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William E. Shafer, Richard S. Simmons

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William E. Shafer
Lingnan University, Tuen Mun, Hong Kong, People's Republic of China, and
Richard S. Simmons
Lingnan University, Tuen Mun, Hong Kong, People's Republic of China and Taxation Law and Policy Research Institute, Monash University, Melbourne, Australia

Abstract

Purpose – The purpose of this paper is to investigate the effects of attitudes toward the perceived importance of corporate ethics and social responsibility, and Machiavellianism, a general measure of the propensity for manipulative and deceitful behaviour, on tax professionals' willingness to participate in aggressive tax avoidance schemes of corporate clients.

Design/methodology/approach – The paper is based on a survey of tax professionals in Hong Kong.

Findings – The paper finds that Machiavellianism affects tax advisors' expressed viewpoints toward the importance of corporate ethics and social responsibility, which affect professional judgements toward aggressive tax minimisation. As anticipated, high Machiavellians are more likely to endorse the traditional "stockholder view" of corporate responsibility (which holds that corporations have little responsibility beyond maximising their profits), and less likely to support the "stakeholder view" (which recognises corporate responsibilities to a broader range of potential stakeholders). The stockholder view (but not the stakeholder view) of corporate responsibility mediates the relationship between Machiavellianism and ethical/social responsibility judgements. Machiavellianism also had significant direct effects on ethical and social responsibility judgements.

Originality/value – The paper provides insights into the decision processes used to justify aggressive tax minimisation strategies. The findings indicate that commonly articulated views toward corporate ethics and social responsibility may be used to support unethical strategies. In particular, the finding that the stockholder view mediates the relationship between Machiavellianism and ethical/social responsibility judgements suggests that the stockholder view may be adopted to rationalise overly aggressive tax avoidance.

Keywords Political theory, Corporate social responsibility, Business ethics, Tax planning, Hong Kong

Paper type Research paper

Introduction

There seems to be growing concern regarding the ethical behaviour of professional tax advisors. Large public accounting firms have recently been investigated for facilitating

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client tax evasion through the marketing of aggressive or questionable tax shelters (Scannell, 2005; Herman, 2004; Johnston, 2004), and companies are often accused of incorporating in foreign "tax havens" for the express purpose of avoiding or evading their tax obligations (Godar *et al.*, 2005)[1].

The facilitation of such strategies by tax advisors raises important issues relating to ethics and professionalism. It suggests that some tax advisors have largely abandoned concerns for the public interest or social welfare in favour of commercialism and client advocacy. This observation is probably not surprising in light of many previous studies of the public accounting profession that have reached similar conclusions. It has long been argued that the public accounting profession has become overly commercialised (Citron, 2003; Hanlon, 1994), and a significant body of research suggests that the actions of professional accountancy institutes are often driven by a desire to defend the interests of their members, clients, or professional elites, rather than any genuine concern for the public interest (Shafer and Gendron, 2005; Canning and O'Dwyer, 2003; Sikka and Willmott, 1995; Lee, 1995; Parker, 1994; Humphrey *et al.*, 1993; Walker, 1991; Briloff, 1990; Sikka *et al.*, 1989; Hines, 1989; Richardson, 1988). Indeed, it is often observed that the meaning of the term "public interest" is not well articulated by the accounting profession and is subject to significant debate (Neu and Graham, 2005; Baker, 2005; Sikka *et al.*, 1989; Willmott, 1989). Public accountants and accounting firms have also been openly criticised by prominent accounting regulators for promoting the interests of their clients over the public welfare (Levitt and Dwyer, 2002; Schuetze, 1994). Perhaps, then it should come as no surprise if professional tax advisors, who have a responsibility to serve as advocates for their clients, have little regard for vague and ill-defined notions of a "public interest".

The facilitation of overly aggressive tax avoidance, however, implies more than simply a disregard for the public interest or public good. It also suggests that professional tax advisors do not believe strongly in the value of ethical or socially responsible corporate behaviour. This is an issue that has concerned business ethics researchers in recent years (Singhapakdi *et al.*, 1995), but has not been explicitly discussed in the accounting literature. There are several important aspects of belief in the importance of corporate ethics and social responsibility. In addition to the belief that in principle corporations have ethical and social obligations to a wide range of stakeholders, this concept includes the pragmatic belief that ethics and social responsibility are compatible with and essential to long-term corporate success. Even if professional tax advisors lack any personal commitment to professionalism or serving the public interest, belief in the importance of corporate ethics and social responsibility could serve as a constraint on their behaviour. For instance, if tax advisors' believe their clients' long-term economic interests are best served by earning a reputation for ethical and socially responsible behaviour, they should be less likely to condone or participate in overly aggressive tax avoidance schemes which run the risk of damaging that reputation. On the other hand, the lack of any genuine belief in the importance of ethical/socially responsible corporate behaviour could easily lead to the rationalisation of tax avoidance or evasion, particularly in the face of client pressure for tax minimisation.

The objective of the current study was to investigate the effects of attitudes toward corporate ethics and social responsibility on professional tax advisors' willingness to participate in aggressive avoidance schemes. Our intuition was that certain traditional arguments, such as the viewpoint that corporations have no ethical/social obligations other than the maximisation of profits within legal constraints, would be adopted to rationalise aggressive tax avoidance. We also expected that the likelihood of such rationalisation would be influenced by tax professionals' tendency toward manipulative or deceitful behaviour. As a measure of the general propensity for manipulative or deceitful behaviour, we examine the influence of Machiavellianism on attitudes toward corporate ethics and social responsibility and on ethical/social responsibility judgements in a taxation context.

The effects of tax advisors' beliefs regarding the importance of corporate ethics and social responsibility on their willingness to participate in aggressive avoidance schemes has not previously been addressed in the accounting literature[2]. The effects of Machiavellianism on professional tax advisors' willingness to advocate aggressive tax avoidance has also not been addressed in the accounting literature, although Ghosh and Crain (1995) found that taxpayers with stronger Machiavellian orientations were more likely to engage in intentional noncompliance. We investigate these issues in the current paper using a sample of tax professionals from Hong Kong[3].

The following section presents a review of relevant literature and the development of our research hypotheses regarding the effects of the perceived importance of corporate ethics and social responsibility and Machiavellianism on tax professionals' decision-making processes. This is followed by discussions of the research method and findings. The paper concludes with a discussion of the results and suggestions for further research.

Literature review and hypothesis development

Perceived importance of corporate ethics and social responsibility

It is often recognised that aggressive tax avoidance, or the failure to pay one's "fair share" of taxes, violates principles of social/civic responsibility (Cialdini, 1989; McGraw and Scholz, 1991; Scholz and Pinney, 1995). Indeed, researchers have explicitly raised the question of how a sense of civic duty or social responsibility to pay one's taxes can be nurtured in the community in order to promote compliance (Sakurai and Braithwaite, 2003). A limited amount of empirical evidence also suggests that social responsibility considerations influence the likelihood of aggressive avoidance among taxpayers. For instance, in one of the earliest studies of tax compliance behaviour, Schwartz and Orleans (1967) found that participants who were sensitised to the social responsibility aspect of tax compliance by reading a series of statements were more likely to report truthfully in an experimental setting.

Recent revelations of tax professionals facilitating corporate tax avoidance schemes raise doubts as to whether these professionals feel that corporate ethics and social responsibility are important. Surprisingly, however, empirical studies have not addressed the effect of tax professionals' attitudes toward corporate ethics and social responsibility on their ethical decisions. Most recent empirical studies relating to ethics in taxation have focused on taxpayers rather than professional tax advisors, and accordingly have not addressed issues relating to corporate social responsibility (Henderson and Kaplan, 2005; Wenzel, 2005; Bobek and Hatfield, 2003).

Research in the business ethics literature suggests that attitudes toward the perceived importance of corporate ethics and social responsibility will have an important influence on ethical decision-making processes. Singhapakdi *et al.* (1996, p. 1132) argue that such attitudes are "... likely to be a key determinant of whether or not an ethical problem is even perceived in a given situation . . . " by corporate managers. Attitudes toward corporate ethics and social responsibility should affect both deontological (judgements of whether actions are "moral" or "ethical" in principle) and teleological (pragmatic judgements based on the consequences of actions) evaluations of ethical issues. Regarding the impact on teleological judgments, Singhapakdi *et al.* (2001, p. 134) acknowledge:

> This is a pragmatic view based on an argument that managers must first perceive ethics and social responsibility to be vital to organisational effectiveness before their behaviours will become more ethical and reflect greater social responsibility [. . .]

They also observe that this view is consistent with models of ethical decision making in business[4].

Singhapakdi *et al.* (1995, 1996) developed an instrument to measure the perceived role of ethics and social responsibility (PRESOR) in organisational effectiveness. This scale has been used in several previous studies, although most of these studies have focused on either documenting cross-national differences in PRESOR results or investigating the determinants of PRESOR responses. For example, Singhapakdi *et al.* (2001), Ahmed *et al.* (2003) and Axinn *et al.* (2004) all document cross-cultural differences in PRESOR responses. In addition to culture, several variables have been found to influence PRESOR responses, including ethical ideology (idealism vs relativism), organisational ethical climate, age, and gender (Singhapakdi *et al.*, 2001; Axinn *et al.*, 2004). Despite the arguments offered by Singhapakdi *et al.* (2001) for the influence of the perceived importance of ethics and social responsibility on ethical decision-making processes, previous studies have generally focused on the antecedents rather than the consequences of PRESOR responses.

The current paper suggests that attitudes toward corporate ethics and social responsibility will have a significant impact on the ethical decision-making processes of tax professionals. The items included in the PRESOR scale (Appendix 1) may be grouped into two broad categories: the "stockholder view" and the "stakeholder view" (Axinn *et al.*, 2004)[5]. As the name suggests, the items included under the "stockholder view" heading reflect a rather limited and narrow view of corporate obligations that emphasises the importance of profitability and duties only to stockholders, i.e. a view that appears consistent with Friedman's (1962) well-known argument that the only responsibility of business is to make a profit, within legal boundaries. This attitude, if held by tax professionals, could easily be used to rationalise the facilitation of aggressive tax avoidance strategies, and due to a "slippery slope" effect may also lead to the promotion of strategies that cross the line into tax evasion. Professionals who believe that a corporation's ethical or social obligations extend only to shareholders, or that principles of ethics and social responsibility must be sacrificed for the sake of corporate profitability, should be more likely to engage in a rationalisation process that leads them to judge tax avoidance schemes as acceptable ("ethical" or "socially responsible"). Lenient ethical judgements should in turn increase the likelihood of participation in questionable avoidance schemes[6], [7].

In contrast to the stockholder view, individuals who adopt a broader stakeholder view feel that businesses have a social responsibility beyond making a profit that ethical and socially responsible business behaviour is critical to long-term business success and survival, and that social responsibility is compatible with profitability.

Such individuals are likely to feel that aggressive tax avoidance not only violates a corporation's social and ethical obligations, but also may pose a threat to the long-term success and survival of the organisation. Thus, on the basis of moral principles (deontological evaluations) and pragmatic considerations (teleological evaluations), tax professionals who endorse the stakeholder view should judge aggressive avoidance schemes more harshly (i.e. as less "ethical" or "socially responsible"), and consequently should be less likely to participate in such schemes.

As indicated in Appendix 1, all items included in the stockholder view category are reverse scored, while none of the stakeholder view items are reverse scored. Thus, high scores on the PRESOR scale (belief in the importance of ethics and social responsibility) are associated with the rejection of the stockholder view and endorsement of the stakeholder view. In line with the above arguments, tax advisors who reject the narrow conception of corporate responsibilities embodied in the stockholder view and acknowledge the broader scope of obligations reflected in the stakeholder view should judge aggressive tax avoidance more negatively and estimate a lower likelihood of participating in such schemes. Consequently, we propose the following research hypotheses:

H1. Tax professionals who believe more strongly in the importance of corporate ethics and social responsibility will judge aggressive tax avoidance schemes more negatively (less ethical and socially responsible).

H2. Tax professionals who judge aggressive tax avoidance schemes more negatively (less ethical and socially responsible) will estimate a lower likelihood of participation in such schemes.

Machiavellianism

We felt that a person's general tendency to adopt manipulative or deceitful tactics would play an important role in the rationalisation of aggressive tax avoidance schemes. Thus, we also sought to investigate the influence of Machiavellianism on tax advisors' decision processes. The Machiavellianism construct, as originally conceived, was intended to capture a manipulative, cold and calculating personality (Christie, 1970a). The Machiavellianism scale was initially developed by assembling a list of items believed to be theoretically congruent with arguments taken from Niccolo Machiavelli's *The Prince and The Discourses*. Based on their analyses of these works, Christie (1970b) and Christie and Lehmann (1970) identified three themes underlying Machiavellianism:

(1) advocacy of manipulative tactics such as the use of guile or deceit;
(2) an unflattering view of humans as being weak, cowardly, and easily manipulated; and
(3) a lack of concern with conventional morality.

Although, the focus of most early Machiavellianism research was on the use of deceit or manipulative tactics in interpersonal relations (Christie and Geis, 1970), the construct appears to be relevant to many ethical decision-making contexts. It seems quite likely that someone who is prone to the use of manipulative or deceitful tactics and who lacks a concern for conventional morality will engage in unethical behaviour across a variety of settings. Individuals who score high on Machiavellianism tend to be less distracted by moral concerns such as fairness and justice, and better able to single-mindedly pursue "winning" (Geis *et al.*, 1970). Such personality traits seem likely to motivate the pursuit of deceitful or manipulative tactics in a business context. Indeed, it seems likely that people will be more prone to unethical behaviour in business *vis-à-vis* personal settings. That is, high Machiavellians should arguably be even more likely to adopt ethically questionable tactics in the pursuit of "winning" in business.

Empirical research suggests that Machiavellianism does have a significant impact on ethical decision making across a wide variety of business contexts. In laboratory experiments involving a business simulation game, Hegarty and Sims (1978, 1979) found that high (low) Machiavellian business students playing the role of sales managers were significantly more (less) likely to pay kickbacks to purchasing agents to increase sales.

Singhapakdi and Vitell (1991) found that high-Machiavellian marketers tend to possess lower deontological ethical norms. In an experimental study using undergraduate business majors as surrogates for taxpayers, Ghosh and Crain (1995) found that Machiavellianism and attitudes toward risk each had a highly significant effect on intentional tax noncompliance. As anticipated, high Machiavellians were more likely to report dishonestly. In a survey of professional salespeople, Ross and Robertson (2000) found that Machiavellianism increased the tendency to lie, and that high Machiavellians were more likely to exploit the lack of clear ethical guidelines to mislead others. Wirtz and Kum (2004) found that high Machiavellians were more likely to cheat on service guarantees, based on their survey of office workers and members of the general public in Singapore. In a recent study, of working adults in the USA, Winter *et al.* (2004) conclude that individuals who score high on Machiavellianism believe it is more acceptable to violate the intellectual property and privacy rights of others.

It seems that virtually by definition high Machiavellians, who lack concern for conventional morality and are prone to unethical and manipulative tactics, will be less likely to perceive ethics and social responsibility as important in business contexts. The previous research on the effects of Machiavellianism on ethical decision-making processes in business certainly supports this argument, indicating that high Machiavellians tend to have lower ethical standards and are prone to unethical behaviour across a variety of business settings. Further support for the potential impact of Machiavellianism in this context is derived from studies finding that individuals' personal ethical beliefs or ideologies influence their perceptions of the importance of ethics and social responsibility in business (Vitell and Paolillo, 2004; Vitell *et al.*, 2003; Singhapakdi *et al.*, 2001; Singhapakdi and Vitell, 1991). Consistent with the above arguments, Ang and Leong (2000) found a negative relationship between Machiavellianism and responses to the PRESOR scale among undergraduate business students in Hong Kong and Singapore. We sought to replicate and extend this finding by examining the relationship between Machiavellianism and PRESOR responses among a sample of professional tax advisors, as indicated in the following hypothesis:

H3. Tax professionals with stronger Machiavellian orientations will believe less strongly in the importance of corporate ethics and social responsibility.

Machiavellianism should also have a significant impact on judgements of the acceptability of aggressive tax avoidance schemes. Such schemes may be viewed as manipulative tactics designed to promote profitability, survival, or "winning" in competitive business contexts. High Machiavellians, with their propensity for calculative strategic tactics and their relatively low standards of morality or ethics, should judge such schemes more leniently than low Machiavellians. As previously indicated, Ghosh and Crain (1995) concluded that high-Machiavellian taxpayers were significantly more likely to engage in intentional noncompliance. However, the effect of Machiavellianism on the ethical judgements of professional tax advisors has not previously been investigated. Accordingly, we propose the following hypothesis:

H4. Tax professionals with stronger Machiavellian orientations will judge aggressive tax avoidance schemes more leniently.

Mediation effects

In addition to the hypothesised direct effects above, we anticipated that Machiavellianism would indirectly affect judgements through its impact on the perceived importance of ethics and social responsibility. Because high Machiavellians are prone to manipulative and cold-and-calculating behaviour, we suggest that higher levels of Machiavellianism will lead to the strategic adoption of arguments relating to corporate ethics and social responsibility to rationalise or justify aggressive tax avoidance. For example, when faced with client or employer pressure to facilitate tax avoidance, high Machiavellians might adopt the commonly articulated stockholder view, which holds that corporations have few obligations other than profit maximisation, to justify advocacy of irresponsible behaviour[8]. This reasoning suggests that attitudes toward corporate ethics and social responsibility will mediate the relationship between Machiavellianism and ethical/social responsibility judgements, as shown in Figure 1.

In their widely-cited article, Baron and Kenny (1986) discuss the role of mediator variables, suggesting that such variables may be viewed as a mechanism through which an independent variable (Machiavellianism) affects a dependent variable (ethical/social responsibility judgements). In essence, mediator variables account for the relationship between an independent and dependent variable. The concept of mediation may be applied to a wide variety of settings, including the effects of basic personality traits on cognitive processes and/or behaviour (Baron and Kenny, 1986). The model shown in Figure 1 is consistent with the view of Machiavellianism as a basic personality trait that may influence a wide variety of attitudes, judgements and behaviour (Christie and Geis, 1970). Thus, we propose the following hypothesis:

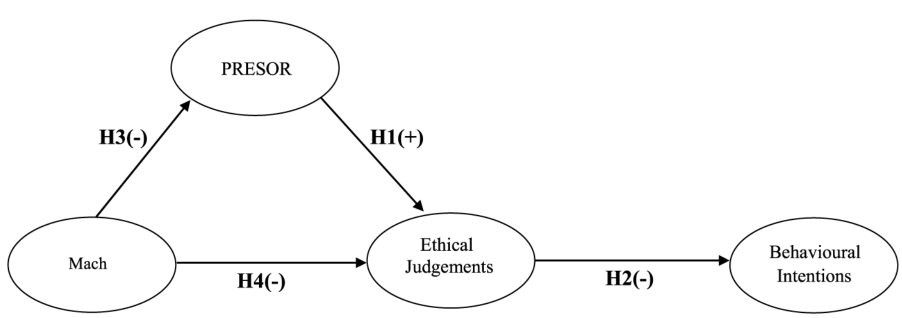

Figure 1.
Conceptual model

H5. Attitudes toward the importance of corporate ethics and social responsibility will mediate the relationship between Machiavellianism and ethical/social responsibility judgements.

To conclude that one variable (PRESOR) mediates the relationship between an independent variable (Machiavellianism) and a dependent variable (ethical/social responsibility judgements), it is necessary to show that:

- Machiavellianism significantly affects judgements;
- Machiavellianism significantly affects PRESOR attitudes; and
- when judgements are regressed on both Machiavellianism and PRESOR attitudes, PRESOR responses must be significant and Machiavellianism must not be significant.

A finding of mediation effects would provide evidence of a more complex relationship among the variables, linking a manipulative personality disposition to judgments regarding aggressive tax avoidance through its effects on attitudes toward corporate ethics and social responsibility. Such a finding would suggest that attitudes toward corporate ethics and social responsibility serve as an important mechanism through which high Machiavellians rationalise overly aggressive tax avoidance.

Methodology

A survey was used to test the hypotheses. The target population was tax professionals in Hong Kong, including professionals in both public accounting and private industry[9]. To the extent possible, we sought to select a sample that was representative of this population. A sample of approximately 1,000 professionals was chosen from the membership listings of professional institute(s) in Hong Kong[10], and each professional was mailed a questionnaire.

The questionnaire was divided into three parts. The first part contained two short scenarios (illustrated in Appendix 2), each describing the action of a tax professional in a situation which poses a potential ethical dilemma. The scenarios were selected after discussion with two Hong Kong tax professionals, who agreed that they were technically sound and likely to be commonly confronted by tax professionals in Hong Kong. The first scenario involved the use of a commonly used tax haven to shelter profits from Hong Kong taxation. The second scenario concerned the shifting of profits to a loss-making associated company through the use of management fees in order to reduce the group's tax liability. Both scenarios involve the conscious misrepresentation of facts to the revenue authorities, and thus inhabit the grey area between tax avoidance and evasion.

In each case, participants were informed of the actions of a hypothetical tax professional. At the end of each scenario, they were asked to indicate, on a seven-point scale, the extent to which the respondent felt the tax professional's action was first, ethical and second, socially responsible. Social responsibility judgements were elicited because, as previously argued, aggressive tax avoidance schemes raise concerns regarding corporate social responsibility. The respondents were further asked to indicate, also on a seven-point scale, the probability that their peers would undertake the same action. This measure was used as a surrogate for the behavioural intentions of the respondent him/herself, having the advantage of controlling for possible social desirability bias (Cohen *et al.*, 1996; Randall and Fernandes, 1992). All dependent measures employed seven-point Likert scales. The ethical judgement scale was anchored on ethical – 1 and unethical – 7. The scale for social responsibility judgements was anchored on socially responsible – 1 and not socially responsible – 7. The behavioural intentions scale was anchored on low – 1 and high – 7.

The second part of the questionnaire included the PRESOR scale (Singhapakdi *et al.*, 1996) and the Mach IV Machiavellianism scale (Christie and Geis, 1970)[11]. Both of these scales have been used extensively in previous research in business ethics and have been found to possess reasonable reliability and validity. The items included in both scales are illustrated in Appendix 1. Responses were again provided on seven-point Likert scales. A single score for Machiavellianism is computed by summing responses to the individual items and adding a constant of 20 (Christie and Geis, 1970). The final part of the questionnaire requested supplementary information on the respondents themselves: age, sex, number of years of professional experience in taxation, type of employment, and educational and professional qualifications. A pilot study, involving students from the researchers' university, was undertaken, after which some minor alterations and clarifications were made to the questionnaire.

In order to encourage an adequate response rate, e-mail messages were sent to the subjects one week before the mailing, informing them of the forthcoming survey and asking them to complete and return the questionnaire upon receipt. In addition to the questionnaire, the mailing contained a cover letter from the researchers, asking recipients to complete the instrument. The cover letter informed recipients that any information received would be used for academic purposes only and individual responses would be kept strictly confidential. The mailing also contained a pre-paid, addressed envelope for sending replies directly to the researchers. The initial mailing was undertaken in early November 2005. A second mailing was undertaken approximately three weeks later.

A total of 186 responses were received. About 11 responses were incomplete and were eliminated, leaving 175 useable responses. This represented approximately 17 per cent of the sample population. This response rate is comparable to those often achieved in studies of accounting and business ethics, and thus was considered reasonable. In order to check for non-response bias, early and late responses were compared, and no significant differences were noted. Demographic details of the respondents are shown in Table I.

Of the 175 respondents, the great majority was male (81 per cent). The average age of respondents and the average professional experience in taxation was approximately 45 and 18 years, respectively. Over half the respondents (57 per cent) were employed by public accounting firms, and approximately 30 per cent were employed by private companies. The remaining respondents were employed by the government or by "other" organisations. Most respondents possessed a degree, most commonly a bachelors (35 per cent) or a masters degree (42 per cent). Over three-quarters of respondents (78 per cent) were CPAs, while 19 per cent were chartered accountants (CAs), 55 per cent had ACCA certification and 23 per cent had other certifications. Thus, a large percentage of participants had multiple certifications.

		n	Percentage
Gender			
Male		141	81
Female		34	19
Age			
Mean	44.55		
SD	9.28		
Professional experience in taxation (years)			
Mean	18.01		
SD	10.76		
Type of current employment			
Public accounting firm		99	57
Publicly traded (listed) company		22	13
Non-publicly traded (listed) company		27	15
Government		6	3
Other		21	12
		175	100
Educational background (degree held)			
Associate/none		25	14
Bachelors		61	35
Masters		74	42
Other		15	9
		175	100
Professional certifications held [a]			
CPA		137	78
CA		34	19
ACCA		97	55
Other		41	23

Notes: [a]Numbers do not total 175 because many respondents held more than one professional certification

Table I.
Summary of demographic data

Results

Preliminary analyses

The means and standard deviations for the dependent measures are summarised in Table II. For Scenario A, the mean ethical and social responsibility judgements were 6.02 and 5.46, respectively, indicating that in general participants felt that the tax advisor's behaviour was unethical and socially irresponsible. The mean response for the

	Ethical judgements[a]	Social responsibility judgements[b]	Behavioural intentions[c]
Scenario A[d]	6.02 (1.46)	5.46 (1.83)	2.93 (2.07)
Scenario B	5.15 (1.61)	4.87 (1.76)	3.91 (2.07)

Notes: [a]Ethical judgements were measured on a seven-point scale where 1 – ethical and 7 – unethical. [b]Social responsibility judgements were measured on a seven-point scale where 1 – socially responsible and 7 – not socially responsible. [c]Behavioural intentions were measured on a seven-point scale where 1 – low and 7 – high. [d]Reported numbers are mean responses; numbers in parentheses are standard deviations

Table II.
Responses to dependent measures

likelihood of peers committing a similar action was 2.93, suggesting that respondents believed it was unlikely that their peers would undertake the same action. For Scenario B, the mean responses for ethical (social responsibility) judgements were 5.15 (4.87), somewhat lower than those for Scenario A. However, the means were still towards the high end of the scale, indicating that in general respondents felt that the actions of the tax advisor were unethical and socially irresponsible. The mean likelihood estimate was 3.91, towards the centre of the scale, suggesting that respondents believed it was more likely in this scenario that their peers would undertake the same action.

Preliminary tests were run to test for potential effects of demographic variables. Univariate ANOVA models revealed that, with few exceptions, the categorical measures (gender, employment type, degree type and certifications held) did not have a significant impact on the dependent measures. One exception was that ACCA certification had a significant effect on ethical/social responsibility judgements and behavioural intentions for Scenario B. ACCA certificate holders judged the actions of the hypothetical accountant in Scenario B more leniently (as more ethical and socially responsible), and estimated a higher likelihood of their peers participating in similar schemes[12]. The other exception was that employment type had a significant effect on one of the six dependent measures – ethical judgements for Scenario A. However, due to the fact that only one of six possible relationships was significant, this finding was not considered practically significant.

Correlation analysis indicated that age was positively associated with ethical and social responsibility judgements for Scenario A, and negatively associated with behavioural intentions, and these effects were significant at the 0.05 level[13]. This finding suggests that older participants judged the questionable actions more harshly, and estimated a lower probability that their peers would engage in similar actions. Professional experience was also negatively correlated (significant at the 0.05 level) with behavioural intentions for both scenarios, suggesting that more experienced participants estimated a lower likelihood of their peers condoning such acts. However, it was also noted that age and experience were negatively correlated with Machiavellianism (correlations significant at the 0.01 level), and it was thus suspected that Machiavellianism may have been the driving factor behind the correlations of age and experience with ethical decisions. To test this supposition, linear regression models were run with ethical/social responsibility judgements and behavioural intentions as the dependent variables, and age, experience and Machiavellianism as the independent variables. In each of these models, Machiavellianism was highly significant (0.001 level or smaller), and neither age nor experience were significant. Thus, it appears that because our younger and less experienced participants were more Machiavellian, their ethical decisions were more aggressive, and this also resulted in negative (positive) correlations between age/experience and behavioural intentions (ethical judgements). Because age and experience had no incremental explanatory power above that of Machiavellianism, in our subsequent hypothesis tests examining the effects of Machiavellianism the age and experience variables were omitted.

The internal reliabilities for the PRESOR and Machiavellianism scales were also examined. For the 20 Machiavellianism statements, the α coefficient was 0.73, which compares favourably with that reported in previous studies (Christie and Geis, 1970; Zook and Sipps, 2001). The coefficient α for the 13 PRESOR statements was also relatively high at 0.79, indicating that it would be reasonable to treat the 13 items as a unidimensional scale. However, following previous research utilising the PRESOR scale, we factor analysed the responses in an attempt to identify meaningful subscales (Etheredge, 1999; Singhapakdi *et al.*, 2001).

An exploratory principal components factor analysis was used to test the dimensionality of the PRESOR items, the results of which are summarised in Table III. Four factors emerged with eigenvalues in excess of 1, which collectively explained approximately 60 per cent of the variance. The first factor, which explained approximately 21 per cent of the variance, was comprised of five stakeholder view items. The internal reliability of these five items, measured by Cronbach's α, was relatively high at 0.76. The second factor was comprised of all five stockholder view items, which accounted for 16.6 per cent of the variance and had an acceptable internal reliability of 0.70[14].

The remaining two factors each consisted of only two items. Factor 3 included two stakeholder view items, one of which also loaded significantly onto factor 1. Factor 4 was comprised of the two remaining stakeholder view items. The internal reliabilities of these last two factors were relatively low, and they seemed to lack face validity in that they were not readily interpretable as distinct factors[15]. Consequently, these two

Table III.
PRESOR factor analysis

	Factor loadings			
	1	2	3	4
Being ethical and socially responsible is the most important thing a firm can do	0.574		0.511	
The ethics and social responsibility of a firm is essential to its long-term profitability	0.767			
The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible	0.679			
Business ethics and social responsibility are critical to the survival of a business enterprise	0.733			
Good ethics is often good business	0.608			
The most important concern for a firm is making a profit, even if it means bending or breaking the rules		0.738		
To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility		0.666		
If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility		0.559		
Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible		0.563		
If the stockholders are unhappy, nothing else matters		0.608		
A firm's first priority should be employee morale			0.837	
Business has a social responsibility beyond making a profit				0.562
Social responsibility and profitability can be compatible				0.763
Percentage of variance explained	20.9	16.6	11.7	10.2
Cronbach α	0.76	0.70	0.62	0.31

factors were excluded from subsequent analyses. For purposes of the hypothesis tests, scales were constructed for factors 1 (stakeholder view) and 2 (stockholder view) by calculating the mean response for the five items comprising each scale. An overall PRESOR measure was also constructed by taking the mean of the 13 scale items.

Hypothesis tests

As a preliminary test of the hypothesised relationships, the correlations among the dependent and independent variables were examined. As shown in Table IV, most of the correlations between the three PRESOR measures and ethical/social responsibility judgements were positive and highly significant, consistent with *H1*. Judgements of ethicality and social responsibility for both tax scenarios were positively correlated with the overall PRESOR measure and the stockholder view factor at the 0.002 level or smaller. The correlations between ethical judgements and the stakeholder view factor were highly significant, while the correlations between social responsibility judgements and the stakeholder view factor were significant at the 0.10 level. As anticipated in *H2*, the correlations between ethical/social responsibility judgements and behavioural intentions were negative and highly significant.

According to *H3*, Machiavellianism should have a negative effect on PRESOR responses. Consistent with this argument, the results in Table IV reveal highly negative relationships between Machiavellianism and each of the PRESOR measures for both scenarios. *H4* is supported by strong negative relationships between Machiavellianism and ethical/social responsibility judgements for both scenarios; again, all relationships were highly significant.

Regression analysis was used to determine if the stakeholder and stockholder view factors mediate the relationship between Machiavellianism and ethical/social responsibility judgements. Following the procedures recommended by Baron and Kenny (1986), we first ran univariate regression models for the effects of Machiavellianism on the stakeholder and stockholder view factors, and on ethical/social responsibility judgements. Then we regressed ethical/social responsibility judgements on each of the PRESOR factors combined with Machiavellianism. The results of these models are summarised in Table V.

As the models in Panel A indicate, Machiavellianism had highly significant negative effects on both the stakeholder and stockholder view factors[16]. These univariate regression models were both highly significant and explained approximately 22 (35) per cent of the variation in the stakeholder view (stockholder view). Machiavellianism also had highly significant direct effects on ethical/social responsibility judgements for both scenarios, as shown by the models in Panel B[17].

Panel C reports the results of regressions of ethical/social responsibility judgements on Machiavellianism and the two PRESOR factors, with separate models for the stockholder and stakeholder views[18], [19]. Models 1-4 indicate that, in all cases, the Machiavellianism variable remained significant, but the stakeholder view variable was not significant. These results suggest that the stakeholder view factor does not significantly mediate the relationship between Machiavellianism and ethical/social responsibility judgements. In contrast, Models 5-8 indicate that, in all cases, the Machiavellianism variable is no longer significant, but the stockholder view variable remains significant. Thus, it appears that the stockholder view factor does

Table IV.
Correlation analysis

	ETHA	SRA	PEERA	ETHB	SRB	PEERB	STOCK	STAKE	PRESOR
SRA[a]	0.540 (0.000)								
PEERA	−0.326 (0.000)	−0.275 (0.000)							
ETHB	0.549 (0.000)	0.316 (0.000)	−0.201 (0.008)						
SRB	0.403 (0.000)	0.572 (0.000)	−0.164 (0.031)	0.727 (0.000)					
PEERB	−0.158 (0.037)	−0.183 (0.015)	0.675 (0.000)	−0.366 (0.000)	−0.315 (0.000)				
STOCK	0.395 (0.000)	0.324 (0.000)	−0.237 (0.002)	0.443 (0.000)	0.311 (0.000)	−0.274 (0.001)			
STAKE	0.234 (0.002)	0.145 (0.056)	−0.155 (0.041)	0.242 (0.001)	0.141 (0.064)	−0.157 (0.038)	0.476 (0.000)		
PRESOR	0.335 (0.000)	0.253 (0.001)	−0.222 (0.003)	0.363 (0.000)	0.237 (0.002)	−0.224 (0.003)	0.834 (0.000)	0.822 (0.000)	
MACH	−0.297 (0.000)	−0.232 (0.002)	0.278 (0.000)	−0.342 (0.000)	−0.238 (0.002)	0.274 (0.000)	−0.589 (0.000)	−0.467 (0.000)	−0.607 (0.000)

Notes: [a]Numbers in parentheses are significance levels. ETHA – ethical judgements, Scenario A; SRA – social responsibility judgements, Scenario A; PEERA – behavioural intentions, Scenario A; ETHB – ethical judgements, Scenario B; SRB – social responsibility judgements, Scenario B; PEERB – behavioural intentions, Scenario B; STOCK – stockholder view factor from PRESOR scale; STAKE – stakeholder view factor from PRESOR scale; PRESOR – unidimensional PRESOR scale; MACH – Machiavellianism

		Std. β	t-statistic	p-value
Panel A: Effects of Machiavellianism on PRESOR scales				
Model 1: dependent variable = stakeholder view				
Independent variable: Machiavellianism		−0.467	−6.95	0.000
Model F-value	48.3			
Model significance	0.000			
Model R^2	0.218			
Model 2: dependent variable = stockholder view				
Independent variable: Machiavellianism		−0.589	−9.59	0.000
Model F-value	92.1			
Model significance	0.000			
Model R^2	0.347			
Panel B: Effects of Machiavellianism on ethical/social responsibility judgements				
Model 1: dependent variable = ethical judgements for Scenario A				
Independent variable: Machiavellianism		−0.297	−4.09	0.000
Model F-value	16.8			
Model significance	0.000			
Model R^2	0.088			
Model 2: dependent variable = social responsibility judgements for Scenario A				
Independent variable: Machiavellianism		−0.232	−3.14	0.002
Model F-value	9.8			
Model significance	0.002			
Model R^2	0.054			
Model 3: dependent variable = ethical judgements for Scenario B				
Independent variable: Machiavellianism		−0.342	−4.79	0.000
Model F-value	22.9			
Model significance	0.000			
Model R^2	0.117			
Model 4: dependent variable = social responsibility judgements for Scenario B				
Independent variable: Machiavellianism		−0.238	−3.22	0.002
Model F-value	10.4			
Model significance	0.002			
Model R^2	0.057			
Panel C: Effects of Machiavellianism and PRESOR factors on ethical/social responsibility judgements				
Model 1: dependent variable = ethical judgements for Scenario A				
Independent variables: Machiavellianism		−0.241	−2.94	0.004
Stakeholder view		0.121	1.48	0.140
Model F-value	9.5			
Model significance	0.000			
Model R^2	0.100			
Model 2: dependent variable = social responsibility judgements for Scenario A				
Independent variables: Machiavellianism		−0.211	−2.51	0.013
Stakeholder view		0.046	0.55	0.582
Model F-value	5.1			
Model significance	0.007			
Model R^2	0.056			
Model 3: dependent variable = ethical judgements for Scenario B				
Independent variables: Machiavellianism		−0.293	−3.63	0.000
Stakeholder view		0.105	1.30	0.194

(*continued*)

Table V. Mediated regression analysis

Table V.

		Std. β	t-statistic	p-value
Model F-value	12.4			
Model significance	0.000			
Model R^2	0.126			
Model 4: dependent variable = social responsibility judgements for Scenario B				
Independent variables: Machiavellianism		−0.220	−2.63	0.009
Stakeholder view		0.038	0.45	0.654
Model F-value	5.3			
Model significance	0.006			
Model R^2	0.058			
Model 5: dependent variable = ethical judgements for Scenario A				
Independent variables: Machiavellianism		−0.099	−1.15	0.253
Stockholder view		0.336	3.89	0.000
Model F-value	16.6			
Model significance	0.000			
Model R^2	0.162			
Model 6: dependent variable = social responsibility judgements for Scenario A				
Independent variables: Machiavellianism		−0.063	−0.70	0.483
Stockholder view		0.288	3.22	0.002
Model F-value	10.4			
Model significance	0.000			
Model R^2	0.108			
Model 7: dependent variable = ethical judgements for Scenario B				
Independent variables: Machiavellianism		−0.124	−1.47	0.142
Stockholder view		0.370	4.40	0.000
Model F-value	22.4			
Model significance	0.000			
Model R^2	0.206			
Model 8: dependent variable = social responsibility judgements for Scenario B				
Independent variables: Machiavellianism		−0.083	−0.93	0.353
Stockholder view		0.262	2.93	0.004
Model F-value	9.7			
Model significance	0.000			
Model R^2	0.101			

mediate the relationship between Machiavellianism and ethical/social responsibility judgements. These findings provide partial support for *H5*.

Discussion

The results of the current study provide at least partial support each of the hypotheses. As theorised, tax professionals' perceptions of the importance of corporate ethics and social responsibility generally had a significant impact on their ethical/social responsibility judgements, which in turn influenced their behavioural intentions. This is the first study to document a relationship between tax professionals' attitudes toward corporate social responsibility and their ethical decisions, and the results indicate that those professionals who discount the importance of ethical and socially responsible conduct are more likely to facilitate aggressive corporate tax avoidance schemes.

Because we found no significant differences in the ethical decisions of tax professionals employed by corporations and public accounting firms, the findings further suggest that the PRESOR construct is relevant to the study of ethical decision-making processes not only of corporate employees, but also of professionals such as tax advisors.

This study also adds to the body of research that has documented the influence of Machiavellianism on ethical decision-making processes across a wide variety of business contexts. As hypothesised, participants scoring higher on Machiavellianism were less likely to feel that corporate ethics and social responsibility are important, and more likely to judge aggressive corporate tax avoidance schemes favourably. The results of our mediated regression analysis indicate that the stockholder view, but not the stakeholder view, mediates the relationship between Machiavellianism and ethical/social responsibility judgements. These results suggest that high Machiavellians adopt the traditional stockholder view, which emphasises a narrow conception of corporate responsibility limited to profit maximisation within legal constraints, to rationalise their support of aggressive tax positions.

The findings of this study also have practical implications. Given that tax advisors who believe more strongly in the importance of corporate ethics/social responsibility appear to be less likely to participate in aggressive avoidance, an argument can be made for increased training in business ethics, with an emphasis on the importance of corporate social responsibility. A recent proposal by the National Association of State Boards of Accountancy (NASBA) in the USA that all accounting graduates should be required to take courses in accounting and business ethics proved quite controversial, and NASBA withdrew the proposal in response to a large number of negative comment letters (Rayburn, 2006). However, our findings clearly suggest that sensitising professional tax advisors to corporate social obligations will reduce their willingness to facilitate aggressive tax avoidance. It seems logical that such training should start with aspiring accountants' professional training at the university level, and continue throughout their professional careers. Prior studies have also raised concerns regarding an apparent increase in Machiavellianism among university students over the last few decades (Webster and Harmon, 2002). Our study adds to this concern by documenting higher levels of Machiavellianism among younger professionals. Given its dysfunctional effects across a variety of contexts, it may be argued that education efforts should attempt to counter the apparent trend toward higher levels of Machiavellianism. Because Machiavellianism is a basic personality trait, however, any such education efforts would probably need to be undertaken during childhood and implemented at the societal level.

The study is subject to limitations in addition to those addressed in the methodology section. First, the study did not control for the risk profiles of the subjects. Thus, to the extent that the subjects contemplated risk of detection in responding to the scenarios, and that risk is correlated with a variable included in the model, omitted variable bias may be present in the results. However, in both of the scenarios utilised in the study, the risk of detection was low, suggesting that subjects' responses would not be highly influenced by a consideration of risk. Second, since the questionnaire asked participants to provide ethical and social responsibility judgements immediately prior to an intention judgement, the ethical aspects of the tax behaviour may have been made more salient to the intention in the respondents' minds than otherwise might have been the case. Third, since the study obtained a measure of tax compliance intentions in hypothetical situations rather than actual tax compliance behaviour, the effect of the independent variables on the practice of facilitating tax avoidance remains unaddressed. Finally, as the study was restricted to tax professionals in Hong Kong, further research is required in order to assess the generalisability of the results outside that territory. Previous research has found that perceptions of the importance of corporate ethics and social responsibility are affected by the Hofstede cultural dimensions (Vitell *et al.*, 2003), which suggests that cross-cultural studies of the issues addressed in the current paper may reveal important differences in tax professionals' ethical decision-making processes.

The current study was an initial attempt to assess the impact of corporate social responsibility considerations and Machiavellianism on tax professionals' ethical decision-making processes, and several related issues could also be examined. One possible avenue for future research would be the interactive effects of Machiavellianism and other variables that influence ethical decisions. For instance, Ross and Robertson (2000) found that high-Machiavellian salespersons were more likely to lie when there was a lack of clear ethical guidelines within their company. This finding suggests that the examination of the interactive effects of Machiavellianism and measures of the ethical climate or context (Victor and Cullen, 1987, 1988; Treviño *et al.*, 1998) within public accounting firms or corporations holds promise for providing a better understanding of tax professionals' ethical decisions. Further research could also expand on the model used in the current paper to simultaneously examine the effects of Machiavellianism and other personal variables that have been found to influence ethical decision making, such as cognitive moral development and *locus* of control. Prior studies indicate that a variety of factors may influence PRESOR responses; thus, there is also a need to obtain a better understanding of the determinants of tax professionals' perceptions of the importance of corporate ethics and social responsibility. For example, in addition to the effect of cultural differences discussed earlier, Vitell *et al.* (2003) found that personal moral philosophies (idealism and relativism) and perceptions of organisational ethical values influenced PRESOR scores. Similar research could provide further insights into tax professionals' ethical decisions.

Notes

1. A range of viewpoints exist as to the ethicality of tax avoidance. Indeed, in its more acceptable form it may be viewed as a justified reaction to growing tax burdens and uncompromising tactics on behalf of government authorities. However, overly aggressive tax avoidance, which straddles the line between legal tax planning and illegal evasion, has long been seen as violating principles of ethics and social responsibility (Schwartz and Orleans, 1967).

2. We are using the phrase "beliefs regarding the importance of corporate ethics and social responsibility" to refer specifically to attitudinal measures of the importance of ethics and social responsibility, such as the PRESOR scale used in the current study. Although, many studies have investigated ethical decision-making processes relating to taxation (Henderson and Kaplan, 2005; Sakurai and Braithwaite, 2003; Shafer, 2001; Yetmar and Eastman, 2000; Kaplan *et al.*, 1997; Burns and Kiecker, 1995), it appears that no previous study has attempted to measure professional tax advisors' attitudes toward the importance or significance of corporate ethics and social responsibility.

3. The term "tax professionals" here refers to qualified accountants in Hong Kong providing tax advice to corporations in their capacity either as public accountants or employees. The ethical standards of these professionals are formally regulated by the ethical guidelines of the Hong Kong Institute of Certified Public Accountants and of other accounting associations with substantial memberships in Hong Kong, such as the Association of Certified Chartered

Accountants (ACCA). These guidelines in essence entitle tax professionals to put forward the best tax position in favour of their clients/employers provided that those opinions are consistent with the law and uphold fundamental professional standards, in particular integrity and objectivity.

4. For instance, the Hunt and Vitell (1986, 1991) model recognises that individuals will make both a deontological and a teleological evaluation of an ethical issue, with the teleological evaluation incorporating considerations such as the perceived probability and desirability of consequences. Jones' (1991) issue-contingent model of ethical decision making also recognises that the perceived moral intensity of ethical issues will be influenced by teleological considerations such as the perceived probability and magnitude of effects on stakeholders. Teleological evaluations of ethical issues should clearly be influenced by perceptions of the importance of ethical behaviour to organisational success.
5. The original PRESOR scale contained 16 items, 13 of which loaded onto three factors labelled "short-term gains", "long-term gains", and "social responsibility and profitability" in the Singhapakdi *et al.* (1996) study. Axinn *et al.* (2004) found that 14 of the original 16 items loaded onto three factors which they labelled "stockholder view", "stakeholder view I", and "stakeholder view II." Etheredge (1999) found that the PRESOR items loaded on two factors based on his study of Hong Kong managers: one factor that included four of the five "stockholder view" items listed in Appendix 1, and one factor comprising five of the eight "stakeholder view" items. Thus, the available evidence on the factor structure of the scale based on Hong Kong business professionals corresponds well with the stockholder vs stakeholder dichotomy, and accordingly we have adopted this terminology.
6. We believe this reasoning applies equally to tax professionals employed by corporations and by public accounting firms. Tax experts employed by corporations may face significant pressures to satisfy the demands of their employers. Professionals employed by public accounting firms may face similar pressures to acquiesce to demands by corporate clients for the facilitation of tax avoidance.
7. We are relying here on the classic Rest (1986) formulation of ethical decision making, which postulates a four-part process: (1) recognition of an ethical or moral issue; (2) making an ethical judgement; (3) developing behavioural intentions; and (4) engaging in actual behaviour. The Rest formulation has been influential in research on business ethics, and is incorporated into widely cited models of ethical decision making such as the Hunt and Vitell (1986, 1991) model. Reliance on the Rest model leads one to hypothesise a direct relationship between ethical judgements and behavioural intentions.
8. Previous studies in the accounting literature suggest that corporate managers attempt to capture and control efforts to promote broad conceptions of corporate social responsibility, and that corporate attempts to portray themselves as socially responsible represent little more than enlightened self-interest designed to promote an overriding objective of shareholder wealth maximization (O'Dwyer, 2003; Gray, 2002; Neu *et al.*, 1998). Thus, it seems reasonable to assume that professional tax advisors who serve corporate clients or those who are employed by corporations will sometimes face pressure to adopt similarly narrow interpretations of corporate social responsibility in order to justify participation in aggressive tax avoidance schemes.
9. As previously indicated, it was felt that our theory and hypotheses apply to professional tax advisors regardless of employment type. As indicated in the next section, employment type generally had little effect on the results. As discussed later, a negligible number of participants were government employees. Although government employees were not part of our target population, it was not possible to exclude them from the sampling procedure.

11. To protect the anonymity of the institute(s), the number of institutes cooperating and the names of those institutes are not revealed here. This was an agreed condition for cooperation with the institute(s).
11. The Mach IV is the most commonly used measure of Machiavellianism. However, because the original Mach IV instrument contained gender-specific statements (e.g. "Most men are brave") that seem less appropriate today, we used the gender-neutral version of the scale recommended by Zook and Sipps (2001).
12. It is difficult to speculate as to the reasons for this finding. Of the 97 participants who possessed the ACCA certificate, 81 were also CPAs. Thus, most of the ACCA-certified participants were dual certificate holders. Possessing dual certifications would seem to suggest that, as a group, ACCA certificate holders have invested more in attaining professional certifications, and consequently are likely to have been exposed to more professional training and to feel that they have "more to lose" if they violate professional standards. Thus, the effects of ACCA certification on responses to Scenario B seem counter-intuitive. Perhaps future research should further investigate the impact of holding various professional accounting certifications on ethical decision processes. It should also be noted that inclusion of a variable for ACCA certification in our regression models did not alter any of the subsequently reported results for the effects of the Machiavellianism and PRESOR variables.
13. All correlation analyses reported herein are based on Pearson correlations.
14. These two factors, and their reliabilities, correspond quite closely with the factors and reliabilities identified by Etheredge (1999) in his study of Hong Kong managers. In the Etheredge study, nine of the PRESOR items loaded significantly onto two factors labelled "Importance of ethics and social responsibility" (importance) and "Subordination of ethics and social responsibility" (subordination). The importance factor, which had an internal reliability of 0.75, included five stakeholder view items, four of which are included in our stakeholder view factor. The subordination factor, with a reliability of 0.73, included four of the five items included in our stockholder view factor, and the excluded stockholder view item (If the stockholders are unhappy, nothing else matters) also had a relatively high (0.472) loading on the subordination factor.
15. Correlation analysis also indicated that three of these four items had no significant relationships with any of the dependent measures. The one exception was the item "Being ethical and socially responsible is the most important thing a firm can do", which was significantly correlated with ethical judgements and behavioural intentions. Although, this item had a significant cross-loading between factors 1 and 3, it was retained in the scale for factor 1 (stakeholder view), because its elimination reduced the internal reliability of that scale from 0.76 to 0.71. All subsequent analyses were conducted both with and without this item included in the stakeholder view scale, and all results were substantially the same under both methods.
16. All significance tests in the regression models reported herein are based on two-tailed tests.
17. Note that the standardised beta coefficients in the univariate regressions of the stakeholder view, stockholder view, ethical judgements, and social responsibility judgements on Machiavellianism are equivalent to the related correlation coefficients reported in Table IV, as would be expected. These univariate regression models were run in order to follow the procedures recommended by Baron and Kenny (1986) for mediation analysis, although some of the information provided is essentially redundant with the correlation analysis. All other univariate regression models for the relationships shown in Figure 1 (i.e. regressions of ethical/social responsibility judgements on the stakeholder and stockholder view factors, and the regressions of behavioural intentions on ethical/social responsibility judgements)

were consistent with the related correlations reported in Table IV; thus, the details of these models are not presented.

18. Owing to the significant correlations between Machiavellianism and both the stockholder and stakeholder view factors, variance inflation factors were calculated for the models reported in Panel C of Table V. None of the variance inflation factors for these models exceeded 1.6, which suggests that the regression results were not significantly biased by multicollinearity.
19. Separate models which regressed ethical/social responsibility judgements for Scenarios A and B on Machiavellianism, stakeholder view, and stockholder view were also run. In each of these models, the effect of the stockholder view factor was highly significant, and the effects of the stakeholder view factor and Machiavellianism were not significant. Thus, these models lead to the same basic conclusion as the models reported in Table V – that the stockholder view factor mediates the relationship between Machiavellianism and ethical/social responsibility judgements, but the stakeholder view factor does not.

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Appendix 1. Scale items

PRESOR scale

Stockholder view

1. The most important concern for a firm is making a profit, even if it means bending or breaking the rules[1].
2. To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility[1].
3. If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility[1].
4. Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible[1].
5. If the stockholders are unhappy, nothing else matters[1].

Stakeholder view

6. Being ethical and socially responsible is the most important thing a firm can do.
7. The ethics and social responsibility of a firm is essential to its long-term profitability.
8. The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.
9. Business ethics and social responsibility are critical to the survival of a business enterprise.
10. A firm's first priority should be employee morale.
11. Business has a social responsibility beyond making a profit.
12. Social responsibility and profitability can be compatible.
13. Good ethics is often good business.

Machiavellianism scale

1. Never tell anyone the real reason you did something unless it is useful to do so.
2. The best way to handle people is to tell them what they want to hear.
3. One should take action only when sure it is morally right[1].
4. Most people are basically good and kind[1].
5. It is safest to assume that all people have a vicious streak and it will come out when they are given a chance.
6. Honesty is the best policy in all cases[1].
7. There is no excuse for lying to someone else[1].
8. Generally speaking people would not work hard unless they are forced to do so.
9. All in all, it is better to be humble and honest than to be important and dishonest[1].
10. When you ask someone to do something for you, it is best to give the real reasons for wanting it rather than giving reasons which carry more weight[1].
11. Most people who get ahead in the world lead clean, moral lives[1].
12. Anyone who completely trusts anyone else is asking for trouble.
13. The biggest difference between most criminals and other people is that the criminals are stupid enough to get caught.
14. Most people are brave[1].

15. It is wise to flatter important people.
16. It is possible to be good in all respects[1].
17. The man who said "There's a sucker born every minute" was wrong[1].
18. It is hard to get ahead without cutting corners here and there.
19. People suffering from incurable diseases should have the choice of being put painlessly to death.
20. Most people forget more easily the death of a parent than the loss of their property.

1 – reverse scored.

Appendix 2. Tax scenarios

Scenario A

Mr Wong is the tax advisor of Company A, a Hong Kong trading company. The managing director of Company A asks Mr Wong's advice on earning off-shore (and thus tax-free) profits. Mr Wong suggests setting up a company in the British Virgin Islands. The banking of receipts and payments will be performed in Hong Kong with the knowledge of the IRD. However, while most of the decision making and buying and selling activities will also continue to be performed at Company A in Hong Kong, the IRD will be informed that these activities are performed in the BVI in order to make the profits free from profits tax. Mr Wong helps Company A put this plan into operation.

Scenario B

Mr Chan has been Company B's tax preparer for several years. This year, Company B has made unexpectedly high profits in the last month of the year. Mr Chan is asked by the company to create a provision representing management fees for services rendered from an associated company (which has made substantial losses this year) in order to reduce the taxable profits of Company B. Mr Chan is aware that, in fact, the services provided by the associated company are minimal. Nevertheless, he prepares Company B's tax return with the inclusion of the provision for management fees expense.

Corresponding author
William E. Shafer can be contacted at: weshafer@ln.edu.hk