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Conformity pressure and auditors' judgement

How peers affect one another in audit firms
in Sweden?

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Title

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Abstract

Although gazillion of studies have been conducted regarding what influences auditors' judgment, few studies examined the impact of conformity pressure on auditors' judgment. Despite the few attempts to discover this area, different results rendered from these studies.

The purpose of this study is to explain how the conformity pressures affect auditors' judgement. The effect of other factors was taken into consideration such as professional commitment, Locus of control and the characteristics of Swedish culture. *The method* was quantitative using data collected by surveys sent to auditors working in big-four and non-big-four audit firms.

The findings show that conformity pressure does not affect the judgment of the Swedish auditors.

The limitations of the study are the number of responses received through the survey and the difficulty of accurately target the Swedish auditors.

Keywords

Auditors' judgment, conformity pressure, professional commitment, locus of control, Swedish culture

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1. INTRODUCTION

1.1. BACKGROUND

It is widely accepted that the audit profession is one of the most vital profession. The momentous of audit profession stems from the enormous role the auditors play. According to ISA 200, the overall objectives of the independent auditor is the conduct of an audit in accordance with international standards on auditing. In that sense, “The term ‘audit quality’ refers to the degree to which an audit provides a basis for belief that financial statements do not contain material misstatements after the completion of the audit” (Wedemeyer, 2010: 321). Assuring the reliability and reasonability of the financial statements serves the interest of the users of such statements, such as shareholders and investors. Aside from providing useful information to the investors and the like, auditors are considered as a safety valve since they act as guardians of markets and protectors of public interests (Umans, Broberg, Schmidt, Nilsson & Olsson, 2016). This conflicting demands of serving the public interest while being financially successful have generated criticism to audit profession (Broberg, 2013). Therefore, the inundating studies regarding the diverse topics in auditing field is understandable giving the auditing’s pivotal and wide impact. Recently, the audit field has witnessed enormous changes under the tremors of big corporate scandals. The world has witnessed several immense scandals that shook the earth for its magnitude and impact, such as HIH Insurance in Australia, Ahold in the Netherlands and Enron, WorldCom and Xerox in USA. Such scandals have brought the trustworthiness of auditing firms into question since it was evident that the collusion of some professional auditing firms was, among other reasons, the main cause for these scandals to take place. Prior to these scandals, the focus on the auditing credibility used to come to the fore when shady annual reports were associated with opaque audit reports that caused losses to investors (Öhman, Häckner, Jansson & Tschudi, 2006). The occurrence of such scandals had several ripple effects on the auditing field and auditing practices. The relationship between audit firms and clients became more suspicious. Auditors’ independence from clients is assumed fundamental for attaining audit quality (Jamal & Synder, 2011). However, the scandals referred to above have shown that

auditors have gradually abandoned their role to protect the public interest to focus solely on the clients' interest; a situation that gnawed the trust in the auditing independence and hence *auditors' judgement* (Forsberg & Westerdahl, 2007).

As for the professional *judgment*, it is one of the most important aspects of auditing (Broberg, 2013). As a matter of fact, it is the crux of audit profession, what the public expects and what clients pay for (Cowperthwaite, 2012). As stated in ISA 200, "Professional judgment is essential to the proper conduct of an audit. This is because interpretation of relevant ethical requirements and the ISAs and the informed decisions required throughout the audit cannot be made without the application of relevant knowledge and experience to the facts and circumstances". Decisions are to be made based on auditors' judgement regarding many topics including: a) the assessment of the risks of material misstatements of financial statements, including the potential effects of fraud, bias and business risk, b) The formation of an opinion on the financial statements and the decision whether or not to express that opinion, c) The evaluation of management's judgments in applying the entity's applicable financial reporting framework and d) The evaluation of audit evidence to determine the quality and meaning of that evidence and to assess the need for additional evidence based on the process. (ISA 200: A23; Wedemeyer, 2010).

Due to its centrality, scholars constantly try to identify and discuss factors that might affect the *auditors' judgement*. For instance, the age-old structure-vs-judgement dilemma has been scrutinized (Dirsmith & McAllister, 1982; Cushing & Loebbecke, 1986; McDaniel, 1990; Smith, Fiedler, Brown & Kestel, 2001; Agevall, Broberg & Umans, 2018). In the arena of structure, some researchers endeavored to examine specific types of audit tools such as checklists (Cowperthwaite, 2012; Boritz & Timoshenko, 2014) and the use of IT (Schroeder, Reinstein, Schwartz, 1996; Broberg, 2013). Moreover, the "inherent limitation of auditing" was discussed in length due to the inevitable auditors' reliance on the clients' management regarding acquiring the necessary data based on which auditors form their judgement (Sweeney & Pierce, 2004; ISA -200). In the same vein, several studies have attempted to highlight concerns regarding auditors acting as business advisors for their client firms' management as a result of commercializing the auditors. That is, the spike of market orientation, client-focus and changed conditions have ensnared auditors into the free market competition (Umans, *et al.*, 2016), causing

the auditors to shift from traditional role (ensuring the quality of the accounting information through professional judgement) (Broberg, Umans & Gerlofstig, 2013) to conduct more non-financial services. Such circumstances have begotten concerns regarding not only the way auditors perceived themselves and their mission, but also regarding auditors' independence and hence their judgement (Forsberg & Westerdahl, 2007; Broberg, 2013).

Another aspect of auditors' *judgement* is the personal aspects. Since auditors' judgement, as well other functions of auditing, is being carried out by individuals, attention was drawn towards those individuals and what might influence their judgement. Factors like auditors' personal attitude (Broberg, 2013), knowledge, ability, motivation (Libby & Luft, 1993 in Nelson & Tan 2005), emotional intelligence (Yang, Brink & Wier, 2018) and locus of control (Nasution, & Östermark, 2012) have been examined. Additionally, more studies scrutinized the effect of *social pressures* on the auditors' judgement giving the fact that auditors work in an interactive environment in which they deal with other individuals within audit firm. Therefore, the impacts of auditors' superiors on the ways auditors form their judgements with were examined (e.g. Wilks, 2002; Nelson & Tan, 2005; Peytcheva & Gillett, 2011). Also, the influences auditors' peers may impose were also explored by some studies (Lord & DeZoort, 2001; Nasution, & Östermark, 2012; Clayton & Staden, 2015). The latter will be the focus of this study is to accentuate to what extent peers influence auditors' judgement. This influence was dubbed in the literature: "*conformity pressure*".

1.2. PROBLEMATIZATION

1.2.1. The social context and auditors' judgement

As mentioned earlier, providing a *professional judgement* is at the heart of the audit profession. In fact, Warran (1984 in Broberg 2013) argued that the nature of auditing requires professional judgement. Professional judgement is, in essence, a reflection made by auditors, who apply specific audit techniques, on the cues in the auditee's data and environment. As pointed out by Nelson (2009), previous studies in psychology and accounting have depicted various problems to which auditors' judgement is susceptible,

such as appropriately weighing evidence, recognizing patterns of evidence, and applying prior knowledge to the current judgement task. However, it is important to note here that not only the audit techniques that produce auditor's judgement, but also the *social context* plays a role in this matter. In this regard, the relationship between auditors and their respective colleagues; peers and superiors, matters. That is, auditors reach their judgement through communicating with their colleagues Solomon (1987 in Broberg, 2013). Consequently, the interactions within audit firms and what *social pressure* that might be associated with them should be accounted for. In other words, in order to better understand auditors' judgement, we should consider, among other things, the social context within which the audit work is performed (Power, 1996; Pentland, 1993 in Carrington & Catusu's, 2007). Therefore, many several attempts have been made in order to examine the interactions' impact on auditors' judgement and the pressures they impose. That is, such *social pressures* that face auditors may not only impair their ability to take the right stance in conflict situations, but also to drive the auditors to act unethically because of an overall sense of futility (Lord & DeZoort, 2001). Such condition is referred to as dysfunctional auditor behavior (DAB), which compromises auditors' integrity and professionalism (Nasution & Östermark 2012).

1.2.2. Conformity pressures and auditors' judgement

Nelson and Tan (2005) provided an exhaustive review of between-auditors interactions literature. In this conjunction, some studies highlighted that superiors (reviewers) affect the auditors' (reviewees) judgement resulting in performance appraisal since they; the superiors, evaluate their subordinates' performance. As a result, auditors, while forming their opinions, are motivated to preserve their reputation in the eyes of the reviewers by persuading the latter with the appropriateness of their conclusion (This persuasive approach was detailed by Rich, Solomon & Trotman, 1997). In the same vein, there is evidence that auditors are sensitive to the preferences of their superiors (Turner, 2001), and hence they prioritize evidence that is consistent with their conclusions (Nelson & Tan, 2005). Interestingly, Wilks (2002) provided evidence that superiors' views distort the auditors' memory for evidence. In the same arena, Peytcheva and Gillet (2011) have deduced that the knowledge of supervisors' view influences the auditors' judgement before and after forming their supposedly independent, professional judgement. Meaning

that the independence, which is the key of success of auditing profession (Filipovic, 2014) and the hallmark of audit quality (Collin, Berg, Broberg, Karlsson, 2017), is being subdued and muzzled at lower levels in audit firms. All these impacts of superiors fall into the realm of *obedience pressure*; one form of social pressure.

Another form of social pressure is the *conformity pressure*, which refers to auditors' propensity to adjust their judgement to conform to their peers'. In another word, auditors may seek the sameness of opinions by realigning their judgement to be in line with their peers by abandoning their independent professional judgement. This is based on the theory of social comparison processes developed by Festinger (1954 in Nasution & Östermark 2012), according to which the individual is prone to following the rampant attitudes in order to be considered a member of a group. So the conformity here refers to demeanor influenced by peers or counterparts, not by instructions from superiors. Since consultation with the others is, among other things, an important aspect of the ability to make correct judgement (ICAEW, 2002 in Broberg, 2013), the repercussions of such pressures are far likelier significant. Therefore, the impact of such pressures in accounting field has been examined. Some studies found that, as stated by Lord and DeZoort (2001: 219), "peer pressure in accounting firms may lead to dysfunctional outcomes because auditors may perceive others doing the same thing or that their performance is deficient in some way". It could be argued that the pressure is much heavier in the auditing context if we considered that the lack of consensus at the individual level may be ascribed to poor training (Power, 1996).

Recapping all that, *conformity pressures* are claimed to influence auditors to adjust their judgement to conform to their peers' views. Such is antithetical to what auditors' judgement supposed to be; a professional, informed opinion based on relevant data. Auditors' judgement should be something attained by auditors (Broberg, 2013), rather than being implicitly or explicitly provided to them. Moreover, the subtlety impacts of *conformity pressures* makes it more crucial to be examined. That is, the prescription of following some behavior is often implicit, since it does not require an explicit request or direction from another individual. This subliminal behavior also drive auditors to use voluntarism to explain their decisions; a situation that makes it very difficult to detect (Lord and DeZoort, 1997; Nasution & Östermark, 2012). Despite the previous attempts to test the impact of conformity pressures on auditors' judgement, our study, we argue, is

of importance considering that it is conducted in the Swedish context. The prior studies were conducted in countries attributed culturally individualistic (Lord & DeZoort, 2001; Clayton & Staden, 2015) or collectivistic (Nasution & Östermark, 2012). Although Sweden was categorized to be horizontal-individualistic country, there are some evidence that Swedes, particularly in the public sphere, tend to conform to each other (e.g. Nelson & Shavitt, 2002). Meanings that Swedish auditors could be expected to be more susceptible to *conformity pressures* and hence to conceding to them. For the best of our knowledge, this study is the first one to explain such pressures in the Swedish context, which makes it of significant giving the unique attributes of the Swedish culture. Therefore, we find it suitable to use the measurement used by previous studies (namely Lord & DeZoort, 2001; Nasution & Östermark, 2012).

Lord and DeZoort (2001) attempted to test the impact of conformity pressure on auditors' judgement based on the experiments conducted by Asch (1956). Although they found no support of their hypothesis that conformity pressures affect auditors' judgement, Nasution and Östermark (2012) found evidences that supported this hypothesis. They ascribed this contrary results to the cultural dimension. To them, in a society with high individualism and low power distance, the impact of conformity pressures are being amplified and more apparent. As mentioned before, the Swedish culture has contradictory characteristics that makes it appealing to explain the impact of such pressures within the Swedish context.

The purpose of this paper is to explain how social pressures, namely conformity pressures, affect auditors' judgement and make them forsake their own professional judgement in order to conform to their peers' judgement.

1.3. RESEARCH QUESTION

How conformity pressures affect auditors' judgement and to what degree they make auditors abandon their own professional judgement?

1.4. PURPOSE

The purpose of this thesis is to explain how conformity pressures, in the context of Swedish culture, affect auditors' judgement and drive them to align their professional judgement with their peers' views.

1.5. Outline

This thesis is structured in five sections.

Section one: Introduction

In this section, we start with the background depicting the ever-increasing attentions paid to the auditors' judgment in the light of the latest scandals around the globe. That is followed by accentuating the influence of conformity pressures on auditors' judgment. Based on such, the problematization part comes after, followed by the research question and the research purpose.

Section 2: Theoretical framework

The theoretical framework starts with explaining the theories and concepts to be used in our research model. This is interspersed with formulating the hypotheses to be tested in this study.

Section 3: Methodology

The methodology section comprises both theoretical methodology and empirical methodology. The theoretical methodology exhibits the research approach, the choice of the methodology used in the study, and the choice of theories upon which the study is conducted. The empirical methodology illustrates how the research was carried out in terms of research subjects, research design and procedures. That is ensued by describing the variables and operationalizing them afterwards.

Section 4: Analysis and discussion

This section presents the descriptive statistics, followed by a showcase of the results derived from the quantitative data. A thorough discussion ensues that, and then a summary of the discussion and the results is provided.

Section 5: Thesis conclusion

The thesis conclusion includes a summary of the thesis combined with a discussion of findings. After that, theoretical contribution is presented. This is followed by limitation of our study and suggestions for future research.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

The theoretical framework starts with a presentation of the theories chosen for the study, namely the conformity pressure, the professional commitment and the locus of control. This sections also includes the hypothesis that we will test in this study.

2.1. CONFORMITY PRESSURE

2.1.1. Social pressures, an overview

According to Milgram (1974 in Nasution & Östermark 2012), a person adapts his behavior due to social influences pressures. These social pressures comprise obedience pressures and *conformity pressures*. Overall, social influence is, as noted by Abram, Wetherell, Cochrane, Hogg & Turner (1990), the inclusion of self in the category of those attempting to exert influence. That is, when others are defined as members of a particular social category, this yields rejection or attraction to others as group members and independent of their personal characteristics, and hence this determines how far their approval and attraction to oneself are valued. Consequently, when group membership is eminent, only an in-group is argued to be effective in applying such pressure. Therefore, it could be concluded that self-categorization is equally an important basis for normative influence. To put it in Abram's *et al.* (1990: 117): "self-categorization can be a crucial determining factor in social influence, and that the extent of informational and normative influence may depend very largely upon whether the source of influence is regarded as a member of a person's own category". This is closely related to the purpose of this study, since we are examining a specific group; auditors.

2.1.2. Conformity pressures

One form of the social pressures is the *conformity pressures*. It refers to behavior influenced by examples set by peers or equals, not by arbitrary orders from superiors (Lord & DeZoort, 2001). Conformity pressure affects individuals who tend to alter their attitudes or behavior in an effort to be consistent with perceived group norms (DeZoort

& Lord, 1997). Festinger (1954 in Nasution & Östermark, 2012) have developed a theory of social comparison process to illustrate this phenomenon. According to this theory, conformity pressure stems from one's inclination to be considered as a group member. To achieve that, individual would follow the rampant attitude within the group. Curiously, under conformity pressure, one will accept the others' beliefs or opinions even if he has no motivation to agree with them per se (Deutsch & Gerard, 1955). In another word, "individuals will publicly accept the majority view while privately retaining their initial view, motivated by a desire not to appear deviant or to risk possible negative sanctions from the majority, such as ostracism or ridicule" (Bond & Smith, 1996: 113). Santee and Maslach (1982) also illustrated that unanimous agreement among peers induces higher level of conformity. Early studies have provided evidence that individuals tend to abandon their own judgement and follow the consensus agreement when the information they have was interpreted differently by all other member of the group with complete disregard for errors contained in such unanimous judgement. Using a visual discrimination task involving lines of different lengths, Asch (1956) found that the majority of subjects had the propensity to the clearly mistaken views of their in assessing line length. Moreover, Asch's studies accentuated that individuals, even if they chose to conform to the others' views, are often burdened with making decisions to which they privately discontent. This was acutely summarized by Brehm and Kasson (1990 in Lord & Dezoort, 2001: 218) when they stated that: "task was relatively simple and they could see with their own eyes that their own answers were correct. Still, they often went along with the incorrect majority". Unlike what one can assume, this impact does not only come to play within colossal, powerful groups. But, as stated by Deutsch and Gerard (1955: 635), "when a group situation is created, even when the group situation is as trivial and artificial as it was in our groups, the normative social influences are grossly increased, producing considerably more errors in individual judgment".

However, some studies have suggested that *conformity pressures*, as well other social pressures, vary depending on one's culture. Bond and Smith (1996) used the results of three surveys to assess a country's individualism-collectivism, and they deduced that collectivist countries tended to show higher levels of conformity than individualist countries. That is, people from collectivist cultures are more often than not to concede to the majority, factoring in the higher value placed on harmony in person-to-group relations. This supports the justification put forward by Nasution and Östermark (2012)

regarding the contradiction between the results of their study and those of Lord and DeZoort (2001). As mentioned earlier, Lord and DeZoort (2001) attempted to test the impact of conformity pressure on auditors' judgement based on the experiments conducted by Asch (1956), yet they failed to find any support of their hypothesis that conformity pressures affect auditors' judgement. Nasution and Östermark (2012) ascribed such results to the cultural dimension which was not accounted for in Lord and DeZoort's study. Accordingly, Nasution and Östermark (2012) concluded that in a society with high individualism and low power distance, the impact of conformity pressures are being amplified and more apparent. Thus, the *cultural* element will be considered in this study as well. For the best of our knowledge, this study is the first one to explain such pressures in the Swedish context, which makes it of significant giving the unique attributes of the Swedish culture.

2.1.3. Swedish culture and conformity pressures

Swedish culture appears to be of dissonance and contradictory. That is, Sweden, among other countries, has been categorized as horizontal, individualistic society. In such societies, people prefer to view themselves as equal to others in status in addition to the focus is on expressing one's uniqueness and establishing one's capability to be successfully self-reliant. (Hofstede, 1980, 2017; Hofstede, 2011; Shavitt, Lalwani, Zhang & Torelli, 2006). For individualists, the propensity is to prioritize personal goals over societal interests and the autonomy from in-groups (Triandis, 2001; Hofstede, 2011). If these attributes are accurate, that might lead us to expect that Swedish auditors do not concede to conformity pressure since it is antithetical to their predisposed behavior. However, it is not that simple conclusion to reach giving the other contrary observations in the Swedish culture. In spite of the portrayal of Scandinavians of being conditioned to distinguish themselves from the others, they are governed with a pervasive modest codes. "Jantelagen" is a perfect example to that. According to this socio-cultural ideology by which Scandinavians abide, people should not assign themselves in a higher position or special status than the others. Such unwritten code was claimed to stifle Scandinavians' individuality, forcing the people to conform to the larger collective to avoid distinction (Nelson & Shavitt, 2002; Tian & Guang, 2017). In the same vein, Daun (1991 in Tian & Guang 2017), pointed out that Swedish culture emphasizes consensus, leading Swedes to

seek non-controversial conversation subjects. He also highlighted that Sweden shares several characteristics with countries conventionally considered collective ideologies. Swedes, for example, are conflict averse, conformist, and deferential to collective ideologies. Unlike individualists, collectivists are inter-dependent with their in-groups, prioritize the groups' goals over individual ambitions, and shape their behaviors based on in-group norms (Triandis, 2001). Furthermore, Swedes have low tendency to express their distinctiveness (Eriksson, Becker & Vignoles, 2011). As an attempt to untangle this puzzling observations, Tian and Guang (2017) conducted their studies using in-depth interviews with thirteen participants. The results of their studies suggested that Swedish individualism-collectivism is distinguished between the public and private domains of social life. On one hand, in the public sphere (e.g., society at large, public institutions, and colleagues) Swedes exhibit behaviors characteristically associated with collectivist societies; these elements include: conformity (Eriksson *et al.*, 2011). On the other hand, in the private sphere of life, Swedes prioritize individualism and autonomy. This contrary and different results and observations add to the importance of our study to explore these premises within the auditing field in the Swedish context.

In accounting, the dysfunctional auditor behavior caused by conformity pressure was examined by previous studies. For instance, Ponemon (1992) in Lord and DeZoort (2001: 219) admitted that auditors may perceive others doing the same thing or that their performance is somewhat inferior, which may result in dysfunctional outcomes. He also found that conformity pressure from peers was an antecedent to some dysfunctional behavior of auditors, such as underreporting of time (DeZoort & Lord, 1997). Nasution and Östermark (2012), replicating Lord and DeZoort (2001), have conducted a study on sample of 70 auditors from two Big Four and two non-Big Four CPA firms using a specific hypothesized scenario of asset misstatement, which will be detailed later. The results of this study indicated that conformity pressures from peers/colleagues affect auditors' judgement. Following the abovementioned studies, we asked participants to make a judgement (sign off) on the net equipment balance for the assets in question. The larger the balance determined the higher probability of the financial statements misstated. Based on the theory of conformity pressure and cultural dimension we construct hypothesis one as follows:

H1: Under conformity pressures, auditors' judgement will be influenced more than those under no conformity pressure.

2.2. PROFESSIONAL COMMITMENT

Professional commitment is the extent to which an individual is attached to a profession (Hall, Smith & Langfield-Smith, 2005). Differently put, it refers to the strength of an individual's identification with a profession (Otley & Pierce, 1997; Nasution & Östermark, 2012). Professional identification refers to the extent to which a professional employee experiences a sense of oneness with the profession. (Heckman, Steensma, Bigley & Hereford, 2009). Following Leicht and Fennell (2001) and Carrington, Johed and Öhman (2011), a professionally committed person accepts the rigor and enforcement of independence requirements, the ethical values and the goals of the profession (Lachman & Aranya, 1986). Individuals with high professional commitment are characterized as having a strong belief in and acceptance of the profession's goals, a willingness to exert considerable effort on behalf of the profession, and a strong desire to maintain membership in the profession (Otley & Pierce, 1997; Lord and DeZoort, 2001). As a matter of fact, the strength of professional commitment has consequences on performance improvement, turnover intentions, and the level of satisfaction on the profession (Hall *et al.*, 2005). Additionally, professional identity is characterized by lack of profit maximization as an objective; instead, the focus is put on the provision of high quality service to stakeholders (Broberg, Umans, Skog & Emily 2014). As described by Marshall in Brante (1988: 119): "The professional man... does not work in order to be paid, he is paid in order that he may work. Every decision he takes in the course of his career is based on his sense of what is right, not his estimate of what is profitable". The importance of understanding professional commitment comes from four reasons provided by Lee *et al.* (2000). First, individual's career resembles a meaningful focus in life. Second, due to its potential link with retention, professional commitment is of significance for human resources management. Third, professional commitment is imperative for work performance. That is, to develop expertise, one have to engage in relevant activities for long time, which in turn affects the continuity in the profession. Such places professional commitment as a precursor of exemplary work performance.

Finally, the professional commitment is important because it illustrates how people develop, make sense of, and integrate their multiple work-related commitments, including those that go beyond organizational boundaries. Professional Commitment is likely to affect aspects of accountants' work behavior, such as rule observance attitudes, involvement in professional accounting associations (Hall *et al.*, 2005), and propensity to mentor junior accountants (Smith & Hall, 2008).

As detailed by Hall *et al.* (2005), professional commitment has three dimensions: affective professional commitment (APC) (the extent to which individuals “want to stay” in the profession because they identify with the goals of the profession and want to help the profession to achieve those goals), continuance professional commitment (CPC) (is the extent to which individuals feel they “have to stay” in the profession because of the accumulated investment that they have and the lack of other alternatives), and normative professional commitment (NPC) (the extent to which individuals feel they “ought to stay” in the profession as an obligation). Hall *et al.* (2005) also contend that considering these three dimensions of professional commitment will provide more inclusive, in-depth understanding of auditors’ profession. Therefore, we decided to consider all these dimensions in our study, using the concept and measurement of professional commitment adapted by Smith and Hall (2008) for the accounting profession, which was adapted from the measurement developed by Meyer *et al.* (1993). The first study that has used these three dimensions to investigate the relationship between professional commitment and auditor judgement was conducted by Nasution and Östermark (2012). With that being said, and after we have explained the different aspects entailed in the concept of professional commitment, it could be argued that auditors with higher APC and NPC tend to sign off lower balances compared to CPC auditors. Be that as it may, we construct hypotheses two and three as follows:

H2a. Auditors with higher APC will be influenced less under conformity pressures compared to auditors with lower APC under similar conditions.

H2b. Auditors with higher CPC will be influenced less under conformity pressures compared to auditors with lower CPC under similar conditions.

H2c. Auditors with higher NPC will be influenced more under conformity pressures compared to auditors with lower NPC under similar conditions

2.3. LOCUS OF CONTROL

Locus of control was first proposed by Rotter (1966) as an individual-differences construct. Essential to the concept of locus of control is the assumption that the effects of reinforcement on preceding behavior depend on whether the individual perceives the reinforcement as contingent on his or her own behavior or independent of it (Singer & Singer, 1986; Spector, 1988). Rotter (1990: 489) gave a brief definition of locus of control when he said:

“Internal versus external control refers to the degree to which persons expect that a reinforcement or an outcome of their behavior is contingent on their own behavior or personal characteristics versus the degree to which persons expect that the reinforcement or outcome is a function of chance, luck, or fate, is under the control of powerful others, or is simply unpredictable.”

According to this theory, individuals are classified as either “internal” or “external”. To an internal individual, it is convinced that events are subject to his or her own control (Hambrick & Finkelstein, 1987). On the other hand, individuals with an external locus of control believe that results are attributable to things beyond their control and may occur independently of his own action (e.g. fate, chance, luck, or destiny) (Rotter, 1966). As it has been well-documented, locus of control is of significance in predicting human behavior. Overall, individuals who are internal are more likely to take responsibility for consequences and to rely on their own determination of what is right and wrong to guide their behavior, as they have a firm belief that they can control their destiny (Singer & Singer, 1986; Trevino, 1986 in Tsui & Gul, 1996). Conversely, external individuals are less likely to take personal responsibility for the consequences of inopportune behavior and will blame it on external forces (Trevino, 1986 in Tsui & Gul, 1996).

Similar to conformity pressure, culture has a role to play in the locus of control. As explained by Cherry (2006: 116), the linkage between internality/externality has been related to national culture often relating locus externality to the Hofstede’s famous theory of culture. Additionally, Cherry (2006:116) highlighted that the congruent trend within research suggests that individuals from collectivistic societies are more externally

oriented, unlike those who are from individualistic societies. This adds value to this study giving, as mentioned before, the contradictory observation within the Swedish culture and how the Swedes seesawing between individualistic and collectivistic attributes based on the surrounding sphere.

Studies have accentuated that locus of control is a robust determinant of auditors' behavior, especially in audit conflict situations. Additionally, it was highlighted that locus of control influences dysfunctional audit behavior (Tsui & Gul, 1996; Hyatt & Prawitt, 2001; Donnelly, Quirin, & O'Bryan, 2003; Shapeero, Chye Koh & Killough, 2003; Paino, Smith & Ismail, 2012; Nasution & Östermark, 2012; Iswari & Kusuma, 2013). Based on all that, we argue that the behavior of auditors under conformity pressure will vary based on their locus of control. That is, auditors with internal locus of control are expected not to succumb to such pressures as they tend to consider themselves personally liable for the actions taken, which makes their engagement in inappropriate behavior very unlikely. On the other hand, external auditors, since they believe that outcomes are beyond control and can be attributed to fate, luck or destiny, are expected to concede to the pressure they encounter from their peers. Differently put, it is expected that an internal locus of control is negatively related to unprofessional behavior to intentionally prematurely sign-off compared to external locus of control. Based on this, our hypothesis is constructed as follows;

H3. Auditors with an external LOC will be influenced more by conformity pressures compared to auditors with an internal LOC under similar pressures.

The following figure (Figure 1.) illustrates the research framework

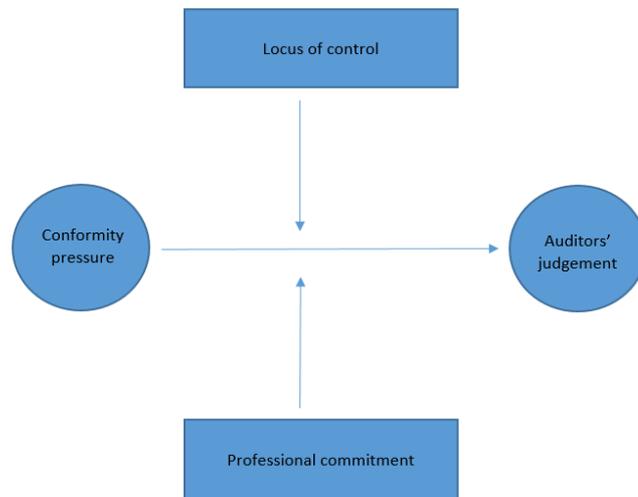


Figure 1. Research framework

3. METHODOLOGY

The methodology provides a showcase of the theoretical methodology which is the followed by the empirical methodology.

3.1. THEORETICAL METHODOLOGY

The theoretical methodology provides a presentation of the research approach and the design. This is followed by presentation of the choice of method and the theories chosen.

3.1.1. Research approach

An approach to a study differs depending on the starting point whether the study is within an already existing theory or investigating reality out of empirical material. Induction, deduction and abduction are different approaches based on the starting point (Bryman & Bell, 2011).

In the current thesis, a deductive approach is to be used in order to deepen our understanding of the suggested relationships between variables and how they affect each other.

3.1.2. Choice of methodology

Since the study applies a deductive research approach and aims at objectivity, the most suitable method is to use a quantitative one (Bryman & Bell, 2011).

A quantitative method is considered more seemly compared to a qualitative one. That is, the qualitative method means that new knowledge is created out of interpretation, which generates different interpretations from every researcher. A condition that makes it difficult to redo the research and obtain the same results, unlike the case with a quantitative method (Alvehus, 2014; Denscombe, 2009 accessed in Klang, 2017).

By using the deductive approach, we become able to create hypothesis out of a theoretical framework since it will help us to build our discussion on a firm theoretical foundation. As explained by Crossan (2003), creating hypotheses is important in order to dwarf the risk of subjectivity.

3.1.3. Choice of theory

The theoretical framework of the thesis is based on the social pressures theory, the conformity pressures theory, the professional commitment theory and the locus of control theory. Using these theories help to set the stage to understand how auditors react to social pressures, namely the conformity ones, and how these pressures may affect their judgement. Social pressures theory explains how individuals, in general, adapt their behavior and opinion to cope with such pressures. This malleability of behavior will bring about the sense of being a part of the group that imposes such pressures (e.g. Milgram, 1974 in Nasution & Östermark, 2012; Abram et al, 1990). Conformity pressures theory explains a specific form of social pressures; the pressures imposed by peers and colleagues (e.g. Deutsch & Gerard, 1955; Festinger, 1954 in Nasution & Östermark, 2012; Bond & Smith, 1996; Lord & DeZoort, 2001). Although the obedience pressures theory is a part of social pressures theory, we omitted it from our study because our scope is on the peers' pressure, whilst the aforementioned theory explains the pressures impressed by superiors (e.g. Wilks, 2002; Lord & DeZoort, 2001; Nelson & Tan, 2005). The professional commitment theory explains the extent to which an individual is attached to a profession, which begets a strong belief in and acceptance of the profession's goals, a willingness to exert considerable effort on behalf of the profession, and a strong desire to maintain membership in the profession (e.g. Otley & Pierce, 1997; Leicht & Fennell, 2001; Hall *et al.*, 2005). Such commitment is expected to drive the auditors' behavior towards conformity pressures they may face. The locus of control theory explains individuals' behavioral factors and their outcomes. In substance, it is based on the assumption that the effects of reinforcement on preceding behavior depend on whether the individual perceives the reinforcement as contingent on his or her own behavior or independent of it. Such perception influences individuals at large and auditors in particular when encountered with audit conflict situation. That is, people with internal locus of control tend to act more responsibly and to oppose to engage in unacceptable

behavior, as they possess a strong belief of having greater control of their destiny. Using this theory in this study will arguably explore how auditors will respond when being under conformity pressures based on their locus of control (e.g. Rotter, 1966, Singer & Singer, 1986; Spector, 1988; Tsui & Gul, 1996).

3.2. EMPIRICAL METHODOLOGY

The empirical methodology depicts how the study have been conducted to collect and analyze the quantitative data. This is ensued by a description of how the variables were operationalized.

3.2.1. Research subjects

The subjects were selected from the Big Four firms and from several non-Big-Four firms. Conducting the survey with auditors, especially from the Big Four, will increase the generalizability of the findings (Nasution & Östermark, 2012). The data was collected by emailing the survey link to the participants individually. The results were being automatically registered in a separate Excel sheet. The link was available for participation for a period of three weeks in order to attain the maximum responses possible.

3.2.2. Research design and procedures:

We use a between-subject design in our experiment. Subjects were divided into two groups: the group under no pressure as control group (Group A), and the group under conformity pressure (Group B). Random assignment was done to ensure comparability among treatment groups.

The case study was implemented as a research instrument. The case ¹¹¹ was adapted from Lord and DeZoort (2001). In this case, subjects were asked to hypothesize themselves as a senior auditor that had been assigned to a new client. The subjects were informed that they were replacing their colleague who had served in the similar assignment. In the

1. Appendix. A

auditing process, the subject could not verify the existence and valuation of SEK2.5 million of fixed assets. Based on this condition, the subject proposed the client's CFO to write off the assets. However, the client's CFO refused this proposal and suggested keeping the assets as recorded and begins depreciating the assets from this year using the straight line method.

The subjects randomly received one of the research instrument versions (A or B). Subjects in the control Group A did not receive any information about pressure to receive the client's CFO's suggestion both from a partner or colleague. Group B were informed that the replaced colleague had suggested accepting the client's CFO's suggestion, but provided no further rationale. The study's primary dependent variable was measured by asking the participants to specify the kronor amount that they would sign-off on in the work papers as the final net equipment balance for the assets originally recorded as "assets in process".

The reason of choosing a case of premature audit sign-off is that this specific form of dysfunctional behavior of auditors is of significance. That is, premature audit sign-offs directly affect audit quality and violate professional standards. Some studies have shown that audit failures were often due to the omission of important audit procedures rather than procedures not being applied to a sufficient number of items (Shapeero *et al.*, 2003).

The first part of the research instrument was the introductory part. In this part, a description of the research objective was provided. Also, all participants were informed that their participation was voluntary and that they were not obligated either to participate or to continue the participation. Additionally, the participants were informed that the data from the study would be reported in summarized form only and that their anonymity was guaranteed. It was estimated that it would take 10-15 minutes to complete the research instrument.

The second part was demographic data such as age, gender, and duration of work experience in the auditing field. The third part of the research instrument was a case study. The fourth part was the three-dimensional of professional commitment instrument. Each dimension consists of six statements. The last part was the locus of control instrument.

3.2.3. Operationalization

3.2.3.1. *Dependent variable*

The subjects' judgment (sign off) of the net equipment balance for the assets in question is the dependent variable of this study. The subjects were requested to determine the net equipment balance within the range from SEK0 to SEK 2 million.

3.2.3.2. *Independent variables.*

In this research, we have both manipulated and measured independent variables. Social pressures (i.e. conformity pressures) are our main manipulated independent variable. We manipulate the variable through a case that randomly assigned to the subjects. We manipulate the variable into two treatments: no social pressure and conformity pressure.

3.2.3.3. *Moderating variables*

Our moderating variables are professional commitment and locus of control.

3.2.3.3.1. *Professional commitment*

Professional commitment was measured using the instrument developed by Meyer *et al.* (1993) and adapted for the accounting profession by Smith and Hall (2008). Professional commitment consists of APC, CPC, and NPC dimensions. Each dimension has six question items, and subjects were asked to respond on a seven-point Likert-type scale. The scale can range from 1 (strongly disagree) to 7 (strongly agree). The questions are as follows (questions followed with (R) are reversed scored)

Affective professional commitment (APC)

- 1- The accounting profession is important to my self-image.
- 2- I do not identify with the accounting profession. (R)
- 3- I dislike being an accountant. (R)
- 4- I am enthusiastic about the accounting profession.
- 5- I regret having entered the accounting profession. (R)
- 6- I am proud to be in the accounting profession.

Continuance professional commitment (CPC)

- 1- It would be costly for me to change my profession now.
- 2- Changing profession now would require considerable personal sacrifice.
- 3- There are no pressures to keep me from changing professions. (R)
- 4- Too much of my life would be disrupted if I were to change my profession.
- 5- Changing professions now would be difficult for me to do.
- 6- I have put too much into the accounting profession to consider.

Normative professional commitment (NPC)

- 1- I do not feel any obligation to remain in accounting profession. (R)
- 2- I am in the accounting profession because of a sense of loyalty to it.
- 3- I feel a responsibility to the accounting profession to continue in it.
- 4- I would feel guilty if I left accounting profession.
- 5- Even if it were to my advantage, I do not feel that it would be right to leave the accounting profession now.
- 6- I believe people who have been trained in a have a profession have a responsibility to stay in that profession for a reasonable period of time.

3.2.3.3.2. Locus of control

Locus of control was measured using the instrument developed by Spector (1988), as it has been shown to possess a strong suitability to work-related outcomes (Blua, 1993; Donnelly *et al.*, 2003). Contrary to Nasution & Östermark (2012), we did not use the instrument developed by Rotter (1966) because it is very general since it contains several different domains (e.g. education, politics, life in general). The instrument used in this study consists of a total of 16 statements. Subjects were asked to respond whether they agreed with the statements. By doing so, participants identified the relations between reward/outcomes and causes using a seven-point Likert-type scale. The scale can range from 1 (strongly disagree) to 7 (strongly agree). Higher scores indicate a greater degree of external personality, while lower scores are associated with internal traits. The statements are as follows (those are followed with (R) are reversed scored):

1. A job is what you make of it. (R)
2. On most jobs, people can pretty much accomplish whatever they set out to accomplish. (R)
3. If you know what you want out of a job, you can find a job that gives that to you. (R)
4. If employees are unhappy with a decision made by their boss, they should do something about it. (R)
5. Getting the job you want is mostly a matter of luck.
6. Making money is primarily a matter of good fortune.
7. Most people are capable of doing their jobs well if they make an effort. (R)
8. In order to get a really good job you need to have family members or friends in high places.
9. Promotions are usually a matter of good fortune.
10. When it comes to landing a really good job, who you know is more important than what you know.
11. Promotions are given to employees who perform well on the job. (R)
12. To make a lot of money you have to know the right people.
13. It takes a lot of luck to be an outstanding employee at most jobs.
14. People who perform their jobs well generally get rewarded for it. (R)
15. Most employees have more influence on their supervisors than they think. (R)
16. The main difference between people who make a lot of money and people who make a little money is luck.

3.2.3.4. Control variables

Before explaining our control variables it is important to point out that the chosen variables were not found to have an impact in the case we are trying to examine. However, we decided to consider them hoping that we might come up with new findings contrary to previous studies.

Gender – Respondents were asked to indicate whether they were Female=1/Male=0. We controlled for this factor considering that previous studies have articulated differences in decision-making between males and females. For instance, females were claimed to make

more accurate decisions, work more efficiently in complex decision-making situations, to be more cautious, and to be more risk-averse (Breesch & Branson 2009). However, females were found to analyze the misstatements significantly less accurately than males auditors (Breesch & Branson 2009). Since the case used in our survey includes assets misstatement, we considered the factor of gender.

Tenure – Respondents were asked to report their years of experience in the auditing field. We controlled for this factor given that past studies have indicated that gained experiences allow individuals in general for a better coping with new situations (Cohen & McKay, 1984), which includes situations in which auditors encounter conformity pressures.

4. ANALYSIS AND DISCUSSION

4.1. DESCRIPTIVE STATISTICS

A total of 2,195 emails were collected. The subjects were selected from the Big Four firms and from 77 non-Big-Four firms. The statistics regarding the emails sent are outlined in table.1.

Table 1. Statistics of the selected sample.

s	Group	Name of the firm	count of emails sent	Percentage of the entire sample per firm	Percentage of the entire sample per group
1	Big four	KPMG AB	282	12.8%	57.36%
2		PwC	476	21.7%	
3		Ernst & Young AB	336	15.3%	
4		Deloitte AB	165	7.5%	
5	Non-Big Four	Grant Thornton Sweden AB	218	9.9%	42.64%
6		BDO	125	5.7%	
7		Mazars SET Revisionsbyrå AB	78	3.6%	
8		Baker Tilly	74	3.4%	
9		Frejs Revisorer AB	24	1.1%	
10		Moore Stephens	24	1.1%	
11		Finnhammars Revisionsbyrå AB	23	1.0%	
12		LR Revision & Redovisning	21	1.0%	
13		Riksrevisionen	17	0.8%	
14		Allegretto Revision AB	15	0.7%	
15		Tönnerviks Horwath Revision	12	0.5%	
16		Revideco AB	11	0.5%	
17		Crowe Horwath Osborne AB	10	0.5%	
18		Hellström & Hjelm Revision AB	10	0.5%	
19		Revisionsfirman	10	0.5%	
20		RSM Göteborg KB	10	0.5%	
21		RSM Stockholm AB	10	0.5%	
22		Sixty Other audit firms (less than 10 emails)	244	11.1%	

The survey was constructed using Google forms and then sent to the collected emails. We divided the acquired emails into two groups; group-A was 1,097 and group-B was 1,098, and we have received 31 responses from group-A, and 30 responses from group-B. So, we only received a total of 61 responses reaching a responding rate of 2.78%. Seven responses were excluded because they were either incomplete or because the respondent did not answer the case question, which is the key to our survey. That leaves us with 54 usable responses, which resembles a responding rate of 2.46%. Of these usable responses, 66.7% were males, 29.6% were females and 3.7% were unidentifiable as the respondents did not reveal their gender. The average age of the respondents was 44.9. As for their experience in the field, the tenure average was 18.7 years.

When sending the emails to group A and group B, we did not divide the emails per company. Instead, we have grouped all the emails for each group, regardless the companies, and sent one email per group. Meaning that answers we received could not be categorized based on companies. As a result, we could not make a full-out analysis and compare the answers of auditors in Big-four firms with those of auditors in non-big-four firms.

The reasons of the low-rate responding rate could be ascribed to several factors. First of all, the period during which the study was conducted coincided with vacations period. We received several automatic replies from some respondents are in vacation, which suggests that other respondents might as well were in vacation but without setting an automatic reply. Another possible reason is the language used in the survey. Some respondents explicitly expressed that they would not participate in the survey unless it was translated into Swedish. Finally, some participants did not carry on in the survey because the case we used in the survey was long.

As we mentioned earlier, we divided the subjects into two groups, the first group (Group-A) was the control group to which a case of assets' sign-off was presented without conformity pressure, while the second group (Group-B) was presented the same case but with conformity pressure. According to our *H1*, the respondents of group-B will register the balance of the concerned assets with higher value due to the conformity pressure to which they were exposed. Meanings that the larger the balance determined the higher probability of the financial statements misstated.

As for Group-A, 69.2% of the respondents stated that they would sign off the concerned assets with Zero value. 30.8% of the respondents provided values ranged from 490 thousand to 2 million kroner. More specifically, only 3.8% of group-A stated that they would sign off the concerned assets with 2 million kroner. With respect to group-B, 68% of the auditors stated that they would sign off the concerned assets with zero value. Additionally, 32% of the respondents provided answers ranged from 500 thousand to 2 million kroner. More specifically, only 10.7% of group-B stated that they would sign off the concerned assets with 2 million kroner. The initial reading of these results indicates that conformity pressures do not influence auditors' judgement, since the variance is very slight between the two groups, which means that the conformity pressure has no significant effect on auditors' judgment.

4.2. Pearson correlation test and linear regression

Further, the analysis of the data was performed using a Pearson correlation test and linear regression. The descriptive can be seen in *Table 2*. The correlation matrix in *Table 3* presents correlations of the variables, while the *Table 4* presents the linear regression.

Table 2. Variable descriptive

Variables	N	Minimu m	Maximu m	Mean	Std. Deviation
Auditors Judgment (dependent)	54	-0.55544	2.79244	0.0000000	1.0000000
Conformity Pressure (independent)	54	0.00	1.00	0.5185	0.50435
Affective Professional Commitment (Moderating)	54	2.83	7.00	5.6574	0.81548
Continuance Professional Commitment (Moderating)	54	1.17	7.00	3.9840	1.44779
Normative Professional Commitment (Moderating)	54	1.00	7.00	2.8765	1.07144
Locus of control (Moderating)	54	1.63	5.25	2.8022	0.69128
Gender	52	0.00	1.00	0.3077	0.46604
Tenure	54	1.00	39.00	18.7037	11.56055

Table 3. Pearson correlation coefficients conformity pressures' impact on auditors' judgment.

	Correlations						
	1	2	3	4	5	6	7
1 Judgement (dependent)							
2 Conformity (Ind)	0.044						
3 APC (Moderating)	-.274*	-0.164					
4 CPC (Moderating)	0.075	0.067	0.034				
5 NPC (Moderating)	0.093	0.086	0.199	.401**			
6 LOC (Moderating)	0.034	0.016	-.426**	0.136	0.079		
7 Gender	-0.175	0.116	0.163	0.037	.320*	0.017	
8 Tenure	-0.205	0.140	-0.008	-0.054	-0.255	-0.131	-.432**

p<0,001***;p<0,01**;p<0,05*;p<0,1†

Three significant correlations can be detected. The first variable, normative professional commitment (NPC) (.401**) has a statistically significant positive correlation with continuance professional commitment (CPC). The variable of Locus of control (LOC) (-.426**) has a statistically significant negative correlation with affective commitment (APC). Finally, the variable of tenure (-.432**) has a statistically significant negative correlation with gender. These results indicates that the more normatively committed the auditors become, the more continuously committed they are. This might sound

paradoxical but it could be explained by considering that both kinds of commitment intersect in a certain aspect. That is, auditors in both types stay in the field not by their genuine intention, but because they are in a way enforced to do so. The continuance professional commitment (CPC) is the extent to which individuals feel they “have to stay” in the profession because of the accumulated investment that they have and the lack of other alternatives, whereas normative professional commitment (NPC) is the extent to which individuals feel they “ought to stay” in the profession as an obligation. The results also indicate that the more actively committed the auditors become, the less role their locus of control plays. Furthermore, the results indicate that the gender has a very weak effect on the auditors’ longevity in the field.

Two weak significant correlations could be noted. The variable of affective commitment (APC) (-.274*) has a statistically weak significant negative correlation with auditors’ judgment. The other variable, Gender (-.320*), appears to have a statistically weak significant negative correlation with normative professional commitment. These results indicate that the more an auditor is actively committed to the profession, the less his judgment being affected. Moreover, the results indicate that gender plays a minor role in auditors becoming normatively committed to the profession.

Table 4. Results of regression analysis

Variables	Model 1	
	Auditors' judgment	
	Std.B	Std.E
Judgement (dependent)		
Conformity (Ind)	0.050	0.288
APC (Moderating)	-0.314*	0.193
CPC (Moderating)	0.039	0.105
NPC (Moderating)	0.158	0.150
LOC (Moderating)	-0.164	0.223
Gender	-0.319*	0.344
Tenure	-0.325*	0.013
Constant	3.0297*	1.490
F-value	1.754	
Adj. R ²	0.094	
VIF value, highest	1.436	

n=52

Note: *** p < 0.001; ** p < 0.01; * p < 0.05; † p < 0.10

Before the regression analysis was conducted, the model was tested for tolerance (T) and VIF values. The T values ranged between 0.696 and 0.870, and the VIF values ranged between 1.149 and 1.436. Such indicates that the model passes the test. Nevertheless, it should be noted that the highest VIF value is rather high, yet it is acceptable as it is still below 2.500.

Model 1 (n=52) shows that the affective commitment has a weak significant relationship with auditors' judgment, which supports one of our hypotheses, *H2a*. Significant relationship between conformity pressures and auditor's judgment was yet not found. What is more, the model 1 shows no significant relationships between Continuance commitment, normative commitment, and locus of control, which means that the hypotheses of *H1*, *H2b*, *H2c*, and *H3* are not supported. On the other hand, the model 1 shows a weak significant relationship between both age and tenure and auditors' judgment. The variations of the independent variables in Model 1 explain 9.4% of the variation of the dependent variable ($R^2= 0,094$).

In order to go deeper and test the hypotheses of *H1*, *H2b*, *H2c*, and *H3*, an analysis of the data was performed using a Pearson correlation test but only for Group B, which resembles the respondents that were under conformity pressure. By doing that, we attempt to test the impact of APC, NPC, CPC and LOC on the value signed off. *Table 5* illustrates the correlation matrix resulted from running that test. Two weak significant correlations could be noted. The variable continuous professional commitment (CPC) (.465*) has a statistically weak significant positive correlation with the independent variable, conformity pressure. The variable normative professional commitment (NPC) (.389*) has a statistically weak significant positive correlation with the independent variable, conformity pressure. These results indicate that more an auditor is normatively or continuously committed to the profession, the more he will be influenced by conformity pressures. That, if correct, supports in part our hypotheses *H2b* and *H2c* that tacitly assumed that auditors with NPC and CPC will be influenced more by conformity pressure than those with APC. However, these results do not show how different auditors with NPC are from auditors with CPC under conformity pressure. In that sense, one can say that hypotheses *H2b*, *H2c* are not supported. Furthermore, the results do not support *H1* nor *H3*.

We tested conformity pressures as an independent variable with multiple different combination of moderating variables and control variables in order to develop our model and produce a better model that supports our hypotheses. However, we could not reach a model that shows correlations that are better than those of Model 1.

Table 5: Pearson correlation coefficients conformity for Group-B

	Correlations				
	1	2	3	4	5
<u>1 Judgement (dependent)</u>					
2 Conformity (Ind)	.				
3 APC (Moderating)	.	-,119			
4 CPC (Moderating)	.	,465*	,009		
5 NPC (Moderating)	.	,389*	,289	,360	
6 LOC (Moderating)	.	,000	-,115	,250	,103

p<0,001***;p<0,01**;p<0,05*;p<0,1†

4.3. DISCUSSION

Studies within the field of auditing aim to explain how social pressures, including conformity pressures, influence auditors' judgment. Some literature found no evidence that conformity pressures have an impact on auditors' judgment (Lord & DeZoort, 2001). Other studies show evidence that conformity pressures influence auditors' judgment, yet the impacts are lower than those of obedience pressure (Nasution & Östermark, 2012; Clayton & Staden, 2015). While exploring the impact of such pressures, researchers considered some moderating factors that they expected to influence auditors' judgement when faced with conformity pressures. Most of the studies considered professional commitment but some of them only considered one dimension of professional commitment, which is positive professional commitment. Like the conformity pressure, studies showed different results regarding these moderating variables. Some found evidence that professional commitment, in general, mitigate the effect of conformity pressure (Nasution & Östermark, 2012; Clayton & Staden, 2015), whereas some studies did not find any support of this premise (Lord & DeZoort, 2001). Only one study attempted to examine, in addition to professional commitment, the impact of locus of

control. Coupled with conformity pressure theory, the characteristics of Swedish culture was one factor that motivated our study and was taken into consideration, giving the fact that some literature have stated that the swedes have the tendency to conform to others when they are exposed to public sphere, such as workplace. Such makes this study of importance, since no similar studies, to the extent of our knowledge, have been conducted in the Swedish context. In light of all that, the current study aimed to explain the influence of conformity pressures on auditors' judgment in the context of Sweden. To get there, we have formulated three hypotheses.

Our empirical findings supported our hypothesis *H2a*. This hypothesis states that: “*Auditors with higher APC will be influenced less under conformity pressures compared to auditors with lower APC under similar conditions*”. This hypothesis was derived from the body of researches that accentuated the importance of professional commitment, its role in auditors' judgment, and its different types. In short, professional commitment is the extent to which an individual is attached to a profession. While professional identification refers to the extent to which a professional employee experiences a sense of oneness with the profession, professional commitment refers to the strength of an individual's identification with a profession (Otley & Pierce, 1997; Hall *et al.*, 2005; Heckman *et al.*, 2009; Nasution & Östermark, 2012). Being professionally committed means having a strong belief in and acceptance of the profession's goals, a willingness to exert considerable effort on behalf of the profession, and a strong desire to maintain membership in the profession. Consequently, a highly professionally committed individual accepts the rigor and enforcement of independence requirements, the ethical values and the goals of the profession with disregard for profit maximization (Leicht & Fennell, 2001; Carrington *et al.*, 2011; Lachman & Aranya, 1986; Broberg *et al.*, 2014; Brante, 1988). Therefore, the strength of professional commitment has consequences on performance improvement, turnover intentions, and the level of satisfaction on the profession (Lee *et al.*, 2000; Hall *et al.*, 2005).

Since professional commitment is an umbrella under which three dimensions are included, and since some scholars suggested that to provide more inclusive, in-depth understanding of auditors' profession one should consider those three dimensions (Hall *et al.*, 2005); we dedicated a hypothesis for each dimension of professional commitment. As for *H2a*, it was related to one dimension of professional commitment, which is

Affective professional commitment (APC). This dimension refers to the extent to which individuals “want to stay” in the profession because they identify with the goals of the profession and want to help the profession to achieve those goals (Hall *et al.*, 2005). Based on all that we constructed our hypothesis *H2a*, which in substance suggests that the presents of affective commitment mitigates the effect of conformity pressures. Our findings that support *H2a* are in line with the findings of Nasution and Östermark (2012). To the best of our knowledge, they were the only researchers that used multidimensional construct of professional commitment to measure the relationship between it and auditors’ judgment under conformity pressures. Other studies of the same topic, as well as most of accounting researchers, used a single dimensional construct of professional commitment (Lord & DeZoort, 2001; Clayton & Staden, 2015). As a result, we cannot claim that our findings are incongruent with theirs. However, the aforementioned studies found evidence of their hypotheses that auditors with high professional commitment will be less influenced by conformity pressures. So we can say that our findings are generally congruent with the other studies that used single dimensional construct of professional commitment. Nevertheless, this correlation we found in our model was not highly statistically significant. A larger sample are in order to thoroughly and examine this dimension.

The hypothesis *H1* was that: " *Under conformity pressures, auditors’ judgement will be influenced more that those under no conformity pressure*". That was based on the vast body of literature that outlined the impact the social pressures and how they influence one’s behavior and judgment. Simply put, an individual has a desire to be considered a group member and not to be ridiculed or ostracized Festinger (1954 in Nasution & Östermark, 2012; Bond & Smith, 1996). To accomplish that, individuals concede to social pressures, such as conformity pressures, and adapt their behavior accordingly. Many studies showed that individuals tend to adjust their attitude to be in line with the rampant attitude within the group surrounding them or to which they belong (DeZoort & Lord, 1997). Furthermore, studies showed that people not only behaviorally conform to their peers, but also they accept others’ beliefs or opinions even if they have no motivation to agree with them per se (Deutsch & Gerard, 1955). What triggers an alarm here that succumbing to the groups’ norms does not only apply on intricate situations that require deep knowledge or critical thinking. Rather, studies showed that people tend to abandon their righteous judgment and accepting others’ opinions even if they contain blatant

errors. Coupled with that, the conformity pressure was found to be significant not only in powerful groups, as one may assume, but also in groups with trivial, artificial situations (Asch, 1956; Santee & Maslach, 1982; Brehm & Kassin, 1990 in Lord & DeZoort, 2001). This behavioral malleability under conformity pressures could not be condoned when it comes to critical professions such as auditing. That is, auditors' judgment is the crux of audit profession based on which many decisions are to be made. And the cornerstone of professional auditor's judgment is auditors' independence, which means that auditors' judgment should be attained based on independent, informed opinion built on evidence (Cowperthwaite, 2012; Wedemeyer, 2010; Broberg, 2013; Collin *et al.*, 2017). So, if auditors were to reach their judgment not through evidences, but by conforming to others' opinion, that directly compromises their independency and call their judgments into question.

What further fueled our hypothesis *H1* was the fact that the study was to be conducted in Sweden. While the mainstream of researches categorized the Swedish culture as a horizontal individualistic culture, some studies showed that the swedes tend to follow a collectivistic manners when being in public sphere. Also, the swedes, like other Scandinavians, abide by unwritten socio-cultural ideology called "Jantelagen" that emphasizes that one should not think that he is different or better than the others. Such was claimed to stifle Scandinavians' individuality, forcing the people to conform to the larger collective to avoid distinction (Nelson & Shavitt, 2002; Eriksson *et al.*, 2011; Tian & Guang, 2017). Such cultural observations suggest Swedish auditors are far likelier to be influenced by conformity pressures.

Our empirical findings did not support the *H1*. This result is in line with the findings of the study conducted by Lord and Dezoort (2001), as they could not find any evidence that conformity pressures affect auditors' judgment. Conversely, Nasution and Östermark (2012) and Clayton and Staden (2015) found evidence that conformity pressures influenced auditors' judgment. Several reasons could be cited here to justify why our empirical findings did not support the *H1*. One practical reason could be the sample size used in this study. As explained earlier, we received only 54 usable responses (responding rate of 2.46%) in spite of sending the survey to 2,195 auditors, letting the survey available for three weeks, and sending several reminders to the participants. Another possible justification of our findings might be related to the auditors' behavior. That is, auditors

are usually criticized because they struggle to legitimize their work and its usefulness. Differently put, auditors are very concerned with their “image” in the eyes of others. Consequently, “what auditors say about their work might be strongly influenced by “front-stage representation of auditing” (Broberg, 2013: 149). As a result, driven by the fear of ruining their image, auditors when they answered such a survey, they were highly alert and very meticulous in providing their answers in order to convey the best impression. Meanings that the auditors did not genuinely assume themselves in the case provided in the survey, which inevitably mitigated the effect of the conformity pressures.

The cultural factor could be an additional reason why conformity pressure did not appear to affect auditors’ judgment in our findings. When their findings varied from those of Lord and Dezoort (2001) study, Nasution and Östermark (2012) imputed this variation to the cultural differences. To them, Lord and Dezoort (2001) could not find support that conformity pressures influence auditors’ judgment because they conducted their study in the United States, which upholds a vertical, individualistic society. In such societies, “people tend to be concerned with improving their individual status and standing out-distinguishing themselves from others via competition, achievement, and power” (Shavitt *et al.*, 2006; Hofstede, 2011). Meanings that an American auditor is not concerned with the pressures exerted by peers because he, as an individualistic person, prioritizes his personal goals over societal interests and the autonomy from in-groups (Triandis, 2001; Hofstede, 2011). On the other hand, Indonesia, in which Nasution and Östermark (2012) have conducted their study, was characterized by low individualism, collectivistic society. Corollary to that, an Indonesian auditor matters peers’ views since he, as a collectivist, is inter-dependent with his in-groups, prioritizes the groups’ goals over individual ambitions, and shapes his behavior based on in-group norms (Triandis, 2001). Building on this argument, it could be claimed that conformity pressures do not influence the Swedish auditors because of their horizontal, individualistic culture.

However, an alternative argument could be made in this conjunction. While the previous argument could be applicable in the study conducted by Nasution and Östermark (2012), it could not be the case in our study. That is, Clayton and Staden (2015) have conducted their studies in Australia and New Zealand. These countries share the same characteristics with Sweden. Australia is categorized as a horizontal, individualistic country, whereas New Zealand is categorized as an individualistic society, yet more vertical wherein

individuals are not equal, which makes New Zealand more like the United States (Shavitt *et al.*, 2006; Hamamura & Septarini, 2017). Despite these cultural attributes that are contrary to those of Indonesia, Clayton and Staden (2015) have found support that social pressures, including conformity pressures, impacted auditors' judgment. They found that "under conformity pressure make decisions that are less ethical than those under no pressure, and those under obedience pressure have the lowest level of ethical decision making" (Clayton & Staden, 2015: 384). Such suggests that the explanation put forward by Nasution and Östermark (2012) might be incorrect.

That leads us to assume that our results have something to do with the Swedish context. As we explained earlier, some studies suggested that, when placed in the public sphere (e.g., society at large, public institutions, and colleagues), the swedes exhibit behaviors characteristically associated with collectivist societies; these elements include: conformity. Yet when it comes to the private sphere of life, Swedes prioritize individualism and autonomy. (Tian & Guang 2017; Eriksson *et al.*, 2011). According to this premise, one can argue that in the Swedish context, the swedes consider business-related decisions as part of their self-identity or their private sphere, resulting in upholding their individualism and not allowing the others, namely peers, to influence their judgment. But when it comes to matters that are exposed to the public, such as the dress-code at work or public discussions, it could be argued then that the swedes exhibit a collectivistic behavior, since the Swedish culture emphasizes consensus Daun (1991 in Tian & Guang, 2017). This could be more understandable when considering that the study distinguished between the swedes' behavior in the public sphere and private sphere was focusing on consumers' behavior, which is somewhat apart from our scope (Tian & Guang, 2017).

If our explanation is acceptable, that contributes to the theory from different angles. First, it could be concluded that Swedish auditors deem their decision-making situation as a part of their private sphere, making them more autonomous in their judgment. Such characteristic, Secondly, makes the swedes more individualistic than their counterparts in Australia and New Zealand, since their individualism encompasses their work. Thirdly, Swedish auditors, consequently, do not succumb to conformity pressures and they maintain their independence under such pressures. Needless to say that these findings are being based on a very small sample, which makes unlikely to be generalizable.

Let us move on to the hypotheses of *H2b* and *H2c*. As for the *H2b*, it stated that: “Auditors with higher CPC will be influenced less under conformity pressures compared to auditors with lower CPC under similar conditions”. The *H2c* stated that: “Auditors with higher NPC will be influenced more under conformity pressures compared to auditors with lower NPC under similar conditions”. As explained before, we used a multidimensional construct of professional commitment in order to reach an insightful understanding of professional commitment in the audit field (Hall *et al.*, 2005; Nasution & Östermark, 2012). While *H2b* is related to the continuance professional commitment, which refers to the extent to which individuals feel they “have to stay” in the profession, *H2c* is related to the normative professional commitment, which refers to the extent to which individuals feel they “ought to stay” in the profession as an obligation.

Having said that, our empirical findings did not support the hypotheses of *H2b* and *H2c*, as the relationships between CPC and NPC and auditors’ judgment under conformity pressures were insignificant. These findings are in line with those of Nasution and Östermark (2012).

Aside from the small size of the sample, which resembles a huge limitation to our study, these findings could be justified in the theoretical sphere by questioning the logic behind the related theories. As it is posited by the theory, individuals with continuance professional commitment or normative professional commitment are less attached to their profession than those with affective professional commitment. That is, individuals’ continuity in the field is resulted by factors other than their genuine willingness to stay in the profession. As explained by Hall *et al.* (2005), auditors with continuance professional commitment feel that they have to stay in the profession for reasons other than their passion of field. Reasons such the lack of alternatives or the fear of losing accumulated investments propel auditors to stay in the profession. On the other hand, auditors with normative professional commitment have an obligatory feeling to stay in the profession due to reasons such as pressures from colleagues or family or significant benefits they reap from working in the profession. As a result, it was assumed that individuals with any of these forms of professional commitment are far likelier to be influenced by conformity pressures, as professionalism is not their motivation to stay in the field anyway. In another word, the less attachment an individual has to a profession, the more he act unprofessionally under pressures, such as conformity pressures.

However, this logic does not appear to be ultimately accurate or, at the very least, it is irrelevant in the context of conformity pressures. Instead, it could be argued that since they are not genuinely committed to the profession, auditors with continuance or normative commitment may act pragmatically when faced with pressures. Since their main objective is to preserve the job with disrespect to whether their act is professionally correct or not, auditors' reflection will vary depending on how pressures jeopardize their objective. If this premise is accurate, it is understandable that auditors with continuance or normative commitment will not concede to conformity pressures. Because they do not include any coercive pressures, conformity pressures do not resemble a menace to auditors' continuity in the field, since there are no serious consequences of varying from such pressures. Differently put, for auditors with continuance or normative commitment, conformity pressures are not enough forces to differ from professional judgment due to their weak impact on their career.

Consequently, that, if correct, contributes to the theory as it suggests that the continuance and normative professional commitment only play a role when auditors, or individuals in general, are faced with pressures that resemble a menace to their career. Admittedly, it is very intricate issue that requires more research on a wider sample of auditors.

Notwithstanding, when we run a Pearson correlation test only for Group B, the group under conformity pressure, a relationship between NPC and CPC and conformity pressure was detected, suggesting that auditors with NPC or CPC are influenced by conformity pressure. Although this is partly consistent with the theory, it still not supporting our hypotheses, as no relation between NPC/CPC and auditors' judgment was detected, beside the fact that these results do not show that auditors with CPC are being influenced more by conformity pressure than those with NPC. The latter was how it was posited in *H2b* and *H2c*.

Moving on to our last hypothesis *H3*. This hypothesis states that: "*Auditors with an external LOC will be influenced more by conformity pressures compared to auditors with an internal LOC under similar pressures*". It was gleaned from the literature that outlined the concept of locus of control and its implications on employees' behavior. In a nutshell, the concept of locus of control is the assumption that the effects of reinforcement on preceding behavior depend on whether the individual perceives the reinforcement as contingent on his or her own behavior or independent of it. Accordingly, individuals are

categorized as either “internal” or “external”. While internal persons are convinced that events are subject to their own control, individuals with an external locus of control believe that results are attributable to things beyond their control and may occur independently of his own action (e.g. fate, chance, luck, or destiny) (Rotter, 1966; Rotter, 1990; Singer & Singer, 1986; Spector, 1988; Hambrick & Finkelstein, 1987). Furthermore, some studies highlighted the nexus between culture and locus of control. Studies showed that individuals from collectivistic societies are more externally oriented, unlike those who are from individualistic societies (Cherry, 2006). The connotation of the concept of locus of control is of significance on one’s behavior. That is, individuals who are internal are more likely to take responsibility for consequences and to rely on their own determination of what is right and wrong to guide their behavior. External individuals, on the other hand, are less likely to take personal responsibility for the consequences of inopportune behavior and will blame it on external forces.

Factoring all that in, coupled with the previous studies that articulated the influential role of locus of control in dysfunctional audit behavior (cf. Hyatt & Prawitt, 2001), we have formulated our hypothesis *H3*, which assumes that Auditors with an external LOC will be influenced more by conformity pressures compared to auditors with an internal LOC under similar pressures”. Yet, our empirical findings did not support the *H3*. This is consonant with the finding of Nasution and Östermark (2012). Similar to the other unsupported hypotheses, this could be ascribed to theoretical and practical reason.

Theoretically speaking, the locus of control, despite being proven to influence dysfunctional audit behavior, could be argued to be of irrelevance with conformity pressures. While the role of locus of control could be apparent in the context of obedience pressures, it is not as apparent in the context of conformity pressures. With respect to obedience pressures, pressure is related to the individual with an authority in a hierarchical context. So obedience pressure are yielded from being expected to follow instructions from individuals in a positions of authority. Under such pressure, individuals shift from making their decision based on attitude, beliefs and values to a state in which they are removed from responsibility for their decisions. A situation that can produce an obedient demeanor which could be of dissonance with their beliefs, attitudes and values Milgram (1974 in Nasution and Östermark, 2012; Lord & DeZoort 2001; Davis, DeZoort, & Kopp, 2006; Clayton & Staden, 2015). To express it differently, due to superiors’

authority, obedience pressure is momentous because it entails a serious ramifications (i.e. bad evaluation) that may befall the auditors if they decide not to obey their managers. Consequently, auditors may be sense propelled to accommodate their superiors and vary from the professional judgment to accommodate their superiors. Therein, the locus of control comes to the play in the sense that auditors with internal locus of control, and hence with strong sense of control over their future, will likely not concede to the pressures imposed by their superiors. But when it comes to conformity pressures, this argument is not as applicable. Unlike obedience pressures, conformity pressures do not occur within a hierarchical structure in the organization. Rather they occur among those of equal status and that is what make the behavior caused by such pressures is implicit (Milgram, 1974 in Nasution & Östermark, 2012). A situation that does not impose any significant challenge or direct or indirect threat to one's continuity in the profession. That is why individuals, under conformity pressures, use voluntarism to explain their behavior, unlike being under obedience pressures. Differently put, there is no menace to auditors' career if they did not comply with their peers' judgment and maintain their professional view. Hence, the influence of locus of control is not clear here. This, if true, contributes to the theory of locus of control by saying that locus of control only comes into play when an individual is faced with conflict situations that impose a significant repercussion on his career.

As for the Practical reason, the limitation of the sample size could be one reason. Additionally, the very structure of the survey might be another reason as well. That is, we attempted to measure locus of control using the instrument developed by Spector (1988), which consisted of 16 statements. Of these 16 statements, eight statements were reversed, resembling 50% of the total measurement. Such heightens the possibility of inaccurate answers as a result of misunderstanding the questions. What might intensified that was the fact that this section was in the very end of the survey, where the participants are likely to lose their focus.

4.4. SUMMARY

After collecting the data by the surveys, the analysis of the data was performed using a Pearson correlation test and linear regression. We also have tested conformity pressures

as an independent variable with multiple different combination of moderating variables and control variables in order to develop our model and produce a better model that supports our hypotheses. We could not, however, reach a model that shows correlations that are better than those of Model 1. That leaves us, in sum, with only one supported hypothesis *H2a*, which hypothesized that the presence of affective commitment mitigates the effect of conformity pressures on auditors' judgment. The hypothesis of *H1*, which hypothesized that conformity pressure would affect auditors' judgment, was not supported. That is in line with the findings of the study conducted by Lord and DeZoort (2001), as they did not find a support that conformity pressures affect auditors' judgment. The other hypotheses (*H2b*, *H2c* & *H3*) that are related to continuance professional commitment, normative professional commitment, and locus of control remain unsupported. Such is also in line with the study conducted by Nasution and Östermark (2012). However, some weak relation between NPC and CPC and conformity pressure was found when testing the correlations for Group-B. Although this is partially in line with the theory, it still does not support our hypotheses, since no relation was detected to auditors' judgment along with not showing the different between auditors with NPC and those with NPC. Table 5 below sums up the findings by illustrating which hypotheses were found to be supported and which ones were not supported.

Table 6. Supported and non-supported hypotheses.

	Hypotheses				
	H1	H2a	H2b	H2c	H3
Supported		•			
Non-supported	•		•	•	•

5. THESIS CONCLUSION

5.1. Summary of the thesis

The aim of this study is to explain the impact of conformity pressures on auditors' judgment in Sweden. The examination was built upon three main theories: The conformity pressure theory (Asch, 1956), the professional commitment theory (Otley & Pierce, 1997), and the locus of control theory (Rotter, 1966), coupled with considering the paradoxical observations of the Swedish culture (Nelson & Shavitt, 2002; Tian & Guang, 2017). The model used in this study was based on a quantitative method. The data was collected using surveys sent to auditors, who work in both big-four on non-big four audit firms. Out of 2,195 targeted auditors, 61 auditors answered. Total of five hypotheses were formulated, out of which one was found to be supported.

Under conformity pressure, the analysis showed that affective professional commitment is negatively related to auditors' judgment. That means that hypothesis *H2a* is supported, since the more affectively committed an auditor is, the less his judgment will be affected by conformity pressure. The rationale of this results is that affective professional commitment is a great motivation for an auditor to maintain a high level of compliance with profession values, ethics, goals, and independence requirements, which makes him unlikely to conform to peers' judgment and abandon his.

On the other hand, *H1* was not supported, since the analysis showed no relationship between conformity pressure and auditors' judgment. That reason behind that could be related to either the typical behavior of auditors or to the culture. We mean by the former the behavior according to which auditors are more concerned of conveying the best impression about their work in order to maintain a good image of the profession. So they became more cautious when participating in our survey, and hence less influenced by conformity pressure. As for the latter, we mean that it could be argued one attribute of Swedish culture is considering the decision making in business environment a part of one's private sphere in which individualism is more apparent. Thus, Swedish auditors do not conform to others' judgment due to this individualistic bias.

Additionally, the analysis showed no relationship between neither continuance professional commitments nor normative professional commitment with auditors'

judgment under conformity pressure. That means that hypotheses *H2b* and *H2c* are not supported. The reason of this result might be that auditors with continuance or normative commitment, because they are relatively weakly attached to the profession, adopt a pragmatic approach when being under pressure, leading to the assumption that they will not succumb to pressure unless it threatens their continuity in the profession. Since conformity pressure does not entail such threat, auditors are not being affected by it. However, some weak relation between NPC and CPC and conformity pressure was found when testing the correlations for Group-B. Although this is partially in line with the theory, it still does not support our hypotheses, since no relation was detected to auditors' judgment along with not showing the different between auditors with NPC and those with NPC.

Finally, the analysis showed no relationship between Locus of control and auditors' judgment under conformity pressure. That means that hypothesis *H3* is not supported. The reason of that, we argue, might be that conformity pressure do not pose a significant challenge, let alone a menace, on auditors' career, so their believe of what controls their future will play a role. If auditors do not conform to their peers' judgment, there is no imminent consequences on their career. Hence, the influence of locus of control is not clear here.

5.2. Theoretical contribution

The first contribution of this study is the reaffirmation of the role of affective professional commitment in mitigating the impact of conformity pressure. The second one is that Swedish auditors deem their decision-making situation as a part of their private sphere, making them more autonomous in their judgment. Such characteristic, thirdly, makes the swedes more individualistic than their counterparts in Australia and New Zealand, since their individualism encompasses their work. Fourthly, Swedish auditors, do not concede to conformity pressures and they maintain their independence under such pressures. Fifthly, the continuance, normative professional commitment, and locus of control only play a role when auditors, or individuals in general, are faced with pressures that have serious consequences on their career.

5.3. Limitations

The thesis was limited to a small sample. That was due to the low level of response rate. Additionally, some of these responses were omitted from our analysis because they were incomplete, resulting in using only 2.46% of the total targeted participants. That could be ascribed to several reasons. First, the period in which the study was conducted coincided with vacations period. Second, auditors are attributed not to engage in any surveys in order to preserve the image of auditors before the eyes of the others. May be that is why we got very few responses in spite of sending several reminders throughout three weeks. Third, the survey was written in English which resembled a barrier for some participants to answer it. Fourth, the structure of the survey itself might played a role in that, since it was deemed by some long and included many reversed questions. Another limitation of our study was the difficulty of accurately target the Swedish auditors. Although all respondents stated that they were swedes, there is a possibility that some of them were Swedish by nationality not being originally swedes. Such gives us a mixture of respondents who are Swedish by nationality, yet everyone possesses different sets of attributes based of their country of origin.

5.4. Future research

After avoiding the downsides of this study, exploring the conformity pressures and their influence on auditors' judgment in the Swedish context still a topic for future research. The swedes characteristics and how they might affect auditing field in large and auditors' judgment in particular is another area that is yet to be unveiled. To more explore the professional commitment using multidimensional construct is also a suggestion for future research, since most of researchers in accounting field only use single dimensional construct. A final suggestion would be to expand the research in linkage between locus of control and auditors' judgment in the face of conformity pressure, as there is, at the extend of our knowledge, only one study, in addition to ours, that attempted to discover this arena.

APPENDIX. A: INSTRUMENT

Please assume yourself as stated in the case:

You are a CPA who is senior in a large accounting firm and your career has been advancing rapidly. You expect to have an excellent chance of being promoted to manager next year which would be at least one year ahead of your peers. To replace another senior that has been assigned to a new engagement, you have been assigned the fieldwork responsibilities for the 2017 audit of Görans Teknologi, AB, a publicly held manufacturer of scientific computers. You have not worked previously on Görans Teknologi audit team. Although it may seem unusual, because of your experience and ability you are now the highest level non-partner assigned to the Görans Teknologi audit. Your duties include planning and coordinating the audit, supervising the audit staff, and communicating with Görans Teknologi management. During the 2017 audit, you attempt to verify the existence and valuation of 2.5 million Kronor of assets described on Görans Teknologi's books as "Assets in Process". The Assets in Process account is used by Görans Teknologi to group together the costs of functionally related equipment acquired by GT until all the fixed assets are acquired. It is Görans Teknologi's practice to transfer the accumulated cost of the equipment to a fixed asset account, "Equipment", and commence recording depreciation on the equipment only when it is placed in service.

During the audit you are told by Görans Teknologi production engineers that the equipment (Assets in Process) in question had been purchased and placed in service at the beginning of 2013, and that the equipment had a five year useful life. However, you find that no depreciation has been recorded during the five years since the acquisition and placement of the equipment. Although working papers from prior audits reflected the existence and cost of the assets, when you attempt to verify the existence and cost of the equipment, Görans Teknologi employees are unable to describe the equipment in detail or to provide you with invoices supporting the original purchase and cost of the equipment. Moreover, Görans Teknologi management is unable to physically locate the equipment in question. As a result, you conclude and document in working papers that the equipment in question cannot be physically located, is not identifiable from Görans Teknologi's books and records, and should have already been fully depreciated if, in fact, the equipment exists. You proposed an audit adjustment to write-off the Assets in Process

in question as an expense in the amount of 2.5 million Kronor. Planning materiality for the audit was 5% of income. Görans Teknologi's unadjusted net income after all other adjustments, but before considering the assets currently recorded in the Assets in Process account, is 10 million Kronor. Thus, the proposed adjustment would reduce Görans Teknologi's income from 10 to 7.5 million Kronor.

Görans Teknologi's CFO disagrees with your recommendation to write-off the Assets in Process in question. The CFO said that the equipment is there but cannot be separately identified because it was incorporated into an existing production line in 2015 when the company moved to its current production facility. Görans Teknologi's CFO proposes to shift the Assets in Process balance of 2.5 million Kronor to the Equipment account and to record 500 thousand Kronor of depreciation expense starting in 2017, with the remaining balance depreciated straight line through the year 2021.

(Conformity pressure group only) The senior who was responsible for Görans Teknologi's audit last year is a colleague with whom you started your career at the firm. You decided to call this peer to ask about the equipment balance because this person knows the client well. Despite agreeing with the audit evidence and the documented conclusions of you and your staff, the senior suggested the circumstances were ambiguous enough to justify a compromise given the concern about losing the client. You are also told that the balance sitting in Assets in Process could not be verified last year, but that the client was adamant about its existence, and that it was finally considered immaterial to income. The senior also expressed concern about the career implications associated with being the one who contributed to the loss of Görans Teknologi as a client. Ultimately, the senior suggested it would be best for the firm to accept the CFO's proposal to shift the Assets in Process balance to Equipment at (cost) with 500 thousand Kronor depreciation expense recorded for 2017, and an agreement that Görans Teknologi depreciate the remainder of the asset over the next 4 years. The senior advised you to sign-off on work papers reflecting the a 2017 net Equipment balance of 2 million Krona.

Instruction: You may refer to any of the preceding pages to answer the following question.

Without considering tax effects, what net Equipment balance for the assets originally recorded as “Assets in Process” would you sign-off in the 2017 working papers (i.e. the net balance should be ≥ 0 Kronor and ≤ 2 million Kronor)?

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