-test for blowing the whistle on a member of a different ethnic group show no significant differences between those with independent and interdependent construals of self. The results do not support H2. Overall, the results for the single-item ethics measure provide no support for H2.

The MANOVA results for the multidimensional ethics measure for H1 show significant differences between strong and weak ethnic identities regarding not blowing the whistle on a member of the same ethnic group. That is, auditors with strong ethnic identities are less likely to blow the whistle on a member of the same ethnic group compared to a member of a different ethnic group. With respect to blowing the whistle on a member of a different ethnic group, the

MANOVA results indicate a significant difference between the strong and weak ethnic identities. Auditors with strong ethnic identity are more likely to blow the whistle on a member of a different ethnic group compared to those with weak ethnic identity. These results provide support for H1.

The MANOVA results for H2 reveal no significant difference between interdependent construal of self and independent construal in relation to not blowing the whistle on a member of the same ethnic group and on a member of a different ethnic group. These results fail to provide support for H2—that auditors with strong interdependent construal of self are more likely to blow the whistle on a member of a different group than a member of their own ethnic group. However, the results for blowing the whistle on a member of a different ethnic group reveal a highly significant difference between those with independent and interdependent construals of self. That is, auditors with interdependent construal of self are more likely to blow the whistle on a member of a different ethnic group compared to auditors with independent construal of self.

H3 states that the relationship between ethnic identity and whistleblowing is moderated by the construal of self. The results reveal no interaction between ethnic identity and construal of self in relation to not blowing the whistle on a member of the same ethnic group. That is, the effect of ethnic identity on refraining from blowing the whistle on a member of one's own ethnic group is not affected by the construal of self. However, in relation to blowing the whistle on a member of a different ethnic group, there is an interaction between ethnic identity and construal. A post-hoc test indicates that the effect of ethnic identity is dependent on the independent construal of self.

## **7.2 Recommendations**

The importance of whistleblowing as an essential control mechanism for detecting and preventing wrongdoings has been commonly acknowledged. Specifically, whistleblowing can be used as a control mechanism within audit firms to deter further occurrences of scandal associated with audit firms. This thesis finds that the strength of ethnic identity among Kenyan auditors influences the decision on whether to blow the whistle or not. Specifically, auditors with strong ethnic identity are found to be less likely and less accepting of whistleblowing on a member of their own ethnic group, but more likely to blow the whistle on a member of a different ethnic group. The results of this thesis suggest a need for audit teams to comprise staff from different ethnic groups. The reason for this is that the majority of Kenyans share strong ethnic bonds and loyalties with members of their own ethnic group. Thus, if audit teams are composed of members of the same ethnic group, they will be reluctant to blow the whistle on a team member of their own ethnicity. However, if audit teams consist of members of different ethnic groups, there is a higher likelihood that whistleblowing will result when wrongdoings occur.

The results of this thesis also suggest a need to train and educate audit staff in Kenya on the importance of whistleblowing in auditing. Training and education may increase auditors' ethical awareness and willingness to report wrongdoing committed by audit staff, even those from the same ethnic group. This will improve both the effectiveness and the efficiency of whistleblowing audit firms.

### **7.3 Contributions**

This study aims to make several contributions. First, the study hopes to contribute to international research into whistleblowing by providing literature about the unique Kenyan context. This study provides information on ethnic identity and construal of self among Kenyan auditors and their attitudes towards whistleblowing. Such information may be useful to multinationals to assist them in achieving consistency and dependability of internal control systems across divisions in various countries.

Second, the study extends the accounting literature on whistleblowing. There is scarce literature on whistleblowing in auditing contexts in Kenya. In fact, to the best of the researcher's knowledge, no studies have previously addressed the issue of whistleblowing in auditing contexts in Kenya. Therefore, this study provides initial literature on the influences of ethnic identity and construal of self on whistleblowing judgments in the Kenyan context. The findings of this study may thus pave the way for further investigation on predictive factors of whistleblowing intentions in multi-ethnic countries such as Kenya.

Third, the results of this thesis offer important insights for audit practitioners and policy makers. It was found that auditors with strong ethnic identities are less likely to blow the whistle on members of their own ethnic group, but are more likely to blow the whistle on a member of a different ethnic group. This information can aid professional associations and policy makers in developing and incorporating the necessary ethical requirements into their codes of professional conduct. It can also assist audit firms to decide on the appropriate training needs of their staff.

Finally, the thesis has an additional academic value, in that it makes a methodological contribution by showing that examining ethnicity in terms of its particular dimensions (construal of self and ethnic identity), rather than as a simple categorical variable, can provide more comprehensive understanding of the judgments of professional accountants and auditors in multi-ethnic countries.

#### **7.4 Limitations and suggestions for further research**

The limitations to this study are as follows. This thesis has focused mainly on external auditors working in audit firms to determine their whistleblowing judgments. The research did not include an examination of whistleblowing among government and internal auditors. Thus, limitations exist with respect to its generalisability to other forms of auditing within the profession. Future research should incorporate these other areas of auditing and other contextual variables that might influence whistleblowing intentions. In addition, future projects might involve comparative study including other multi-ethnic countries.

This thesis has measured whistleblowing judgments and not actual whistleblowing behaviour. This is because there was a lack of publicised cases of whistleblowing in Kenya that could have been utilised. Further, actual whistleblowers may be reluctant to discuss their actual whistleblowing experiences due to the sensitive nature of the action. Although the relationship between whistleblowing judgments and whistleblowing behaviour has been supported in previous studies (Chiu, 2003; Zhang et al., 2009), the findings of this research may not be indicative of auditors' decisions in real whistleblowing contexts. Auditors who stated that they would report on wrongdoings may actually not actually do so, and vice versa.



This thesis uses scenarios to evaluate whistleblowing judgments among auditors. While the use of scenarios allows the researcher to address sensitive issues by presenting them hypothetically, respondents may indicate their judgments with no real commitment to the actual behaviour. This may lead to social desirability bias in their responses. However, several preventative measures were taken to mitigate these effects, such as guaranteed anonymity and confidentiality of individual responses. Further, previous studies (Ayers & Kaplan, 2005; Kaplan & Schultz, 2007; Patel, 2003) have supported and recommended the use of scenarios in whistleblowing.

This thesis did not examine the effects of construal of self and ethnic identity on judgments between ethnic groups. Future studies may examine ethnic identity and construal of self between two main ethnic groups in Kenya, for example, the Kikuyu and Luo, and their effects on whistleblowing judgments. The results of such studies may be of importance when examining within- country differences in whistleblowing judgments. This could have implications for the convergence of international standards on auditing and international codes of ethics. A further comparative study could be made between Big Four companies and local audit firms.

Finally, the impact of firm culture on whistleblowing judgments was not considered in this thesis. This thesis included both local firms and multinational firms in its sample, and thus failed to control for organisational characteristics. Similarities in organisational characteristics may arise because of the standardisation of activities such as the audit process, hiring and the implementation of the firm's code of professional conduct. Some previous studies (Patel, 2003) have acknowledged that organisational characteristics may influence accountants' judgments,

while others have reported that firm affiliation did not affect audit judgment (Meixner & Welker, 1988).

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# Appendix 1

## Part 1

Please use the numbers below to indicate how much you agree or disagree with each of the following statements by circling the number that best corresponds to your chosen response.

Statements	Strongly Disagree	Disagree	Agree	Strongly Agree
1. I have spent time trying to find out about my ethnic group such as history, traditions and customs.	1	2	3	4
2. I am active in organisations and social groups that include mostly members of my own ethnic group.	1	2	3	4
3. I have a clear sense of my ethnic background and what it means for me.	1	2	3	4
4. I think a lot about how my life will be affected by my ethnic group membership.	1	2	3	4
5. I am happy that I am a member of the ethnic group I belong to.	1	2	3	4
6. I have a strong sense of belonging to my ethnic group.	1	2	3	4
7. I understand pretty well what my ethnic group membership means to me.	1	2	3	4
8. In order to learn more about my ethnic background, I often talk to other people about my ethnic group.	1	2	3	4
9. I have a lot of pride in my ethnic group.	1	2	3	4
10. I participate in cultural practices of my own ethnic group such as enjoying special food, music and other customs.	1	2	3	4
11. I feel a strong attachment towards my own ethnic group.	1	2	3	4
12. I feel good about my ethnic background.	1	2	3	4

## Part 2

Please use the numbers below to indicate how much you agree or disagree with each of the following statements by circling the number that best corresponds to your chosen response.

Statement	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
1. I have respect for the authority figures with whom I interact.	1	2	3	4	5	6	7
2. It is important for me to maintain harmony within my group.	1	2	3	4	5	6	7
3. My happiness depends on the happiness of those around me.	1	2	3	4	5	6	7
4. I would offer my seat in a bus to my supervisor.	1	2	3	4	5	6	7
5. I respect people who are modest about themselves.	1	2	3	4	5	6	7
6. I will sacrifice my self-interest for the benefit of the group I am in.	1	2	3	4	5	6	7
7. I often have the feeling that my relationships with others are more important than my accomplishments.	1	2	3	4	5	6	7
8. I should take into consideration my relatives' advice when making education/career plans.	1	2	3	4	5	6	7
9. It is important to me to respect decisions made by the group.	1	2	3	4	5	6	7
10. I will stay in a group if they need me, even when I'm not happy with the group.	1	2	3	4	5	6	7
11. If my brother or sister fails, I feel responsible.	1	2	3	4	5	6	7

12. Even when I strongly disagree with my ethnic group member, I avoid an argument.	1	2	3	4	5	6	7
13. I'd rather say 'no' directly than risk being misunderstood.	1	2	3	4	5	6	7
14. Speaking up during a meeting is not a problem for me.	1	2	3	4	5	6	7
15. Having a lively imagination is important for me.	1	2	3	4	5	6	7
16. I am comfortable with being singled out for praise or rewards.	1	2	3	4	5	6	7
17. I am the same person at home as I am at work.	1	2	3	4	5	6	7
18. Being able to take care of myself is a primary concern for me.	1	2	3	4	5	6	7
19. I act the same way no matter who I am with.	1	2	3	4	5	6	7
20. I feel comfortable using someone's first name soon after I meet them, even when they are much older than I am.	1	2	3	4	5	6	7
21. I prefer to be direct and forthright when dealing with people I've just met.	1	2	3	4	5	6	7
22. I enjoy being unique and different from others in many respects.	1	2	3	4	5	6	7
23. My personal identity independent of others is very important to me.	1	2	3	4	5	6	7
24. I value being in good health above everything.	1	2	3	4	5	6	7

### Part 3

Below are two independent case scenarios. Please read through each case carefully and answer the questions that follow. There is no right or wrong answer.

#### Scenario 1

Daniel is a junior auditor conducting an annual audit of a highly valued client, a machinery manufacturing company that is about to go public. During the audit, Daniel has discovered that the manufacturing company has received a large loan from the local savings and loan association. It is illegal for a savings and loan association to grant a loan to a manufacturing firm; they are restricted by law to mortgages based on residential real estate. Daniel has taken the working papers and a copy of the ledger to the engagement partner and shown him the loan. The engagement partner, Tom, has listened and then told Daniel, 'Leave the papers with me. I will take care of this privately.' Daniel later learns that Tom has shredded the papers and has taken no further action. Daniel believes that shredding the papers is in direct violation of the principle of 'integrity' of the International Federation of Accountants (IFAC)'s code of ethics.

Daniel is considering disclosing this matter to senior management. However, Daniel knows that Tom belongs to his ethnic group, and Daniel may be considered a traitor who is disloyal to a member of his own ethnic group, if he reports Tom to the senior management. Daniel will face extreme levels of disapproval from his family and other members of his own ethnic group. Further, it was Tom who pushed for Daniel's employment in the audit firm and therefore Daniel feels obligated and bound not to reveal his unethical actions. After thinking about the issue for a few days, Daniel decides not to report the matter to senior management.

#### How would you evaluate Daniel's decision?

**Instructions:** Using a scale of 1 to 7, where 1 refers to ethical/fair/just etc., and 7 to unethical/unfair/unjust etc., please indicate your evaluation by marking an (X) on a specific point on each scale.

Ethical	1	2	3	4	5	6	7	Unethical
Fair	1	2	3	4	5	6	7	Unfair
Just	1	2	3	4	5	6	7	Unjust
Morally right	1	2	3	4	5	6	7	Not morally right
Acceptable to my family	1	2	3	4	5	6	7	Not acceptable to my family
Culturally acceptable	1	2	3	4	5	6	7	Not culturally acceptable
Traditionally acceptable	1	2	3	4	5	6	7	Not traditionally acceptable
Does not violate an unwritten social contract	1	2	3	4	5	6	7	Violates an unwritten social contract
Does not violate an unspoken promise	1	2	3	4	5	6	7	Violates an unspoken promise

## Scenario 2

Paul Smith, the audit senior, and John Ellis, the partner, are both completing the 31 December 2014 audit of Simpson Stores Inc. (SSI). SSI is a privately owned company that operates a chain of retail clothing outlets. SSI is a highly valued client of the firm. The owner of SSI, Bob Simpson, owns several businesses and is one of the firm's largest tax and auditing clients. Simpson is currently negotiating to sell SSI. A tentative sales price has been agreed upon, but is contingent upon the audit verification of the net realisable value of accounts receivable and inventory. SSI has total current assets of Kenyan Shillings (Kshs.) 50,000,000 and pretax income (before audit adjustments) of Kshs. 5,000,000.

Near the end of the audit, Paul is aware that Ellis (the audit partner) has a disagreement with Simpson regarding the adequacy of the allowance for doubtful debts. Based on SSI's historical collection experience, the auditors' best estimate of the allowance is Kshs. 300,000. However, Simpson contends that, due to an improving economy, the recorded allowance of Kshs. 100,000 is adequate. The amount of Kshs. 200,000 is material. Although there has been some improvement in economic conditions in SSI's market area, Ellis feels it is unlikely to significantly impact the collectability of their receivables. Paul later learns that Ellis has agreed to accept the recorded allowance of Kshs. 100,000 and has given an unqualified audit opinion on the financial statements. Paul knows that if an auditor gives an unqualified opinion based on the client's pressure even though the auditor has serious reservations regarding the client's aggressive accounting treatments (i.e. collectability of the accounts receivables), this is in direct violation of IFAC's principles of objectivity and integrity.

Paul is aware that Ellis and Simpson are very close friends and are from the same ethnic group. However, Paul belongs to a different ethnic group from that of Ellis and Simpson. After thinking about the issue for some time, Paul decides to report the matter to senior management.

### How would you evaluate Paul's decision?

**Instructions:** Using a scale of 1 to 7, where 1 refers to ethical/fair/just etc., and 7 to unethical/unfair/unjust etc., please indicate your evaluation by marking an (X) on a specific point on each scale.

Ethical	1	2	3	4	5	6	7	Unethical
Fair	1	2	3	4	5	6	7	Unfair
Just	1	2	3	4	5	6	7	Unjust
Morally right	1	2	3	4	5	6	7	Not morally right
Acceptable to my family	1	2	3	4	5	6	7	Not acceptable to my family
Culturally acceptable	1	2	3	4	5	6	7	Not culturally acceptable
Traditionally acceptable	1	2	3	4	5	6	7	Not traditionally acceptable
Does not violate an unwritten social contract	1	2	3	4	5	6	7	Violates an unwritten social contract
Does not violate an unspoken promise	1	2	3	4	5	6	7	Violates an unspoken promise



## Part 4

Please provide your answer by ticking a box and/or in the space provided.

1. How old are you?  
☐ 25–35 years      ☐ 36–45 years      ☐ 45–55 years      ☐ Over 55 years
2. What is your gender?  
☐ Male      ☐ Female
3. What is your ethnicity? \_\_\_\_\_
4. What is your highest academic qualification?  
☐ Diploma      ☐ Bachelor      ☐ Master degree      ☐ PhD
5. Which of the following best describes your current position level in your CPA firm?  
☐ Junior      ☐ Senior      ☐ Manager      ☐ Partner
6. How many years of professional experience do you have?  
☐ 0–5 years      ☐ 6–10 years      ☐ Over 10 years
7. What is your firm size?  
☐ Small      ☐ Medium      ☐ Big-Four
8. Are you a member of Institute of the Certified Public Accountants Kenya (ICPAK)?  
☐ Yes      ☐ No
9. If you have answered ‘Yes’ to Question 8, how many years of professional experience do you have as a registered accountant?  
☐ 0–5 years      ☐ 6–10 years      ☐ Over 10 years

Other comments:

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**Thank you for completing this questionnaire**

## **Letter of Introduction**

Dear Sir/Madam

I am working towards a Master of Philosophy degree in the Department of Accounting and Corporate Governance, Faculty of Business and Economics at Macquarie University, Australia. Towards this end, I am conducting a research project to examine the influence of construal of self and ethnic identity on whistle-blowing judgments' of professional accountants in Kenya.

The importance of whistle-blowing in the accounting profession has been recognized in accounting ethic literature. Furthermore, accountants are increasingly being asked to blow the whistle on colleagues who commit wrongdoings so as to help prevent the current increase of accounting frauds and corporate scandals involving accounting firms. Despite, its importance in the accounting profession, there is limited accounting research on whistle-blowing in Kenya. Therefore, the aim of this research is to examine whistle-blowing judgments among professional accountants in Kenya and whether such judgments can be explained their construal of self and ethnic identity.

You are invited to participate in this study and your participation is entirely voluntarily. If you decide to participate, kindly assist in identifying accountants in your firm who are willing to participate in this study. Questionnaires will be posted to you and a self-addressed envelope will be provided. Separate additional envelopes for the participants put in the filled questionnaire will also be provided depending on the number of participants willing to participate in the study.

Any accountant in your firm who decides to participate, their participation is entirely voluntarily and their responses are anonymous and they are free to withdraw at any time without having to

give a reason or without consequence. The participants can directly contact me through the contact details provided.

The completed questionnaire will be secured stored and made available only to my project supervisors and me. The results will be contained in the thesis and also published in various academic and professional journals.

Your participation will be appreciated and I look forward to receiving completed questionnaires from your firm. Should you have any queries regarding the project or questionnaire, please contact me on +61415072640 or email [jane.mbuki@students.mq.edu.au](mailto:jane.mbuki@students.mq.edu.au).

Thank you.

Yours Faithful,

Jane Mbuki

## Appendix 2

Dear Dr Hellmann,

RE: 'Whistle-blowing Judgments: The Role of Ethnic Identity and Construal of self among Professional Accountants in Kenya ' (Ref: 5201500372)

The above application was reviewed by the Faculty of Business & Economics Human Research Ethics Sub Committee. Approval of the above application is granted, effective "30/04/2015". This email constitutes ethical approval only.

This research meets the requirements of the National Statement on Ethical Conduct in Human Research (2007). The National Statement is available at the following web site:

[http://www.nhmrc.gov.au/\\_files\\_nhmrc/publications/attachments/e72.pdf](http://www.nhmrc.gov.au/_files_nhmrc/publications/attachments/e72.pdf).

The following personnel are authorised to conduct this research:

Dr Andreas Hellmann  
Dr Medhat Endrawes  
Miss Jane Nyambura Mbuki

Yours sincerely,

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