

## **The Role of Perceived Behavioral Control and Subjective Norms to Internal Auditors' Intention in Conveying Unethical Behavior: A Case Study in Indonesia**

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### **ABSTRACT**

This research purpose is to examine the role of perceived behavioral control and subjective norm in mitigating the negative effect of attitude and intention to act ethically. This research examines the TPB (theory of planned behavior) which is not supported by Anggraini and Siswanto (2015). It means that there are unique behaviors of internal auditors in Indonesia, especially internal auditors in state-owned enterprise and governmental institution (most of the samples). This study uses a scenario-based survey related to the intention of the internal auditor to be a whistleblower. The samples are internal auditors who work in state-owned enterprises as well as medium-sized companies to the top. There are 117 respondents used as valid samples. The data are analyzed by Warp PLS 4.0. The results show that perceived behavioral control has negative effect in moderating the relation of attitude and intention to convey fraud, but subjective norms are not. It means that perceived behavioral control can mitigate the influence of internal auditor's attitude and intention in conveying fraud, but subjective norms are not.

Keywords: internal auditor, belief-desire-intention (BDI) model, perceived behavioral control, subjective norm

### **1. INTRODUCTION**

Anggraini and Siswanto (2015) found that the attitude toward a whistleblower had negative relation to the intention to act ethically. It seems that it is contrary to ethical theory and the theory of planned behavior. It is caused by the conditions in the workplace that do not support any action to report unethical behavior to superiors. Anggraini and Siswanto (2015) examine the samples which are comprising of more than seventy percent internal auditors who work in state-owned enterprises and state governments. Based on the interviews with the internal auditors, the information obtained is that if they reveal any violation, they more likely would be transferred to other areas. It was executed so to avoid conflict with other employees. This being transferred is avoided by the internal auditors who are comfortable with current situation. Convenience is not only about comfort in conjunction with co-workers, but also comfort in his personal life (family, social environment, etc.) as well. The results of the research is contrary to Trongmateerut and Sweeney (2013) which states that in an environment with collectivistic culture in Thailand, the effect of attitudes and subjective

norm on intention to report fraud is higher than in America. Park et al. (2014) found that the orientation value and personality types affect the intention to report a fraud.

The purpose of this study is to examine the role of perceived behavioral control and subjective norm to optimizing the function of internal auditor by examining the moderating effect of perceived behavioral control and subjective norms to mitigate the negative influence of attitudes and the intention to act ethically. The results show that perceived behavioral control has negative effect in moderating the relation of attitude and intention to convey fraud, but subjective norms are not. It means that perceived behavioral control can mitigate the influence of internal auditor's attitude and intention in conveying fraud, but subjective norms are not. The results show a different pattern of relationships between attitudes, subjective norms, perceived behavioral control, and the intention to blow the whistle when they find the fraud. These results support Emotional BDI model which explain that intention is influenced by emotional, belief, and desire.

This research show that the theory of planned behavior does not apply in general but it depends on the environment in which people interact. In addition, the results of this study contribute to the success of training for internal auditors, namely the importance of increasing confidence that a person able to report fraud within the organization. It provides insights into designing customized ethical training programs and developing policy aimed at changing negative attitudes in conveying unethical behavior.

## **2. LITERATURE REVIEW**

### **2.1. *Theory of Planned Behavior (TPB)***

According to TPB, an individual behavioral intention is influenced by his or her attitude, subjective norms, and perceived behavioral control toward performing the behavior. TPB model shows that those three factors altogether influence the behavioral intention. Yoon (2011) used TPB and ethical theory to explain a case about digital piracy in China. China is a country with one of the highest rates of digital piracy in the world today. He shows/proves that attitude, subjective norms, and perceived behavioral control influence the behavioral intentions of individuals to commit digital piracy. Ajzen (1991) said that a person's actual behavior is directly influenced by his or her behavioral intention, then it is jointly determined by his or her attitude, subjective norms, and perceived behavioral controls toward performing the behavior.

Other researchers which examine TPB on the attitude of auditor (internal and external) are Buchan (2005) and Park and Blenkinsopp (2009). Buchan (2005) examined TPB in the external auditors' ethical decision-making. He showed that subjective norms influence the attitude and after that the attitudes affect behavior. Park and Blenkinsopp (2009) found that TPB could be used to explain the motivation of a person to be a whistleblower. They state that the attitude is the result of the accumulation of faith manifested in action and to be performed. Therefore, the attitudes towards a whistleblower either beneficial or detrimental, is the accumulation of trust to the consequences of whistleblower and subjective evaluation of the consequences. A whistleblower can prevent things that can be detrimental to the organization, prevent corruption, increase public confidence and increase moral satisfaction. Subjective norm may motivate a person to be a whistleblower along with the expectation that it will bring direct benefit to a whistleblower's important people such as family, close friends, co-workers, supervisors, etc. Finally, perceived behavioral control can determine a person's perception toward the ease or difficulty of being a whistleblower.

## **2.2. Belief-Desire-Intention (BDI) Model**

BDI model which is also called the planning theory of intention is stated by Bratman (1987). The central of BDI model is the idea that intention-in contrast with ordinary desires-are both embedded in the characteristics of regularities and are subject to distinctive normative pressures for consistency and coherence (Bratman, 1987). The rational demands for consistency and coherence of intention are grounded, by way of the involvement of belief in intention, in rational demands for consistency and coherence of belief. It means that intention is influenced by belief.

Speaks (2009) stated that intention is not only influenced by belief but also rationality. This argument aligns with Bratman (1987) that there is intention constraint. This constraint is related to individual's rationality. This rationality constraint can be used to explain that one's desire is not always followed by intention. If an individual has two intentions which are inconsistent with her/his belief then s/he cannot execute both simultaneously. Thus, intention is influenced by belief while desire is not. A rational individual will consider the negative and positive impact of the behavior. Puica and Florea (2013) introduce the Emotional Belief-Desire-Intention Agent Model (in short, Emotional BDI model). This model is modified from BDI model by including emotional factor. They assume that agents (also called individual) cannot be truly intelligent, nor believable or realistic without emotions. It means that emotion is one of rationality constraint.

Those researchers showed that desire is influenced by emotion and rationality. So, individual's intention will influence individual's emotion, belief, and desire. Individual's emotion will decrease his/her rationality and then influence his/her desire. Steunebrink et al. (2012) stated that emotions are not only relevant but even necessary for rational behavior. Persons who do not experience emotions have trouble in distinguishing between important and irrelevant details. Then, Steunebrink et al. (2012) stated that emotions are differed from moods. There are three distinguished phases, they are (1)the perceived situation is appraised by an individual based on what he or she thinks is relevant and important, (2) the appraisal of some situations can cause the triggered emotions, and (3) emotional feelings need to be regulated.

## **2.3. Hypothesis Formulation**

### **2.3.1. Attitudes, Subjective Norms, Perceived Behavioral Control, and Intention to Report the Fraud**

TPB stated that attitude is an antecedent factor of intention to acts (Azjen, 1991). This theory is also supported in the auditor's ethical behavior (for example: Buchan, 2005; Park and Blenkinsopp, 2009). Henle et al. (2010) also found that attitude can be a predictor of time theft. Interestingly, Anggraini and Siswanto (2015) found controversial result. They found that attitude has negative influence to intention to act ethically i.e. intention to discover fraud.

Those researchers indicate that the relation of attitude and intention to act is questioned. Indonesians' culture is collectivist so most people have high concern to each others (Hofstede, 1997). Thus, if one has seen his/her colleague acting unethically s/he is reluctant to reveal it to their superior when s/he believes it can injure him/her. The tendency shows that although the internal auditor is aware of the unethical behavior s/he does not have intention to convey it. Based on Emotional BDI model, the internal auditor's reluctance to convey the unethical behavior is caused by his/her unwillingness to get the effect/impact of his actions. The internal auditors in the governmental enterprises and institutions have high chance to be moved to the other work place if they convey an employee's unethical behavior in their current workplace. Therefore, they are

reluctant to convey it because they have been comfortable with their current workplace. Based on those researches, the hypothesis can be stated as:

**H1: Internal auditor's attitude to fraud in his/her (her) workplace has negative effect to his/her intention to convey it**

Based on Ajzen (1975)'s Theory of Planned Behavior, subjective norms directly influence intentions. Subjective norms is related to the assurance/beliefs whether the influential person would support the behavior (Buchan, 2005). Such beliefs are referred to as "normative beliefs" but the desire to comply varies for each referent. So, subjective norms are interaction between normative belief and motivation. Therefore, the proposed hypothesis is:

**H2: internal auditor's subjective norm has positive effect to his/ her intention to convey the fraud**

Perceived behavioral control is determined by the confidence in the opportunities and resources available to perform the action. Ajzen and Madden (1986) in Buchan (2005) defined perceived behavioral control as the person's belief as to how easy or difficult the performance of the behavior is likely to be. Therefore, when a person has the opportunity and ability to act ethically then he will be motivated to perform these actions. Internal auditors will intend to be a whistleblower when he had the opportunity and ability to do so. Thence, the proposed hypothesis is:

**H3: internal auditor's perceived behavioral control has positive effect to his/her intention to convey the fraud**

### 2.3.2. Subjective Norms and Perceived Behavioral Control as Moderating Effect to the Relation of Attitudes and Intention to Report the Fraud

Anggraini and Siswanto (2015) found the negative effect of the internal auditor's attitude to reveal fraud in his/her workplace and his/her intention to convey it. They stated that although the respondents considered that the recording of transactions unsupported by evidence is an improper act, however as an internal auditor s/he did not want to convey the findings to the superior. The results of this study indicate that there are other factors considered by the internal auditor when reporting those findings. An auditor may prefer to be in a comfort zone to then on compromised position. The comfort zone is a psychological state in which a person feels familiar, at ease, in control and experiences low anxiety and stress. The situation is found in the zone where a steady level of performance is possible. It is based on the belief that when people are placed in a stressful situation people will respond by overcoming their fear and therefore grow as individuals (Brown, 2008).

BDI model (Bratman, 1987) and Emotional BDI Model (Puica and Florea, 2013) explain that there are rationality constraints which cause the differences between desire and intention. It means that the agents' rationality and also emotionality influence the decision to act ethically. We argue that the perceived behavioral control, which is manifested from the agent's rationality and emotionality, can mitigate the negative effect of the attitude and intention to act ethically. Perceived behavioral control refers to the individuals' beliefs of how easy or difficult it would be for them to perform the behavior (Henleet *al.*, 2010). They stated that the perceived behavioral control is determined by control beliefs, which is resulted from the degree that the individuals

perceive the existence of factors that could inhibit or facilitate the occurrence of behavior and power of these factors to make it easier or harder to engage in the behavior.

Buchan (2005) stated that the subjective norms did not directly influence intention to act ethically but indirectly. He found that the subjective norms influence attitude and then attitude influences intention to act ethically. Anggraini and Siswanto (2015) also found that the subjective norms have positive effect to attitude but attitude having negative effect to intention to act ethically.

TPB explained that the subjective norms, similar to attitude and perceived behavioral control, are antecedent factors of intention to act ethically. By a meta-analytic review, Armitage and Conner (2001) found that the subjective norms or constructed norms generally have a weak predictor of intentions. As Emotional BDI Model, a person has beliefs that a certain behavior is supported by social environment which motivates him/her to do it. We argue that the subjective norms can mitigate the negative relation between attitude and intention to act ethically. Therefore, the following is the stated hypothesis:

**H4: Subjective norms have negative effect to the negative relation of attitude and intention to convey the fraud.**

As stated in Emotional BDI model, if an individual believes that s/he is capable in lowering the risk of her/his behavior, s/he will tend to do it. We predict that a perceived behavioral control can lower the negative effect of attitude and intention to act ethically. If an individual believes that s/he is capable to act ethically, definitely s/he has motivation to behave ethically as her/his attitude. Then, the hypothesis is stated as the following:

**H5: Perceived behavioral control has negative effect to the negative relation of attitude and intention to convey the fraud.**

### 3. RESEARCH METHOD

#### 3.1. Subject

This study used internal auditors who work in state-owned enterprises and private middle-upper companies as respondents. They filled the questionnaire when they attended the symposium or a workshop at YPIA (i.e. Education Foundation of Internal Auditor). There are 125 data which can be collected but the valid ones are only 117 data.

#### 3.2. Data Collection Methods

This survey includes a scenario about irregularities in the accounting practice. The case is the same as Lin *et al.* (2011). This questionnaire included a case that is related to accounting which is not supported by evidence of transaction. There is motivation of management to achieve certain targeted earnings in order to get the bonus so that the possibility of management accounting is done to achieve that goal. Internal auditors discovered the existence of such fraud. Furthermore, the respondents were asked to give an opinion on the possibility whether he would report to superiors on the findings. The other question asked the respondents about themselves and their work environment and also to fill the information about their demography.

#### 3.3. Measurement of Variables

The variables used in this study are:

##### 3.3.1. Attitudes towards behavior (STP)

According to Yoon (2011), the attitude towards the behavior is defined as judgment from the behavior to be performed as favorable or unfavorable. Attitudes toward the behavior are measured with four items of measurement as used by Yoon (2011).

### 3.3.2. Subjective norm (NS)

Subjective norms are related to perceived social pressure to perform or not perform a particular action (Yoon, 2011). Subjective norms are measured by 4 items of measurement as used by Yoon (2011).

### 3.3.3. Perceived behavioral control (KKP)

According to Yoon (2011), perceived behavioral control reflects one's perception of ease of doing any action. This variable was measured with four items of measurement as used by Yoon (2011).

### 3.3.4. Intention to Convey the Fraud (NBM)

The intention to act ethically indicates how hard people try, how much effort they are willing to expend in order to carry out an action (Buchan, 2005). This variable was measured by using 3 items of questions as used by Yoon (2011).

**Table 1**  
**Items are Used to Measure Variables**

1. <b>Subjective norm (NS):</b> (strongly disagree to strongly agree)
NS1 If I do not convey the fraud, most people who are important to me would disapprove*
NS2 Most people who are important to me would look down on me if I do not convey the fraud *
NS3 No one who is important to me thinks it is okay if I convey the fraud*
NS4 My colleagues think conveying the fraud is wrong*
2. <b>Attitude toward conveying the fraud (STP):</b> (strongly disagree to strongly agree)
STP1 conveying the fraud is a foolish/wise idea
STP 2 conveying the fraud is a harmful/beneficial idea
STP 3 conveying the fraud is a bad/good idea
STP 4 Overall, my attitude toward conveying the fraud is favorable
3. <b>Perceived behavioral control (KKP):</b> (strongly disagree to strongly agree)
KKP1 For me, it is easy to convey the fraud
KKP 2 I have the knowledge and ability to convey the fraud
KKP 3 I could convey the fraud if I wanted to
KKP 4 Conveying the fraud is entirely within my control
4. <b>Intention to convey the fraud (NBM):</b> (strongly disagree to strongly agree)
NBM1 I intend to convey the fraud in the near future
NBM2 If I have a chance, I will convey the fraud
NBM3 I never commit conveying the fraud*

### 3.4. Method of Analysis

This study uses WarpPLS 4.0 because this research aims to examine the relationship of variables simultaneously. PLS (Partial Least Square) is a powerful method for building model with many variables and indicators.

In this research we use path analysis by testing two models. Model 1 is used to examine H<sub>1</sub>, H<sub>2</sub>, and H<sub>3</sub> and model 2 is used to examine H<sub>4</sub> dan H<sub>5</sub>. These models are formulated below.

Model 1:

$$NBM_i = a + b_1STP_i + b_2NS_i + b_3KKP_i + E$$

H<sub>1</sub> supported if *p*-value of *b*<sub>1</sub> less than 0,01

H<sub>2</sub> supported if *p* -value of *b*<sub>2</sub> less than 0,01

H<sub>3</sub> supported if *p* -value of *b*<sub>3</sub> less than 0,01

Model 2:

$$NBM_i = a + b_1STP_i + b_2STP_i * KKP_i + b_3NS_i * KKP_i + E$$

H<sub>4</sub> supported if *p*-value of *b*<sub>2</sub> less than 0,01

H<sub>5</sub> supported if *p*-value of *b*<sub>3</sub> less than 0,01

#### 4. ANALYSIS

##### 4.1. Evaluation of Structural Model

##### 4.1.1. Evaluation of Model 1

As we see table 2, model is overall fit. All components meet the criteria. So, this model can be used to subsequent analysis.

**Table 2**  
**Model Fit Testing of Model 1**

No	Component	Value
1	Average path coefficient (APC)	0.302 (P<0.001)
2	Average R-squared (ARS)	0.501 (P<0.001)
3	Average adjusted R-squared (AARS)	0.488(P<0.001)
4	Average block VIF (AVIF)	1.221 (acceptable if <= 5, ideally <= 3.3)
5	Av. full collinearity VIF (AFVIF)	1.581, acceptable if <= 5, ideally <= 3.3
6	Tenenhaus GoF (GoF)	0.570, small >= 0.1, medium >= 0.25, large >= 0.36
7	Sympson's paradox ratio (SPR)	1.000, acceptable if >= 0.7, ideally = 1
8	R-squared contribution ratio (RSCR)	1.000, acceptable if >= 0.9, ideally = 1
9	Statistical suppression ratio (SSR)	1.000, acceptable if >= 0.7
10	Nonlinear bivariate causality direction ratio (NLBCDR)	0.833, acceptable if >= 0.7

##### 4.1.2. Evaluation of Model 2

As we see table 3, model is overall fit. All components meet the criteria. So, this model can be used to subsequent analysis.

**Table 3**  
**Model Fit Testing of Model 2**

No	Component	Value
1	Average path coefficient (APC)	0.171 (P=0.041)
2	Average R-squared (ARS)	0.332 (P<0.001)
3	Average adjusted R-squared (AARS)	0.302(P<0.001)
4	Average block VIF (AVIF)	1.316 (acceptable if <= 5, ideally <= 3.3)
5	Av. full collinearity VIF (AFVIF)	1.438, acceptable if <= 5, ideally <= 3.3

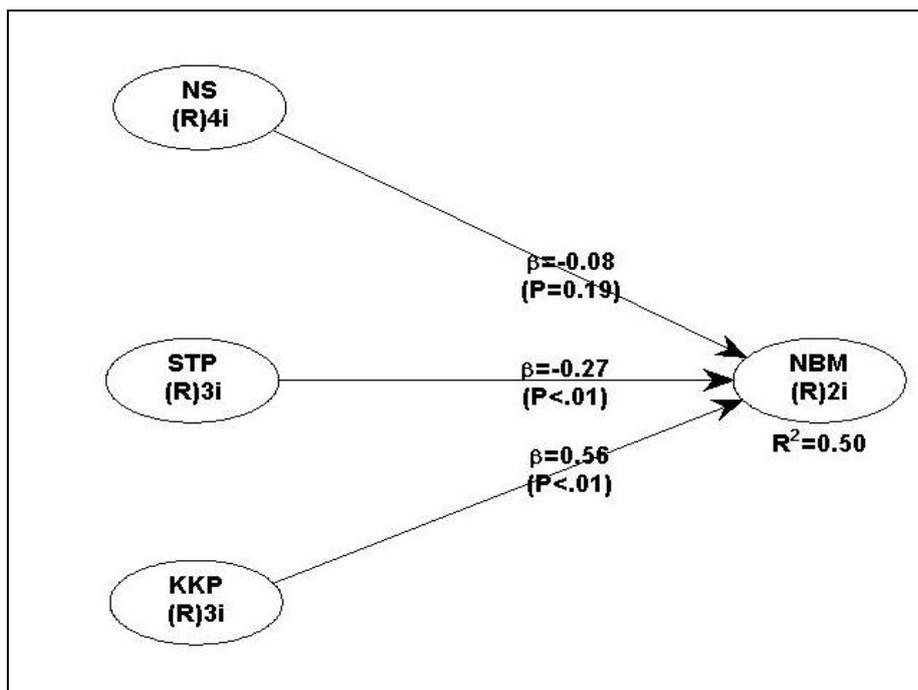
6	Tenenhaus GoF (GoF)	0.459, small $\geq 0.1$ , medium $\geq 0.25$ , large $\geq 0.36$
7	Sympson's paradox ratio (SPR)	0.800, acceptable if $\geq 0.7$ , ideally = 1
8	R-squared contribution ratio (RSCR)	0,969, acceptable if $\geq 0.9$ , ideally = 1
9	Statistical suppression ratio (SSR)	0,900, acceptable if $\geq 0.7$
10	Nonlinear bivariate causality direction ratio (NLBCDR)	0.833, acceptable if $\geq 0.7$

### 4.2. Hypotheses Testing

At figure 1, the results show that  $H_1$  and  $H_3$  are supported at alpha less than 1% and  $H_2$  is not supported. The results show that attitude and perceived behavioral control influence the internal auditor's intention in conveying fraud, but subjective norms are not. These results support the argument of Armitage and Conner (2001) who state that intention would vary across behaviors and situations.

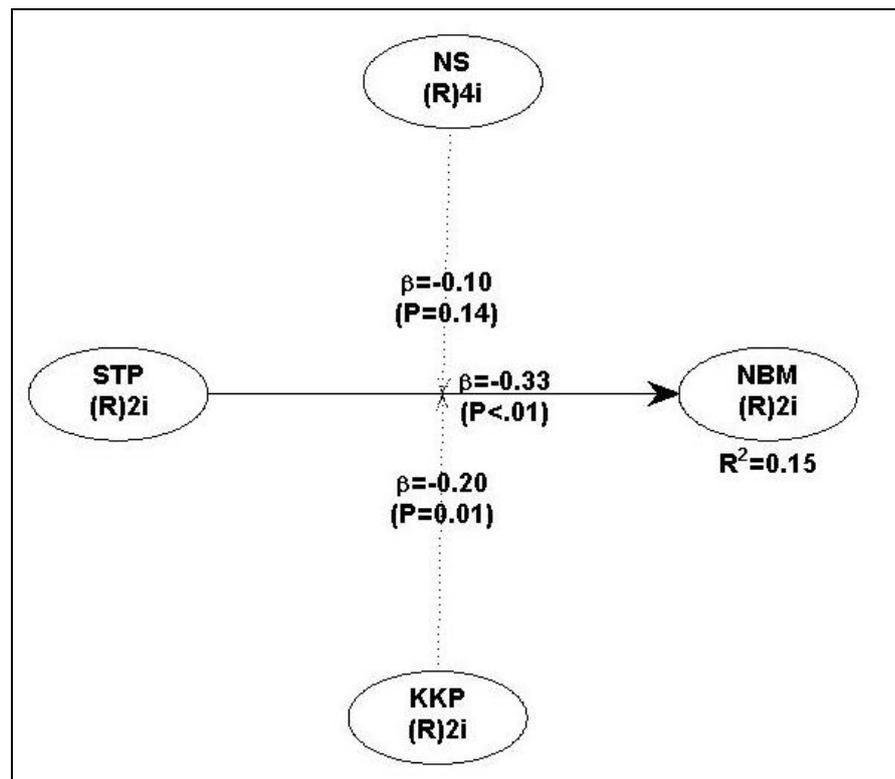
Subjective norms and attitude have negative effect to internal auditor's intention to convey fraud. These results support Anggraini & Siswanto (2015) who found the negatif effect of attitude and intention to act ethically. Anggraini & Siswanto (2015) also found that subjective norms have positive effect to intention to act ethically. So, if attitude has negative effect to intention in conveying fraud then subjective norms also have negative effect to intention in conveying fraud. The relation of subjective norms and intention in conveying fraud is not stronger than the relation of subjective norms and attitude so it can be concluded that subjective norms have indirect effect to intention in conveying fraud.

**Figure 1**  
**The Result of Model 1 Testing**



At figure 2, the results show that  $H_4$  is not supported but  $H_5$  is supported at alpha less than 1%. The results show that perceived behavioral control has negative effect in moderating the relation of attitude and intention to convey fraud, but subjective norms are not. It means that perceived behavioral control can mitigate the influence of internal auditor's attitude and intention in conveying fraud, but subjective norms are not. These results support some of the arguments of Armitage and Conner (2001) who state that subjective norms and perceived behavioral control can be moderating variable in the relation of attitude and intention.

**Figure 2**  
**The Result of Model 2 Testing**



## 5. CONCLUSION

This research shows the role of subjective norms and perceived behavioral control to mitigate the negative effect of behavioral intention in order to act ethically. This research gives contribution to modify TPB which assumes that attitude, subjective norms, and perceived behavioral control as antecedent of intention to act ethically. This research shows different relationship pattern among those variables. This research also gives contribution to design customized ethical training program and developing policy aimed at changing negative attitudes toward whistleblowing.

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