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Organization-Harm vs. Organization-Gain Ethical Issues: An Exploratory Examination of the Effects of Organizational Commitment

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ABSTRACT. The existing literature on the relationship between organizational commitment and ethical decision making suggests that ethical decision makers with higher organizational commitment are less likely to engage in ethically questionable behaviors. The ethical behaviors previously studied in an organizational commitment context have been organization-harm issues in which the organization was harmed and the individual benefited (e.g., overstating an expense report). There is another class of ethical issues in an organizational context, however. These other issues, termed organization-gain issues, focus on the organization obtaining a benefit while outsiders, such as investors, are harmed (e.g., overstating reported revenue). We explore whether individuals with higher organizational commitment are more or less likely to engage in questionable behaviors that benefit the organization. Results of our study indicate that individuals with higher organizational commitment are less likely to engage in ethically questionable behaviors, regardless of whether the behaviors are organization-harm or organizational-gain issues.

KEY WORDS: ethical decision making, organizational commitment, organizational-gain, organization-harm

Introduction

Studies of the relationship between organizational commitment and ethics in organizations have generally focused on issues in which the individual gains at the expense of the organization (Oz, 2001; Tang and Chiu, 2003). Results have generally found that individuals with higher organizational commitment are less likely to engage in behaviors which are of harm to their organization. While these issues are of interest, situations can also arise whereby an individual takes action that benefits the organization, but may be of detriment to others outside the organization. A question largely unaddressed by the existing literature is, whether individuals with higher levels of organizational commitment are more or less likely to engage in behavior that is ethically questionable, but is of benefit to the organization.

The objective of our study is to evaluate the effects of a management accountant's organizational commitment on two different types of ethical issues: organization-harm issues, in which the individual gains at the expense of the organization, and organizational-gain issues, in which the organization benefits to the detriment of others in society. The remainder of this paper is organized as follows. The next section reviews the existing literature and develops a hypothesis and a research question. This is followed by a discussion of research methods used to test the hypothesis and research question, including procedures used to develop the research instrument, and the data gathering procedures employed. The results of the study are then presented. The paper closes with a discussion of the study's implications and a concluding summary.

Literature review

This section first reviews the development and use of the organizational commitment scale. Hypotheses are then developed based on the expected relationships between organizational commitment and ethical decision making in an organizational context.

Organizational commitment

Organizational commitment has been the focus of a significant amount of research for over 30 years. The original definition of organizational commitment used in academic research is by Porter et al. (1974, p. 604): ''the strength of an individual's identification with and involvement in a particular organization.'' Many studies were conducted based on the Porter et al. definition and proposed measurement. Later researchers theorized that organizational commitment is a multidimensional construct (e.g., O'Reilly and Chatman, 1986; Meyer and Allen, 1997). Meyer and Allen (1991) propose that organizational commitment is comprised of affective (emotional attachment, identification with, and involvement), continuance (awareness of cost of leaving), and normative (feeling of obligation to continue employment) components. In the context of the current study, the affective commitment is the most relevant because the study investigates the extent to which corporate accounting professionals will engage in activities that are detrimental/beneficial to the organization (perceived involvement in the organization). The study does not address the cost of leaving the organization or the employee's feeling of obligation to continue employment.

Researchers have historically linked an overall measure of organizational commitment, as defined by Porter et al. (1974), to a variety of antecedents and consequences such as role conflict, role ambiguity, job satisfaction, professional commitment, employee performance, and organizational turnover intentions (e.g., Mowday et al., 1974; Harrell et al., 1986; Rahim and Afza, 1993). Previous studies have generally observed organizational commitment to be positively associated with job satisfaction, professional commitment, and employee performance while negatively associated with role conflict and organizational turnover intentions. Recently the study of organizational commitment has been expanded to include the relationship between organizational commitment and unethical behavior (Tang and Chiu, 2003).

Organizational-harm v. organizational-gain issues

In different ethical scenarios in business, there may be various parties who could benefit by ethically questionable actions. The parties who could benefit from an ethically questionable action could be the individual making the decision or the organization that employs the individual making the decision. As used in this paper, the term ''organization-harm'' issue refers to a decision in which the individual decision maker enjoys a benefit while the individual's employing organization suffers harm. In an ''organizational-gain'' issue, the organization benefits while others outside the organization (e.g., customers, capital providers) are harmed. In an organizational-gain issue, the individual decision maker is also likely to enjoy a gain because he or she is a part of the organization. Thus in an organizational-harm situation, the organization is harmed while the decision maker gains. In an organizational-gain situation, the organization and the individual decision maker gain, while outsiders are harmed.

An example of an organizational-harm issue in a business context could be a purchasing employee favoring a sub-optimal supplier because that supplier provides him or her with personal gratuities. In such a case, the individual decision maker benefits from the personal gratuity, while the organization is harmed because the company does not purchase the goods at the lowest cost.

An organizational-gain issue example is an automaker who knowingly sells a car that has a quality deficiency that would be very expensive to fix, but which may not be known to the consumer for a number of years, if at all. In this instance, the automaker benefits in the short-run from saving the cost necessary to repair the problem, but the customer is harmed (in the long run) by the lower quality product. In the long run, such a quality defect could also harm the organization's quality reputation. However, in the short turn, the organization gains from the cost savings associated with not fixing the quality defect.

Researchers have generally not distinguished between organizational-harms and organizational-gains with respect to ethical issues. One study (Schwepker et al., 1997), while gathering ethical climate data, included two questions mentioning organizational harm and organizational-gain issues. However, these two questions were not separately analyzed; they were analyzed as a part of an overall organizational climate construct.

Few studies have specifically considered how ethical motivations of management accountants may differ depending on the party benefiting from the decision. One of the limited group of studies to examine organizational issues and ethics among management accountants was Shafer (2002). He studied the effects of ethical pressure on organizational-professional conflict among management accountants. While Shafer (2002) did not examine organizational-gain versus organizational-harm issues, his ethical pressure measure included organizational-gain issues. For example, one question in the ethical pressure instrument asked about pressure to: "Go against the interests of the general public to protect your organization" (Shafer, 2002, p. 272). He found that ethical pressure had negative consequences for job satisfaction.

Hypothesis/research question development

An individual's organizational commitment could affect ethical decision making in different ways depending on whether the ethical issue involved was an organizational-harm or an organizational-gain issue. The Porter et al. (1974) definition of organizational commitment includes the statement that the employee with high organizational commitment will exert considerable effort on behalf of the organization. This could lead to an organizationally committed employee refraining from organizational-harm decision making to avoid harm to the organization.

The expectation that organizationally committed individuals will be less likely to engage in organizational-harm unethical behaviors is consistent with the limited previous literature examining the relationship between organizational commitment and ethical decision making. For example, Tang and Chiu (2003) examined the relationship between organizational commitment and the propensity to engage in unethical behaviors. Tang and Chiu's ethical issues included such items as calling in sick, giving away merchandise, and personal use of company postage. In all of their scenarios the company is harmed, while the individual enjoys a personal benefit.[1] Their research found that individuals with higher levels of organizational commitment were less likely to engage in ethically questionable behavior resulting in organizational harm and personal gain.

Individuals with higher levels of organizational commitment identify more strongly with their organization. Because of their identification with the organization's interests, high organizational commitment individuals would wish to avoid harm to the organization. Therefore, consistent with Tang and Chiu (2003), individuals with high levels of organizational commitment are expected to be less likely to engage in organizational-harm unethical behaviors. As such, a hypothesis of our study is as follows:

H1: Individuals with higher levels of organizational commitment are less likely to engage in organization-harm unethical behaviors which harm the organization.

Individuals with higher levels of organizational commitment may react differently to issues in which the organization will gain from an ethically questionable decision (i.e., an organizational-gain ethical issue). For example, an accountant in an organization may overstate the company's revenue in advance of the organization applying for a loan. The overstated revenue would increase the probability of the organization obtaining the loan. The organization benefits by obtaining the loan at more favorable terms than would have been granted if the true revenue of the organization had been known to the bank. The bank and society, however, are harmed because the bank is assuming more credit risk for less return than anticipated. The bank also has less capital to lend to other businesses which may be (in reality) more creditworthy. This line of reasoning would suggest that individuals with higher organizational commitment may be more likely to misstate the financials to ensure that the organization would achieve its goals. When the time horizon is expanded to consider the effects of organizational-gain issues on future periods, different effects can be seen. To continue with the revenue overstatement example, if an organization did overstate its revenue to receive a bank loan, the organization's financial statements would be positively affected currently, but could be adversely affected in future periods. There are three main ways in which future financial statements could be adversely affected. (1) If the revenue really occurred and was reported early (i.e., there was a cut-off problem with revenue), the next period would report decreased revenue because some of the revenue that should have been reported in the current period was reported in the previous period. (2) If the revenue never actually occurred, the organization will have to write off a large amount of its account receivable. (3) The organization may acknowledge the previous overstatement of revenue by reporting a restatement of the previous financial statements. Such a restatement could adversely affect the organization's ongoing credibility.

Individuals with higher levels of organizational commitment experience a strong sense of identification with the organization. Because of the commitment to the organization's goals, these highly committed individuals may have a greater propensity to engage in ethically questionable behaviors that provide a benefit to the organization (at least in the short run). Alternatively, these highly committed employees may be less likely to engage in "organizational-gain" type ethical decisions because they may expect to still be employed by the organization[2] when and if the future negative consequences from the "organizational-gain" issues come to fruition. Given the two competing perspectives and the lack of existing literature on the issue, we propose a research question:

RQ

> Are individuals with higher levels of organizational commitment more or less likely to engage in unethical behaviors that provide a benefit (at least in the short run) to the organization?

Research methods

Research instrument development

The research instrument was comprised of the 15-item Porter et al. (1974) organizational commitment scale, six ethical vignettes, and demographic questions. Organizational commitment was measured as the mean of the responses to the 15 questions with responses measured on a seven point Likert scale. The mean level of organizational commitment was 5.09. Analysis of the responses to this scale resulted in an observed Cronbach's (1951) alpha of 0.913. This measure compares favorably with previous internal consistency estimates observed for this scale.

The ethical situation vignettes involve ethical issues that a corporate accountant might encounter on the job. A number of vignettes were developed by the authors and were discussed with an expert panel consisting of members of the management accounting community in a Northeastern U.S. city. Based on their feedback and recommendations, a number of the vignettes were eliminated because the panel members believed that these rejected vignettes were not realistic and/or understandable. The six remaining vignettes were modified and clarified based on the panel members' guidance. The six vignettes used in the study are presented in Appendix A.

These six vignettes represented 3 organizational-harm scenarios and 3 organizational-gain scenarios. The organizational-gain issues were created so that the time period when the benefit would accrue to the organization varied. For example, in one vignette (vignette 4), subjects were faced with a choice of whether to hold the books open at the end of a reporting period. While holding the books open benefits the current period by increasing revenue, the organization will begin the subsequent period with a decrease in revenue. In this scenario, the organization benefits in the short run, but is potentially harmed in the subsequent period. We also included a scenario (vignette 5) in which subjects decide whether to intentionally overstate a restructuring charge, which would adversely affect income this period, but which could increase income in future periods.

For each vignette, subjects were asked to respond to two questions (1) How likely are you to engage in the behavior? and (2) How likely are your peers to engage in the behavior? Izraeli (1988) found that asking a subject what they think a peer would do is a better predictor of a subject's behavior than asking what they themselves would do. Specifically, he concludes "...the best predictor of respondent's ethical behavior is their beliefs and conceptions concerning their peers' behavior." Because of potential self-reporting bias, Izraeli (1988) found that

TABLE I

Mean response to ethical vignettes

	How likely to engage in unethical behavior?	
	"You"	"Your Peers"
Organizational-harm issues		
Sub-optimal system acquisition	29.3%	41.3%
Meal with friends during business trip	3.5%	22.3%
Higher airfare resulting in personal travel	37.6%	41.7%
Organizational-gain issues		
Overstatement of projected sales disclosure	31.9%	39.3%
"Hold the books open" after snow storm	28.4%	32.8%
Overstatement of restructuring charge	39.9%	46.2%

TABLE II

Correlation matrix

	Projected sales	Dinner w. friend	Hold books open	Restructuring charge	Low airfare	Length of service	Org. commitment
System acquisition	0.32**	0.23*	0.17	0.36**	0.03	−0.12	−0.23*
Projected sales		0.37**	0.48**	0.44**	0.39**	−0.05	−0.29**
Dinner w. friend			0.35**	0.38**	0.26*	−0.30**	−0.08
Hold books open				0.47**	0.19	0.09	−0.19
Restructuring charge					0.11	0.01	−0.23
Low airfare						0.07	−0.27*
Length of service							−0.20

$p > t$:
* $0.05 > p > 0.01$
** $0.01 > p$

subjects were more likely to underreport their own potential to engage in unethical behavior. Because the peer question is a better indication of what the subject themselves would do, the peer question is used to analyze the relationship between organizational commitment and the propensity to engage in ethically questionable actions.

Four of the vignettes were phrased so that a higher response indicated a less ethical choice, while the remaining two vignettes were structured so that a higher response suggested a more ethical choice. For data analysis purposes, the latter two vignettes were reverse coded for consistency in sign expectations.

Data collection and analysis

Three companies in the Northeastern United States agreed to participate in the research project. These companies are large, publicly traded firms in diverse industries, including insurance, consumer products, and defense contracting. The research instrument, together with a cover letter from the researchers and a company official were distributed via each company's internal mail system to the accounting staff at that company. The responses were returned directly to the researchers in a prepaid envelope.

A total of 84 responses were obtained. The participating companies distributed the surveys so it is

TABLE III

Regression results: organizational-harm issues

	Parameter estimate (*T* Statistic) System acquisition	Parameter estimate (*T* Statistic) Meal with friends	Parameter estimate (*T* Statistic) Booking higher airfare
Intercept	94.28 (5.09)***	52.44 (2.94) ***	84.09 (4.10) ***
Organizational Commitment	−0.55 (−2.48)***	−0.24 (−1.35) *	−0.59 (−2.45) ***
Length of service	−0.38 (−0.85)	−0.82 (−2.32)**	−0.30 (−0.59)
Total experience	−0.48 (−1.10)	−0.06 (−0.88)	0.59 (1.17)
Model *F*	3.28	2.94	2.36
$p > F$	0.03	0.04	0.08
Adj. R^2	0.08	0.07	0.04
n	77	80	78

$p > t$ (one-tail, except for intercept):
* $0.10 > p > 0.05$
** $0.05 > p > 0.01$
*** $0.01 > p$

TABLE IV

Regression results: organizational gain issues

	Parameter estimate (*T* Statistic) Sales projection overstatement	Parameter estimate (*T* Statistic) Holding books open	Parameter estimate (*T* Statistic) Restructuring overstatement
Intercept	93.02 (4.89) ***	68.77 (3.34) ***	92.57 (4.54) ***
Organizational Commitment	−0.62 (−2.71)***	−0.47 (−1.89)**	−0.54 (2.18)**
Length of service	−0.14 (−0.31)	−0.60 (−1.23)	−0.61 (−1.19)
Total experience	−0.32 (−0.75)	1.06 (2.19) ***	0.57 (1.10)
Model *F*	2.88	2.69	1.85
$P > F$	0.04	0.05	0.15
Adj. R^2	0.07	0.06	0.03
n	78	77	75

$p > t$ (one-tail, except for intercept):
* $0.10 > p > 0.05$
** $0.05 > p > 0.01$
*** $0.01 > p$

not possible to ascertain precisely how many surveys were distributed. As such, an exact calculation of the response rate is not possible. However, a conservative response rate estimate based on the number of survey packages sent to the participating companies (168), is 52 percent. Because of missing data for certain questions, the usable responses for the six vignettes varied from 74 to 79, depending on the vignette. Demographic information is as follows: the average age of respondents is 39.8 (std. deviation 9.05), and they average 11.9 years (std. deviation 9.14) of accounting experience. The respondents also average 12.5 years of service to their current employer (standard deviation 9.19).[3] Males comprised 60.2% of our respondents, while females were the remaining 39.8% of respondents. Our sample thus includes relatively stable employees in the accounting function of corporations.

The primary means of analysis was regression with the question "How likely is it that your peer would..." as the dependent variable. The main independent variable of interest was organizational commitment. Two other independent variables were also included in the models.[4] These variables were length of organizational service and total accounting experience. Length of service has been shown to be associated with organizational commitment (McGregor et al., 1989). As such, inclusion of length of service provides a more stringent test of the effects of organizational commitment. Finally, accounting experience could influence ethical judgments due to greater knowledge of the implications of failing to carefully follow accounting principles.

Results

The mean responses to the ethical vignettes are presented in Table I. As shown by a comparison of the "You" and "Your Peers" columns, respondents consistently felt that their peers would be more likely to engage in ethically questionable behaviors. Of all the scenarios presented, respondents indicated that they were least likely to submit a meal with a friend for reimbursement on their expense reports. The behavior respondents were most likely to do was to overstate a restructuring charge.[5] A correlation table is presented in Table II.

The regression results for organizational-harm issues (e.g., testing the hypothesis) are presented in Table III.[6] In all three of these models, (one for each of the three organizational-harm issues), the organizational commitment coefficient sign is negative, as expected by H1. The organizational commitment variable is also significant at 0.05 in two of the three models. These results suggest that individuals with higher organizational commitment are less likely to engage in questionable behavior that harms the organization and benefits themselves. The only other significant variable in any of the three models is length of service in the "meal with friend" model. Note that in this model, organizational commitment is not significant. While the overall adjusted R^2s for these three organizational-harm models is relatively low, the consistent significance of the results lends support to H1. When the "what would you do" question was used as the dependent variable, results also exhibited a consistently negative, but slightly less significant, relationship between organizational commitment and the likelihood of engaging in "organizational-harm" ethical decision making.

The results of regression testing of organizational-gain issues (Research Question) are presented in Table IV. In the each of the three models, the organizational commitment variable is significant at conventional levels, with a negative sign. With regard to the Research Question, these findings suggest that individuals with higher organizational commitment are less likely to engage in questionable behaviors that may benefit the organization in the short run. This relationship holds even for issues in which the organization may benefit in the medium term (i.e., the restructuring charge vignette). As with the organizational-harm issues, the R^2s for these organizational-gain models are relatively low, but the results for the organizational commitment variables is consistently significant across the three models. When the "what would you do" question was used as the dependent variable, results also exhibited a consistently negative, but less statistically significant, relationship between organizational commitment and the likelihood of engaging in "organizational-gain" ethical decision making.

Discussion and limitations

Results for the organizational harm issues support the prediction that individuals with stronger organizational commitment report being less likely to engage in behaviors which are detrimental to the organization's interests. Results of our study also suggest that individuals of higher organizational commitment are less likely to engage in unethical behavior that may benefit the organization and harm society (organizational-gain issues) than those of individuals with lower organizational commitment.

The organizational-gain issue results may be related to how the organization's interests are defined. Organizational commitment is related to "the willingness to exert effort on behalf of the organization" (Porter et al., 1974). If the organization were to engage in questionable actions, the short-term interests of the organization may be advanced. The long-term interests of the organization may be harmed, however. For example, in one of the vignettes (vignette 2), the decision maker must decide whether to reveal an overstatement in projected sales. Revealing such an overstatement would decrease the market's perception of the company's near-term prospects, resulting in a decrease in the company's stock price, at least in the short run. Revealing such an overstatement, however, may benefit the organization in the longer term because the market may perceive the information provided by the organization in the future to have greater credibility. As such, the long-term interests of the organization may benefit from the individual refusing to engage in questionable behaviors which may benefit the organization in the short-term. Individuals with a higher organizational commitment level may have a longer-term orientation than those with a lower level of organizational commitment. This longer-term perspective would make high organizational commitment individuals less likely to engage in decisions with a positive short run impact, but with negative long run effects for the organization.

This study is subject to a number of limitations. First, the subject pool was drawn from three companies in the northeast region of the U.S. These companies were selected as a result of the researchers' familiarity with individuals in these organizations, and the organization's willingness to participate. The subjects may therefore not be representative of the general population of management accountants. In particular, organizations that were willing to participate in the study may have different sensitivities to ethical concerns than firms which did not participate. Second, the study was limited to three scenarios in each of the situations of interest: organizational-harm and organizational-gain issues. These scenarios were fairly short, and may not have provided sufficient context to induce a realistic response from the participants. Third, the firm's endorsement of the research project may have lead employees of higher organizational commitment to respond, (because subjects of lower organizational commitment may be less likely to respond to the firm's cover letter requesting participation), potentially biasing our sample in the direction of higher organizational-commitment individuals. Fourth, the overall R^2s are fairly low, indicating that there is still a large amount of unexplained variance on the question of how accountants may respond to certain ethical issues. Finally, we were unable to measure subject's actual behavior, which may differ from their likelihood assessments.

Conclusions

This paper set out to examine the relationship between organizational commitment and ethical decision making. This investigation is particularly important with regard to issues that would result in organizational gain at the expense of others outside of the organization. An observation of a positive association between organizational commitment and the likelihood of engaging in unethical organizational gain acts and a negative association between organizational commitment and the likelihood of engaging in unethical organizational harm acts would have created a quandary for management. The occurrence of either type of unethical act can be costly to the organization (at least in the long run) and a situation where higher commitment could lead to an increase in one occurrence and a decrease in the other would force management to choose between the lesser of two evils. Fortunately, our results suggest that individuals with higher organizational commitment are less likely to engage in unethical behavior regardless of whether they personally benefit or their organization benefits. These findings for organizational-gain issues were consistent regardless of the time frame in which the organization benefits.

Our findings suggest that management may enhance ethical decision making in the company by fostering greater levels of organizational commitment among employees. Such higher levels of commitment are found to result in employees making decisions that are in the long-run interest of a company striving to exhibit strong ethical values. This observation can be beneficial to management in that there is a rich body of research into the antecedents of organizational commitment. Thus, managers can structure reward systems and performance measurement in a manner that would lead to goal congruence and increased organizational commitment.

We might speculate that organizational commitment is associated in general with a longer-term orientation. It may be possible that individuals with a higher level of organizational commitment may have a greater propensity to make other long-term commitments and as such do not take short-term perspectives or capitalize on short-term gains at the expense of long-term prospects. Future research may examine the relationship between commitment and an individual's time horizon.

Appendix A

Ethics vignettes

Please read the following scenarios carefully and give your honest response using percentages ranging from 0 to 100%, where 0% represents absolutely would not and 100% represents absolutely would.

1. Organizational harm issue

You are responsible for purchasing a large information system. You have investigated two systems, both of which are adequate for the firm's needs. System "A" is substantially less expensive to purchase but this savings will be more than offset by higher operating costs in the near future. The cost of the system will be charged to your department while the operating costs will be charged to information technology.

How likely is it that you would purchase system "A"?	_________%
How likely is it that your peers would choose to purchase system "A"?	_________%

2. Organizational gain issue (reverse coded)

You have discovered a material computational error which resulted in an overstatement of projected sales in a recent press report. If you report the error, the financial community may perceive that your firm is not a reliable information provider, and this may make it more difficult for your company to raise capital.

How likely is it that you would announce the error in the recent press report?	_________%
How likely is it that your peers would announce the error in the recent press report?	_________%

3. Organizational harm issue

While on a business trip, you arrange to see an old friend and his wife for dinner at a nice restaurant. When preparing the expense report for the trip, you are considering listing the dinner as a business meeting and applying for reimbursement for the entire dinner bill.

How likely is it that you would include the entire dinner bill on the expense report?	_________%
How likely is it that your peers would include the entire dinner bill on the expense report?	_________%

4. Organizational gain issue

Your firm will be applying for an extention of its line of credit soon after the financial statements are prepared. A snow storm prevented shipments from leaving the distribution facility for two days before year end. You could make up for the lack of sales during the snowstorm by holding the books open for a day after year end. You know that if the company does not achieve its sales target, the line of credit extension may not be granted.

How likely is it that you would "hold the books open"?	_________%
How likely is it that your peers would "hold the books open"?	_________%

5. Organizational gain issue

Your firm is in the process of closing one of its plants. Your best estimate of the cost of closing the plant is 10% of income. The amount incorporates both identifiable costs and a reasonable allowance for contingencies. A significant increase in the charge (to 13% of income) will materially reduce current earnings but would better position your firm to achieve its future earnings goals.

How likely is it that you would increase the restructuring charge?	________%
How likely is it that your peers would increase the restructuring charge?	________%

6. Organizational harm issue (reverse coded)

You travel extensively for business purposes. If you travel exclusively on a particular airline, you would obtain significant benefits from the airline's frequent flyer club although the fare would not always be the lowest.

How likely is it that you would always book the lowest airfare?	________%
How likely is it that your peers would always book the lowest airfare?	________%

Notes

[1] While Tang and Chiu (2003) did not refer to these as organizational-harm issues, all of their examples fall into this category.

[2] High organizationally committed individuals have been shown to have longer tenure with their employing organization (e.g., McGregor et al., 1989).

[3] The years of service being higher than the years of accounting experience is a function of some employees serving in other functions at some point during their careers.

[4] While a wide variety of additional variables could have been gathered and included in the models, we limited the number of questions asked of the respondents to encourage responses. Also, the sample size limited our ability to include many more variables in the regression models.

[5] This relatively high proportion of subjects willing to engage in the behavior may reflect a belief that purposefully overstating expenses is consistent with the idea of accounting conservatism. In this case, however, conservatism was not an issue at hand because the motivation was to create reserves against which future losses could be written off. Also note that respondents indicated a less that 50% chance that they or their peers would engage in the behavior, implying an understanding that intentionally overstating the restructuring charge may not be appropriate.

[6] There were no significant differences in the pattern of responses among the three companies represented in the sample. Dummy variables representing the companies were not significant in any of the models.

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