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INDIVIDUALISM-COLLECTIVISM CULTURAL DIFFERENCES  
AFFECTING PERCEPTIONS OF UNETHICAL PRACTICES:  
SOME EVIDENCE FROM AUSTRALIAN AND  
INDONESIAN ACCOUNTING STUDENTS

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**ABSTRACT.** This paper examines the impact of the individualism-collectivism dimension of culture on ethical perceptions in a sample of Australian and Indonesian Final Year accounting students. The study uses the Triandis instrument to establish that Australian students tended to be more individualistically- and Indonesian students more collectivistically-oriented. The study then proceeds to test the hypothesis of no difference in perceptions between these two country samples in their evaluations of questionable actions portrayed in five vignette situations. The findings reject the no difference cultural hypothesis, indicating that there are perceptual differences between the collectivistic Indonesian students and the individualistic Australian students. In general Indonesian students tend to perceive a lesser degree of risk for the questionable acts depicted by these cases where such acts would have beneficial impacts on close or moderately close in-groups. Consistent with this observation, they also tend to perceive a greater amount of gain if this gain impacts more on close or moderately close in-groups.

These results suggest that ethics teaching, either as separate or integrated into other courses, is a delicate subject that is even more critical in a multicultural environment such as Australia where universities have growing numbers of culturally-distinct Asian students. Australian-based teachers of accounting students, in particular, should exercise extreme sensitivity when addressing issues of ethical conduct in the classroom to avoid offending those from different cultural backgrounds. More research into experiences of teaching business ethics to a group of culturally diverse students, as well as publications of suitable teaching materials that highlight and address these problems would be a significant step forward.

**KEY WORDS:** Australian and Indonesian students, individualism-collectivism, perceptions, unethical practices

## INTRODUCTION

An issue of increasing interest in recent years is professional and business ethics, probably as a consequence of reports of scandals such as insider trading, questionable contracting practices, tax fraud, and money laundering (see, for example, Trevino and Victor, 1992; Finn and Munter, 1991). Ethics research in accounting in the past has been normative in



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nature, concerned primarily with prescribing a code of professional ethics to govern members' ethical behaviour, so as to preserve the public trust of the profession. While promulgated rules of professional conduct have been useful, accountants might also encounter ethically uncertain grey areas where ethical judgments must be exercised. Moreover, Beets and Kilough (1990), in their study of risk associated with code violations, reported that CPAs could accurately identify 75 per cent of the fifteen case scenarios that contain potential code violations. The findings of an ethics survey among Australian accountants also revealed that a disturbing number lacked familiarity with the code of professional conduct (Financial Forum, 1995).

One major impact on ethical decision-making is the difference in national cultural norms. Cross-cultural differences in ethical sensitivity have emerged as an important variable in ethical behaviour research. Dubinsky et al. (1991) conducted a study to investigate whether ethical perceptions of sales personnel are consistent across countries. The authors reported that nationality influences salespeople's beliefs about the ethics of selling practices among the Americans, Japanese and South Koreans. Moreover, with globalisation of business, accountants will have an even greater ethical responsibility, this time to assure international financial statement users that business practices have been treated the same way across cultures. As Karnes et al. (1989) point out:

Although international and auditing standard setting bodies exist, their existence does not necessarily ensure that all business practices will be viewed similarly by members of the accounting profession from different national cultures. In particular, their own national culture may have a significant impact on the way members of the accounting profession perceived ethical decision (p. 30).

All of the above discussions point to the need for further research particularly in the context of Australian and Indonesian students. In Australia where education, especially business and accounting education, has become an export industry, mainly to Asian students, this study provides further insights into the different responses to ethical issues among culturally diverse students. In turn, the results should have important implications for the teaching of business ethics in a multicultural environment such as in many Australian universities and colleges. Moreover, Karnes et al. (1989) reported perceptual differences in a sample of Taiwanese and American accountants on the issue of unethical practices and proposed further research into this area. The Karnes study employed the individualism construct developed by Hofstede and suggested that future studies should independently establish this cultural dimension. The suggestions by Karnes et al. (1989) therefore also drive this research as

well as providing additional evidence from the Australian and Indonesian contexts.

As indicated above, the cultural dimension that is invoked in this study of ethical behavior is individualism-collectivism. Prior research in marketing has also employed individualism-collectivism (for example, Marshall et al., 1994). DuBois and Oliff (1992) used data from a global survey of international competitiveness to perform a factor analysis to explore the underlying dimensions of data. The authors found that the notion of individualism-collectivism was one of two salient elements of culture.

This study therefore examined the impact of individualism-collectivism differences between Australian and Indonesian students on their perceptions of ethical behaviour, in order to better understand the way they would make ethical judgments. If the individualism-collectivism differences have any impact, quite different response patterns to ethical situations should emerge, and this will have implications for teaching business ethics.

## BACKGROUND AND HYPOTHESIS

### *Cross-Cultural Research*

Cross-cultural research has established that there are marked differences in value systems among individuals of different countries (Hofstede, 1980, 1983; Hui and Triandis, 1986). Evidence in accounting research on the effect of culture can be found in a number of studies. These include the work values of professional accountants (Ferris et al., 1980; Amernic et al., 1983; Peirson et al., 1989), the moderating influence of culture on organisational-professional conflicts (Araya and Ferris, 1983), and the influence of culture and personality on superior-subordinate relationships (Harrison, 1993).

### *Cultural Dimension of Individualism-Collectivism*

The individualism-collectivism construct as a cultural dimension is associated with the pioneering work by Hofstede (1983). This construct can best be explained by quoting Hofstede (1983), as follows:

At one end of the scale we find societies in which the ties between individuals are very loose. Everybody is supposed to look after his or her own self-interest and maybe the interest of his or immediate family. At the other end of the scale we find societies in which the ties between individuals are very tight. People are born into collectivities or ingroups. Everybody is supposed to look after the interest of his or her own ingroup (p. 79).

Individualism measures the degree that society members relate to their respective in-groups who may be members of their immediate family, business associates or society at large, that is, it is a measure of “concern” for others, or the bond held for in-group members. The greater the concern for others, the more collectivistic a society member is. In the Hofstede study (1985) Indonesia fitted this description. Indonesia is rated towards the collectivism end of the individualism dimension with a country index of 14. Conversely, the greater the concern of a society member for himself or herself, or maybe for his or her immediate family, the more individualistic the society member is. Hofstede (1985) rated Australia as having a highly individualistic national culture, with a country index of 90. To explain why differences exist between Australia and Indonesia, individualistic societies like Australia centre around nuclear families and are characterised by independence of individuals from organisations or other collectivities, whereas in collectivist societies like Indonesia, the family structure is the extended family or clan, which emphasises interdependence.

However, as Bochner and Hesketh (1994) pointed out, the Hofstede study was focused on the characteristics of social systems rather than individuals, so individual subjects might exhibit a pattern of within-country variation around the central tendency that constitutes their individualism-collectivism country index. For this reason, giving individual respondents a score that is the mean value of all of the respondents in that person’s national group might give rise to a problem described by Hofstede as ecological fallacy. On the other hand, Bochner and Hesketh (1994) also acknowledged that:

when the behaviour of a group of workers originating from a particular country is averaged, their mean scores on particular questionnaire items will differ in a predictive manner from the mean scores of another group of workers. The weak link is in assuming that had the subjects from a particular country been tested individually on IDV (individualism), the variations in their scores would have averaged around the central tendency of their country index (p. 244).

As mentioned, the study by Karnes et al. (1989) on perceptual differences between Taiwanese and American accountants associated with committing unethical practices also measured cultural differences based on the Hofstede’s framework. However, the authors have suggested the need to extend future research to other cultures and to independently establish the cultural dimension. The present study therefore complements the Karnes study in two ways. First, Indonesian and Australian accounting students from quite contrasting cultures were selected and, second, individualism-collectivism cultural differences between the two country samples that might affect perceptions of unethical practices were

empirically determined using the Triandis scale to be described later in the methodology section. Based on the foregoing discussion, the cultural hypothesis in null form was formulated and tested.

- H<sub>0</sub>: There is no impact of individualism-collectivism differences between Indonesian and Australian accounting students on perceptions of unethical practices.

## METHODOLOGY

### *Sample*

This study used a two-country sample comprising full-time Final Year Accounting students who have just completed their undergraduate degree courses at The University of Wollongong in Australia ( $n = 36$ ) and at The Universitas Samratulangi in Indonesia ( $n = 29$ ), respectively. In the Australian sample respondents were Caucasians with a mean age of 22 years, while for the Indonesian sample the mean age was 24 years. Both cohorts were full-time students drawn from the surrounding region of their provincial universities. Upon graduation, a majority of these students would begin their careers in public accounting firms as professional accountants. Even though ethics was not taught as a separate subject, both student samples had been exposed to ethical issues, especially in their auditing and financial accounting courses. A *t*-test of responses was performed on their level of understanding of ethical issues in accounting, using a 7-point Likert-type scale of 1 to 7 with a higher score indicating increased understanding. The results showed no significant difference in ethical understanding at  $\alpha = 0.05$ , with mean scores of 4.64 and 4.52 for Australia and Indonesia, respectively, and  $t = 0.510$ ,  $df = 63$ . Moreover, prior research has also used students as subjects in cross-cultural studies (for example, Ma, 1989; Marshall, 1994).

The choice of Australia and Indonesia was partly a matter of convenience because the authors worked in these countries, and partly because Indonesia has been rated as more collectivistic and Australia more individualistic in the Hostede's (1985) analysis. This dichotomisation was subsequently confirmed by the authors' construction of the individualism versus collectivism index, using the Triandis instrument. By selecting these two countries with the index on individualism-collectivism that differed significantly, the impact of this cultural dimension on ethical behavior should be more clearly established.

### *Questionnaire*

A two-part questionnaire was designed, besides a demographic section. Part A of the questionnaire consisted of five accounting-related ethical vignettes that contained questionable actions and it was the subjects' responses to these that were evaluated. The use of vignettes has several advantages (see, for example, Alexander and Becker, 1978; Flory et al., 1992). First, a vignette consists of a short description of a scenario and is thus especially illuminating with respect to ethical implications; an appropriately constructed vignette provides a common frame of reference to what is believed to be the most important factor in the ethical judgment-making process. Second, the stimulus presented in a vignette approximates more closely to a real-life decision-making or judgment-making situation, and is therefore more appropriate for the study of human attitudes and behaviour than using a structured questionnaire or interview. Third, vignettes have been used in marketing ethics research (Bellizzi and Hite, 1989; Mason, Bearden and Richardson, 1990) and in ethics research in accounting (Loeb, 1971). In this study, each vignette depicted an unethical accounting-related practice and subjects were asked to rate a series of statements on a 7-point scale according to how much a particular statement would affect a person's motivation to commit an unethical practice. Illustrations of these vignettes are provided in Appendix 1.

The scenarios in the questionnaire instrument were adapted from previous studies. These were also reviewed by a panel of experts comprising two lecturers in auditing and by two professional accountants. They were asked to rate each scenario on a scale of "1" indicating highly ethical to "7" highly unethical. The overall mean rating was 6.5, which provided assurance that the scenarios depicted unethical practices as intended.

The in-groups who would benefit from or be harmed by the questionable practice for each scenario were tested using a selected sample of students from the original sample, following the methodology of Hui and Triandis (1986) and modified to reflect accounting-related relationships as suggested by Karnes et al. (1989). In fact Case E was adapted from the Karnes study. The in-group rankings were very much the same as reported in the previous studies.

### *Procedures*

For each case scenario, subjects were asked to rate on a 7-point, bi-polar scale a set of descriptive statements. These are designed to measure how much each statement would affect a subject's perceptions of a person's motivation to commit an unethical practice, that is, positively in the case of benefits and negatively in the case of risks. The descriptive statements

thus measure perceptions of the harm or benefit in terms of impact on close or moderately close in-groups, and the motivation to commit an unethical practice. For example, one such statement is the ease of detecting the unethical practice. Suppose there is a high risk of detection which will have a direct harmful impact on a close or moderately close in-group; this will diminish a person's motivation to commit the unethical practice. This is interpreted as very much negative motivation, which is indicated by the subject circling a number closer to "7". On the other hand, a person's motivation to commit an unethical practice is increased if he perceives a low risk of detection and a direct beneficial impact on a close or moderately close in-group. This is interpreted to mean little negative motivation and is indicated by the subject circling a number closer to "1". Since this greater concern for close or moderately close in-group is associated with a collectivistic culture, subjects from such a culture may perceive a person's motivation to commit unethical practices differently to those from a more individualistic culture.

Responses to the various statements were summarised into eight variables originally factor analysed by Karnes et al. (1989). Table I presents the results of the eight variables and also the questionnaire items that are grouped under each variable.

Part B of the questionnaire was based on an instrument developed by Triandis to measure the individualism-collectivism construct. This instrument is a 38-item scale, classified under four categories: self-report, attitude, relationship with parents, and values. The Triandis instrument has been chosen partly because of the advantage of parsimony, and partly it has been successfully validated in previous studies using different countries as research sites (Triandis, et al., 1984). Following Triandis, the individualism scores were reverse-coded so that the instrument now has scales 1 to 9 with individualism represented at the low end and collectivism at the high end. Reliability tests for individualism-collectivism for all the 38-item scale showed Cronbach alphas of 0.58 and 0.60 for Australia and Indonesia, respectively.

One problem with conducting cross-country studies is the need to translate a questionnaire from one language into another and to ensure that each version of the questionnaire is equivalent across the countries. In translating the questionnaire in this study into the Indonesian language, the method of double translation was employed (Brislin, 1980). This means that, to achieve questionnaire equivalence, the questionnaire items were first translated from English into Indonesian by the second author, then translated back into English by a colleague of the second author, both



TABLE I

Variables	Questionnaire items (descriptors)
Legal risk	The potential exposure to financial repercussions The ease of detecting the unethical practice The possibility of criminal prosecution
Loss-of-face risk	A personal disgrace Embarrassment to Mr X's family The disdain of Mr X held by Mr X's family
Reputational risk	The trustworthiness of Mr X as an employee or businessman
Professional risk	Mr X's worthiness of public trust The seriousness with which the public accounting professional would view the unethical practice
Psychic gain	The benefit to Mr X's business The benefit to the general public
Financial gain	The financial benefit to Mr X
Attitude measures	Your disdain of Mr X The inherent "badness" of the unethical practice
Overall motivation	The temptation for businessmen or employees to commit similar practices

*Source:* Based on Karnes et al. (1989).

of whom are bilingual and are familiar with the two cultures, having previously studied in Australia.

## RESULTS AND DISCUSSION

### *Individualism versus Collectivism Construct*

The scores from each subject on the 38-items were summed, and then averaged across each of the Australian and Indonesian samples. Table II presented the descriptive statistics on the individualism-collectivism construct for the separate Australian and Indonesian samples.

A *t*-test was performed to test whether the scores by Indonesian students with a mean of 216.0 were significantly different from those by Australian students with a mean of 182.2 on the individualism-collectivism



TABLE II  
Descriptive statistics on individualism-collectivism

	Australian sample ( <i>n</i> = 36)	Indonesian sample ( <i>n</i> = 29)
Mean	182.2	216.0
S.D.	19.7	17.4
Median	173.0	214.5
Theoretical range	38–322	38–322
Actual range	151–237	185–246

dimension. The results showed that Indonesian students were collectivistic in their orientation, whereas Australian students were individualistically-centred ( $t = -2.289$ ,  $df = 63$ ,  $p < 0.05$ ). These results are consistent with the Hofstede's categorisation based on country index. The Triandis instrument was employed to add further empirical support and, as the statistical test indicated, the instrument has validly distinguished the individualism-collectivism differences between the Indonesian and Australian students. The two country samples accordingly could be used to examine whether this cultural difference has an impact on perceptions of unethical practices.

#### *Cultural Impact on Perceptions of Ethical Practice*

Table III presented the mean scores of the variables listed in Table I for each of the vignette situations. The mean scores represented the average of the sum of individual descriptor ratings making up each variable. For example, as shown in Table I, the legal risk variable has three descriptors and the amount of perceived legal risk was determined by taking the mean rating of the scores on these descriptors. In the case of a variable with a single descriptor, as with the financial gain variable, the mean rating of that descriptor would indicate the perception score. Since the professional risk variable applied only to three vignette situations, specifically Cases A, C and D, Table III yielded a total of 38 mean rating scores for each country sample.

Table IV summarised the results of *t*-tests of the impact of individualism-collectivism differences on the perceptions of Australian and Indonesian students when evaluating the questionable actions portrayed in each of the vignette situations. A positive *t*-statistic would indicate that Indonesian students perceived a greater amount of risk or benefit or held a more negative attitude than Australian students in their

TABLE III  
Means of standard deviations of ratings between Australian and Indonesian samples

Variables	Case A		Case B		Case C		Case D		Case E	
	Aust.	Indo.	Aust.	Indo.	Aust.	Indo.	Aust.	Indo.	Aust.	Indo.
Legal risk	15.16 (4.10)	11.69 (4.28)	15.03 (3.58)	14.36 (4.60)	15.50 (3.73)	12.97 (4.90)	13.91 (4.46)	12.90 (4.72)	13.39 (4.70)	13.50 (4.38)
Loss-of-face risk	10.64 (4.96)	10.28 (5.30)	10.19 (4.18)	13.25 (4.33)	10.75 (4.75)	12.10 (4.30)	9.64 (4.49)	11.28 (4.47)	9.56 (4.14)	12.55 (4.56)
Reputation risk	4.56 (1.73)	3.55 (1.98)	4.17 (1.56)	2.83 (2.12)	4.06 (1.80)	2.93 (2.05)	3.89 (1.56)	3.28 (1.96)	3.81 (1.85)	2.39 (1.97)
Professional risk	8.75 (2.78)	8.18 (3.31)			8.14 (2.63)	7.59 (2.80)	8.21 (2.45)	8.06 (2.45)		
Psychic gain	6.92 (2.18)	8.21 (3.03)	7.78 (1.82)	8.98 (2.95)	5.69 (2.60)	7.14 (3.44)	8.22 (1.88)	7.41 (2.93)	5.14 (2.93)	5.86 (2.71)
Financial gain	4.31 (1.94)	5.55 (1.70)	4.72 (1.94)	5.34 (1.59)	5.56 (1.65)	6.45 (1.15)	5.03 (1.73)	5.69 (1.31)	4.78 (1.79)	5.79 (1.66)
Attitude measures	8.39 (2.79)	9.72 (2.53)	10.69 (2.55)	7.36 (3.11)	9.52 (3.68)	7.58 (3.17)	7.56 (2.89)	9.00 (3.24)	9.93 (3.09)	6.94 (2.84)
Overall motivation	3.75 (1.96)	4.76 (1.68)	4.06 (2.15)	5.46 (1.75)	4.42 (1.86)	5.41 (1.09)	4.28 (1.81)	5.00 (1.46)	4.51 (1.74)	5.24 (1.30)

Case A = Conflict of Interest.  
Case B = Tax Evasion.  
Case C = Insider Trading.  
Case D = Professional Confidentiality.  
Case E = Kickback.

TABLE IV

Results of *t*-tests of differences in mean ratings between Australian and Indonesian samples

Variables	Case A	Case B	Case C	Case D	Case E
Legal risk	-3.33 <i>p</i> < 0.001	-0.66 n.s.	-2.37 <i>p</i> < 0.05	-0.89 n.s.	0.10 n.s.
Loss-of-face risk	-0.28 n.s.	2.86 <i>p</i> < 0.01*	1.19 n.s.	1.46 n.s.	2.77 <i>p</i> < 0.01
Reputation risk	-2.18 <i>p</i> < 0.05	-2.93 <i>p</i> < 0.01	-2.34 <i>p</i> < 0.05	1.40 n.s.	-2.95 <i>p</i> < 0.01*
Professional risk	-0.75 n.s.				
Psychic gain	1.99 <i>p</i> < 0.05	1.99 <i>p</i> < 0.05	1.93 <i>p</i> < 0.05	1.35 n.s.	1.02 n.s.
Financial gain	2.72 <i>p</i> < 0.01	1.39 n.s.	2.47 <i>p</i> < 0.01	1.70 <i>p</i> < 0.10	2.35 <i>p</i> < 0.05
Attitude measures	2.00 <i>p</i> < 0.05	-4.64 <i>p</i> < 0.00	-2.28 <i>p</i> < 0.05	1.90 <i>p</i> < 0.05	-4.05 <i>p</i> < 0.00
Overall motivation	2.19 <i>p</i> < 0.01	2.81 <i>p</i> < 0.01*	2.56 <i>p</i> < 0.10	1.74 <i>p</i> < 0.10	1.86 <i>p</i> < 0.10*

Case A = Conflict of Interest.

Case B = Tax Evasion.

Case C = Insider Trading.

Case D = Professional Confidentiality.

Case E = Kickback.

evaluations of the case examples of questionable practices. Conversely, a negative *t*-statistic would indicate that Indonesian students perceived a lesser amount of risk or benefit or held a less negative attitude than did the Australian students about committing the unethical practices presented in the case scenarios.

Statistical significance in ethical perceptions between the Indonesian and Australian samples was found across the five vignette situations on each of the variables, except the professional risk variable, thus rejecting the null hypothesis of no impact. As shown in Table IV, of a total of 38 *t*-tests of mean ratings, 25 of these were statistically significant at *p* <

0.05 or lower, including 4 which were marginally significant ( $p < 0.10$ ). The perception of legal risk differed significantly for Case A ( $t = -3.33$ ,  $p < 0.001$ ) and Case C ( $t = -2.37$ ,  $p < 0.05$ ). In both these case scenarios, Indonesian students perceived a lesser degree of legal risk compared to Australian students associated with committing the questionable actions depicted. The perception of loss-of-face risk also differed significantly in two scenarios: Case B ( $t = 2.86$ ,  $p < 0.01$ ) and Case E ( $t = 2.77$ ,  $p < 0.01$ ). The positive  $t$ -values indicated that Indonesian students felt stronger loss-of-face risk vis-à-vis their Australian counterparts. There were four scenarios with perceptual differences in reputational risk: Case A ( $t = -2.18$ ,  $p < 0.05$ ), Case B ( $t = -2.93$ ,  $p < 0.01$ ), Case C ( $t = -2.34$ ,  $p < 0.05$ ) and Case E ( $t = -2.95$ ,  $p < 0.01$ ). The results showed that for all case scenarios (with negative  $t$ -statistics) Indonesian students perceived lesser reputational risk associated with committing the questionable acts portrayed in these cases. No significant difference was found for the professional risk variable.

Perceptions of psychic gain and financial gain were significantly different in three of the case scenarios for the former and four of the case scenarios for the latter, but all were in the direction depicting Indonesian students as having perceived a greater amount of benefit (indicated by positive  $t$ -statistics). In terms of the attitude variable, significant differences in perceptions were noted for all the cases. However, the direction of differences in attitude held by the two country samples had three cases (B, C and E, with negative  $t$ -statistics) where Indonesian students held a less negative attitude than Australian students concerning the questionable acts portrayed in these cases. In the other two cases (A and D, with  $t$ -values positive) Indonesian students demonstrated a more negative attitude than their Australian counterparts. Similarly, perceptual differences were significant for the overall motivation variable for all the cases. The results showed that Indonesian students perceived the persons involved in the questionable acts depicted in these cases were more tempted to participate in such acts.

These findings have important implications for teaching business ethics. Given that Australian and Indonesian students weigh risks associated with various unethical practices differently, evaluating judgments about ethical conduct can be a difficult task. Since perceptions regarding the ethics of specific practices are rooted in cultural values that can be in conflict, leading to adoption of different ethical behaviours, teachers of business ethics should be particularly sensitive to the cultural differences of students. Among Indonesian accounting students at the provincial university in Indonesia, teaching business ethics however might seem less

of a problem since all the students are Indonesians, mostly from the same ethnic group. On the other hand, Australian universities, including provincial universities and even colleges, have a large mix of students of diverse cultural backgrounds, especially from Asia because of its close proximity to Australia. Moreover, many of the international students studying in Australia traditionally opt for the business and accounting specialisation. With the diverse student mix, this study's results suggest that Australian-based teachers of accounting students should adopt a culturally sensitive approach, for example, recognising that the different responses from Indonesian students are associated with their placing a higher value on collectivism. This requires that teachers, whether teaching business ethics as separate or integrated into other courses, should be sensitised to the cultural diversity of their students, and address ethical issues in a manner that do not offend the sensibilities of these students. To assist in this direction, more research should be carried out and empirical evidence collected and disseminated about experiences of classroom teaching of business ethics within a multicultural setting, not only in Australia, but also in other countries where students come from culturally diverse backgrounds.

#### LIMITATIONS OF STUDY

This study suffers from several specific limitations. The small sample size makes generalizability somewhat difficult and the results are based on student responses from provincial universities. Any further research should expand the size of the samples, preferably using different country settings. The limited number of vignettes also might not capture all the situations where questionable ethical practices would be encountered. Moreover, while these vignettes were based on prior literature, Jones and Ponemon (1992), in their comments on the Flory et al. study (1992) which also used cases, were critical that the "IMA/Ethics Resource Center cases are well known and represent situations of clearly defined ethical conflict" (p. 413). Perhaps the reply by Flory et al. (1992), which is also germane to this study, might mitigate this limitation somewhat. Flory et al. argued that investigating the reactions of accountants to clearly defined ethical conflict was exactly what was intended. They added that accountants made ethical decisions in order to avoid violating their professional responsibilities and that accountants should not be assumed to be completely subservient to their codes of ethics.

## SUMMARY AND CONCLUSION

This study examined the impact of the individualism-collectivism dimension of culture on ethical perceptions in a sample of Australian and Indonesian Final Year accounting students. After having established that Australian students tended to be more individualistically- and Indonesian students more collectivistically-oriented, the study proceeded to test the hypothesis of no difference in perceptions between these two country samples in their evaluations of questionable actions portrayed in five vignette situations. The findings rejected the no difference cultural hypothesis, indicating that there were perceptual differences between the collectivistic Indonesian students and the individualistic Australian students. In general Indonesian students tended to perceive a lesser degree of risk for the questionable acts depicted by these cases where such acts would have beneficial impacts on close or moderately close in-groups. Consistent with this observation, they also tended to perceive a greater amount of gain if this gain impacts more on close or moderately close in-groups. These results suggest that ethics teaching, either as separate or integrated into other courses, is a delicate subject that is even more critical in a multicultural environment such as Australia where universities have growing numbers of culturally-distinct Asian students. Australian-based teachers of accounting students, in particular, should exercise extreme sensitivity when addressing issues of ethical conduct in the classroom to avoid offending those from different cultural backgrounds. More research into experiences of teaching business ethics to a group of culturally diverse students, as well as publications of suitable teaching materials that highlight and address these problems would be a significant step forward.

## APPENDIX 1

### *Vignettes in the Questionnaire*

The nature of each unethical practice was indicated but this would be omitted in the actual questionnaire.

#### Case A: Conflict of interest

Mr A, a partner of a public accounting firm, has just been asked by a successful hotel chain for his firm to act as its external auditor. Mr A is aware that his co-partner's spouse has substantial shareholdings in this hotel company and that there is no intention to divest of these shareholdings either in the short or medium term. After consulting with his co-partner, Mr A agreed to accept the audit engagement.

**Case B: Tax evasion**

Mr B is the executive officer of a new multinational company in a South American country. Mr B was advised by the company's South American attorneys to file a tax return that misstated income and expense and, consequently, grossly underestimated actual taxes payable. Mr B was told that most other South American companies regarded the practice as standard operating procedure and merely the first move in a complex negotiating process with the Taxation Department there. When Mr B found that a "true and fair" return would have resulted in a tax bill many times higher than what comparable South American companies were paying, he too decided to adopt the "South American style".

**Case C: Insider trading**

Mr C is the audit manager for Dynamic Securities, a stockbroking firm. During the annual audit Mr C learnt that Global Holdings, a client of Dynamic Securities, was going to acquire Fancy Foods, a fast food chain. Mr C purchased Fancy Food's shares in his spouse's name before the acquisition was made public and made a substantial gain on the shares.

**Case D: Professional confidentiality**

Mr D is a partner of Dee & Associates, a large accounting firm. A month ago the firm had acted as a consultant in a valuation exercise for Glenwood Ltd., a plantation company. Transcontinental, a diversified company, is planning to acquire Glenwood. One of the directors of Transcontinental who is a friend of Mr D has approached him and offered Dee & Associates a large fee to act as consultant in the acquisition bid. Mr D decided to accept the assignment in the face of a highly competitive audit market.

**Case E: Kickback**

Mr E is a purchasing officer for a large manufacturing company. For the past four years a sales representative of the Orange Paper Co has made his lakeside cottage available for Mr E free of charge. Mr E continues to purchase Orange Paper's products, although some competitors offer slightly lower prices for products of similar quality.

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