



## Self-Fulfilling Prophecy and Auditors Behavioral Inertia: An interpretation based on Peugeot's Philosophical Theory

**Shahrokh Bozorgmehrian**

PhD Student, Department of Accounting, Faculty of Management and Economics, Science and Research Branch, Islamic Azad University, Tehran, Iran  
Bozormehrian97@gmail.com

**Nares Yazdanian**

Assistant Professor, Department of Accounting, Roodehen Branch, Islamic Azad University, Tehran, Iran  
(Correspondence Author)  
nargesyazdanian@gmail.com

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### ABSTRACT

Environmental auditing profession, because of the responsibility that is responsible, the field of complex and turbulent is when the stresses of the profession, should the psychological and behavior to counter the influence and mediation have to maintain its independence. One of the concepts that can theoretically contribute to the multidimensionality of synergies with greater independence in the audit profession is the inertial capabilities that, as an antithesis to organizational behavior, in the audit profession can contribute to capacity building for auditors. The purpose of this research is Self-Fulfilling Prophecy and Auditors Behavioral Inertia based on Peugeot's Philosophical Theory. The research data collection tool was a questionnaire that partial least squares analysis was used to analyze the collected data. The target population of the study was auditors who are members of the auditing organization and private sector auditing firms who were selected through random sampling and examined over a period of 6 months. Based on the results, it was found Self-Fulfilling Prophecy has a positive and significant effect on Auditors Behavioral Inertia. In fact, the results of this study show, the existence of positive expectations in the context of society and the professional environment creates more dynamism in the effective functions of auditors' independence because motivations can help increase the professional philosophy of auditors in their career path and cause them to make professional comments and judgments when making decisions, regardless of any possible influence and dependencies.

### Keywords:

Self-Fulfilling Prophecy, Auditors Behavioral Inertia, Peugeot's Philosophical Theory.

## 1. Introduction

In the audit profession, independence is an abstract concept that is directly unobservable, described usually as a mental state linked to concepts such as impartiality, integrity, reliability, and personality (Adam & Ali, 2014). Most of the definitions presented in the audit profession consider two aspects to independence: real (i.e., inner) independence and apparent independence. According to Alleyne & Devonish (2006), real (i.e., inner) independence is “the lack of mental inclination to carry out audit operations” and apparent independence is “the avoidance of circumstances in which the auditor is at odds with the obvious interests of the client.” Thus, real (i.e., inner) independence is associated with impartiality and apparent independence usually with users imagining the existence of a conflict of interest between the auditor under certain conditions (Bartlett, 1993). On the other hand, financial information users will not trust the information audited by auditors if they do not consider them to be independent of the client. In other words, if the auditor is not independent of the client, his/her opinion will not lead to increased validity of the financial statements (Ansari et al., 2011). Auditors must provide credit in the form of financial statements to protect the public interest and shareholders, on the other hand, need audit services to control the duties of the manager to reduce agency conflict. Accordingly, the greater the degree of independence of the auditor, this can lead to a reduction in the agency conflict between the manager and the shareholders. Therefore, auditors must preserve their perceptual and behavioral independence in conformity with their specialized performance (Bakhtiari et al., 2019). This research addresses a phenomenon that conforms with the concept of independence, namely the auditor's behavioral inertia. Inertia is the antonym of flexibility, meaning resistance to influence or change in the individual (Konig et al., 2012). Inertia is considered in the content and concepts of organizational behavior as a warning of failing to exploit human resources due to the lack of acceptance of the change. Nevertheless, in the audit profession, it can be regarded as a foundation and model, according to which the auditors' behavior can be better analyzed in terms of maintaining independence and inflexibility against the pressure and influence of others. Inertia in audit behavior will cause the auditor to try not to be influenced by emotions and

job engagement and to prefer a professional identity over the identity of the auditor-client (i.e., the identity given to the auditor by the client). It will also require him/her to comment on compliance with specialized procedures and audit principles and standards, under Standard No. 1, developed in 1999 by the Independence Standards Board (ISB), and resolutions on maintaining independence in audit professional conduct. This is because auditors must provide a report of all their relationships with clients during one business year, under the standard set by ISB. At the same time, compliance with mandatory professional conduct has been practiced since 2000 by the US Securities and Exchange Commission (SEC). Under this mandatory law, all clients and auditors must disclose non-audit services to control auditors' professional independence more effectively (Nikbakht et al., 2018). But it is noteworthy that the level of individual expectations of their success is based on negative social thoughts, the person suffers from inertia, while the existence of positive expectations improves the level of success of the auditor and thus behavioral inertia in performance. One of these ethical incentives is the self-fulfilling prophecy effect, one of the leading theories in interpersonal communication that explores the effect of auditor beliefs and expectations. Simply put, the self-fulfilling prophecy effect refers to a chain of individual expectations and community expectations/beliefs from the auditor and the role he/she plays in examining clients' financial practices, which can lead to the auditor's enhanced compliance with ethical values. Conversely, reverse expectations result in the auditor's declining adherence to ethical values in auditing due to negative external incentives (Guiral-Contreras, Gonzalo-Angulo, Rodgers, 2007). Self-fulfilling prophecy effect can be a predictor of an individual's beliefs about the auditor's ethical values. According to Shinde, Stone, Willems (2013), it can be compared to reality based on individual and social beliefs, which probably would not have been formed if these beliefs did not exist. The self-fulfilling prophecy effect is the result of studies started by Merton (1948) and completed by Rosenthal & Jacobsen (1968) (Asghari Moghaddam and Mahboub, 2014). This theory explains how an auditor's mental expectations are conveyed about the auditor's professional values, clearly about the clients and the opinions presented about their performance, so that they form their opinions based on their

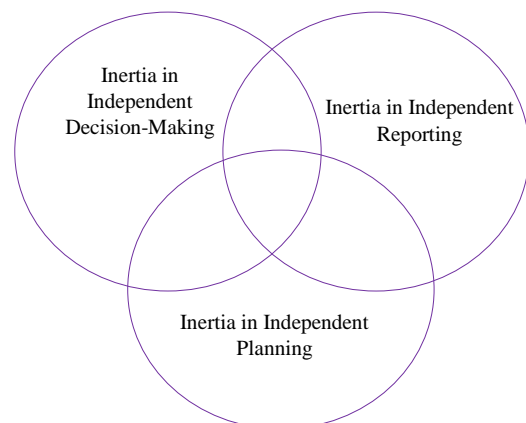
expectations. The foundations of self-fulfilling prophecy theory in auditing are based on the perspective that the beliefs and expectations that determine auditors' value orientation are based on the code of professional conduct such as skepticism and objectivity, the fruit of community behaviors and expectations, shareholders, analysts, audit partners, and so on. This effect will be much more pronounced in auditing when the stakeholder beliefs are promoted and the auditors are held accountable and further motivated to inspect any deviations from the reality (Ju Lin, 2014). Therefore, considering the importance of the level of development of behavioral theories in the auditing profession in order to recognize the internal and psychological functions of auditors from a research perspective and increase fraud, tax evasion and bankruptcies of large companies in terms of application, the need to pay attention to the effect of command success on the inertia of auditors' behavior can lead to an increase in the level of decision-making functions and the quality of auditors' judgments based on independent arguments. Therefore, this study seeks to answer the question of whether does Self-Fulfilling Prophecy effect on Auditors Behavioral Inertia based on Pygmalion Theory? Therefore, given that the reliable theoretical basis for research variables in the auditing profession is limited, relying on interdisciplinary theoretical foundations and its development in the field of auditing profession, this research tries to provide theoretical and theoretical support in relation to the research goal in order to obtain a basis for further knowledge in the analysis and comparison of results. In the third section, the participating methodology and statistical population are presented so that in section 4, first the research findings and then in the last section, the theoretical discussion and reasoning in line with the mentioned theoretical foundations are presented.

**Literature Review**

**Concept of Inertia in the Audit profession**

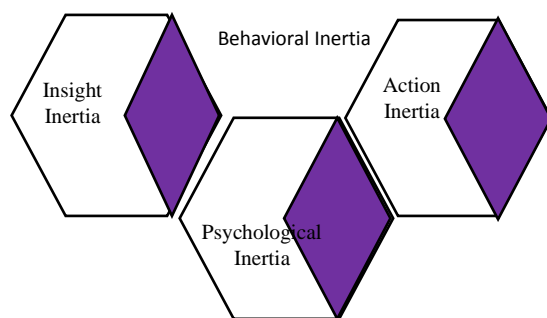
In organizational behavior literature, inertia and flexibility are two conflicting words. Notwithstanding, the application of each under the standards defined in each profession can lead to the application of the opposite role of this concept (Strigter & Cooper, 2015). For example, flexibility in organizational behavior may have a positive connotation and bring more flexibility to the organization. However, this concept can have a negative connotation in the audit

profession because it can affect the professional independence and auditors' behavior. Consequently, there is a difference between using the concept of inertia under the standards defined in the audit profession and its concept in the organization. Moreover, the use of the concept of inertia in the auditor's behavior means an independent mental attitude in the functions of interaction and relation with clients. In other words, the auditor must have an independent mental attitude based on inertia to hinder the influence of intermediaries and clients because his/her audit competence is called into question if he/she becomes biased in collecting and evaluating evidence. Financial statement audits will have a higher content value when the auditor maintains his/her behavioral and functional independence based on inertia and establishes a clear boundary between his/her professional and social interactions and professional judgments. In his classification, Ahmad (2012) describes inertia in the audit profession from two perspectives: inertia in organizational independence and inertia in operational independence. In his view, "inertia in organizational independence" is related to the independence of the audit profession, and "inertia in operational independence" is related to the inherent ability of audit for independence. Put differently, inspired by Mautz & Sharaf's (1961) approach to inertia, Ahmad (2012) describes independence at the end of a range of thinking to external functions whose concept in the audit profession can encompass three dimensions.



**Figure 1:** Inertia in the audit profession

According to Figure 1, in the first dimension, the auditor must be independent in planning, i.e., he/she must have freedom of action in deciding the type and scope of audit procedures without the intervention of external and intermediate factors. In the second dimension, the auditor must be independent in the proceedings, i.e., he/she must have access to all permitted sources of information at the level of activities, personal relationships, and management policies needed for the proceedings. Finally, in the third dimension, the auditor should be independent in reporting and presenting the results of the review of employers' financial performance to stakeholders without being under the control or influence of others. In another classification, Godkin & Allcorn (2008) presented individual inertia including three dimensions in the following form:



**Figure 2:** Godkin & Allcorn's (2008) approach

According to Figure 2, the three dimensions are insight inertia, action inertia, and psychological inertia. Insight inertia is related to mental models and theories of action. Nevertheless, action inertia is explored from two perspectives: managerial assumptions and control and psychological inertia in terms of stress and anxiety and defense mechanisms in response to change (Sillic, 2019: 111). In contrast, Polites & Karahanna (2012) introduced five types of inertia in organizational behavior: 1) cognitive inertia, 2) behavioral inertia, 3) social-cognitive inertia, 4) economic inertia, and 5) political inertia. Cognitive inertia means that key decision-makers consciously insist on using existing systems and procedures despite knowing that there are better, more efficient, and more efficient alternatives. 2. Behavioral inertia means that the decision-makers of

the organization continue to use existing methods because they are accustomed to them. Social cognitive inertia means that decision-makers continue to use existing processes and methods because people resist changes in existing methods and procedures, and it is simply not possible to make changes in values and norms. Economic inertia means that changes in existing processes are difficult because of their high costs. Therefore, acting according to existing processes is easier for decision-makers. Political inertia means that corporate decision-makers insist on using existing traditional processes because partners and strategic stakeholders oppose or prevent changes in existing procedures (Malakar et al., 2018).

### Self-Fulfilling Prophecy Effect

In addition to attribution theory, the self-fulfilling prophecy effect is one of the vital applications of the perceptual process in auditing and professional conduct. This phenomenon was first proposed by Merton (1974) to explain the major causes of the bankruptcy of famous American banks during the years of economic recession. Back then, people misconception led bank depositors to attempt to get their savings back from the bank (Hersey & Blanchard, 1989). Later, following the results of an experiment, Livingston called it the Pygmalion effect. These results were not due to an independent cause, but to the expectations that the researcher had inadvertently instilled in individuals. Knowing that people are supposed to behave in a particular way, this mental presupposition enabled them to behave as expected (Lilius, Worline, Maitlis, Kanov, Dutton, Frost, 2008). The Pygmalion effect refers to a psychological phenomenon whereby people react directly to the expectations of others. For example, if the community believes that auditors lack the necessary technology and expertise, they will believe that they are not performing well in terms of the quality of the surveys. However, the opposite is also true; that is, if auditors have high expectations, they will try to meet such expectations according to their professional capabilities (Watzlawick, 1984). The Pygmalion effect is one of the critical tools in auditing, the effects of which have not been much studied, at least in scientific and experimental research. According to this theory, audit partners become aware that the success of auditors does not simply depend on the circumstances, quality, and competency of the

individual or professional work environment (Rosenthal, 2012). Audit partners and even the community that benefits from auditors' decisions must always believe in auditors and expect those who succeed. This is because auditors always feel this belief under these circumstances and will thus indicate their best skills and abilities (Shinde et al., 2013). Based on Guiral-Contreras et al.'s belief-adjustment model (2011), which examines the existence of the Pygmalion effect in auditing, it is worth noting that expectations from the auditor's professional practice affect their opinions and decisions. On the other hand, Louwers, Messina & Richard (1999) identified three crucial problems that confirm the Pygmalion effect. It is really hard to believe that a qualified auditor's opinion can be an indicator of stakeholder decision-making because it may be affected from a positive perspective. Second, if this is the case, it is still unclear whether the auditor's opinion could lead to an increased investment attraction by shareholders for the client in the capital market. Third, given the Pygmalion effect formed, auditors may be affected by expectations or a positive perspective on clients. In this case, they may not be able to comprehensively assess clients' financial practices, which, in turn, can affect the quality of auditors' feedback.

## Research Background

**Badiei** and et al (2020) The purpose of this study was to investigate the structural pattern of the effect of corporate governance mechanisms (internal organization) on audit quality considering the role of the intermediary variable of behavioural components of auditors. The statistical population of this research is independent auditors and auditors working in audit firms. A sample of 395 people was selected by simple random sampling method. In this research, the correlation coefficient, hierarchical regression and Structural Equation Modeling (SEM) were used for statistical analysis. The results of the correlation test and hierarchical regression model confirm the role of auditors' behavioural components in the relationship between corporate governance mechanisms and audit quality as mediators. Then, by adapting the research data and conceptual model, structural equation model was fitted to examine the effect of auditors' behavioural factors as an intermediary variable. Finally, the significant effect of corporate governance mechanisms on audit quality was demonstrated by

explaining the mediating role of auditors' behavioural components.

**Jari** and et al (2020) One of the problems that organizations are facing is employee desertion. The desertion of poor staff can lead to increase organizational productivity and it's benefit for organization, while the desertion of effective staff has bad consequences for the organization. These staff imposes significant direct and indirect costs to the organization when leave it. These costs include finding, training, preparing alternative employees, eliminating some of the tacit knowledge of the organization, and joining individual organization. Therefore, it is necessary for organizations to anticipate the desertion of human capital by identifying the factors that affect the desertion of employees to mitigate the adverse effects of this phenomenon. The purpose of this study is the determination effect of professional skepticism and interpersonal trust among auditors, with considering the of organizational behavior characteristics on job durability. Hence, the relationship between two dimensions of professional skepticism, neutrality and presumptive doubt, and two characteristics of organizational behavior as organizational commitment and organizational perceived support on job durability are measured. The statistical society of this study consists of all auditors of audit institutions that are the member of the Association of Certified Public Accountants who are working as an employee in these institutions and not the organization's partners. The structural equation modeling approach has been used for presentation and partial least square software has been used for analysis. The findings of the study show that the exception of the variables neutrality and interpersonal trust of the auditors, the other variables of research affect the auditors job durability.

**Bakhshi** and et al (2020) The present study was an attempt to explain the effect of time pressure on auditors on earnings quality, with an emphasis on the adjusting role of the auditor tenure. For this applied research, a descriptive-correlational method was used. Theoretical basis and statistical data of the study were collected using desk and field studies from 2014 to 2019. Data of 105 companies were collected from capital market companies (Tehran Stock Exchange) as a statistical sample, through systematic elimination. The research hypotheses were tested using regression analysis statistical method with combined data at a

level of 5% error using EViews. The results of the data analysis indicated that the time pressure on auditors reduces the earnings quality. In addition, the result of the second hypothesis indicated that the auditor tenure intensifies the negative relationship between the time pressure on auditors and earnings quality. In other words, increased time pressure on the auditor decreases earnings quality. The probable reason is that when auditors are under time pressure, the legal requirements of work, the exercise of strict control by supervisors, and the requirements of employers, in other words, they are under workload pressure, auditors will have far more unethical decisions and behaviors.

Ghebremichael (2019) carried out a study entitled "Analysis of Behavioral Factors across the Audit Market." This study aimed to identify the enhanced institutions that monitor auditors' behavioral practices to improve the quality of services throughout the audit market. It also sought to determine whether aspects such as market share, the size of the audit firm, expertise, etc. were considered to be factors influencing the auditor's dependence or independence on employers. The target population consisted of members of an institution that monitored the performance of independent auditors in the Netherlands. The results suggested that the behavioral and perceptual characteristics of auditors are considered as the most significant and effective criterion for institutional monitoring to improve audit quality in identifying the nature and content of the audit profession to preserve independence in investigating the financial performance of employers. Suyono & Farooque (2019) performed a study entitled "Professionalism and Factors Affecting Auditors' Insights." Using content analysis, the study identified aspects such as emotional intelligence, internal control source, and experience in psychological causes, organizational/social culture in meta-cognitive/external causes as a sum of factors facilitating auditors' insights. The target population consisted of auditors from Indonesian state-owned companies. Using the questionnaire, the study used PLS analysis to explain the identified components in the target population. The results of the study verified all the factors based on the factor burden on professionalism and at the same time indicated that psychological factors are the major factor of professionalism in strengthening the vision of auditors.

It was also pointed out that "internal control source" is considered as a factor in strengthening auditors' insightful approaches in professional judgments. Sampet et al. (2019) performed a study entitled "The role of employer participation and psychological relaxation in audit quality derivatives." The statistical population of the study consisted of 190 companies listed on the Thai Stock Exchange, examined in 2008-2015. In this study, audit quality derivatives included auditor service delivery capabilities, auditor competence, and auditor independence. The results indicated that psychological conflicts between employer and auditor could cause a decrease in audit quality, while employer participation helped significantly enhance the quality of audit quality. In their study, Lin et al. (2017) investigated the relationship between auditor independence and client importance in Taiwanese companies. They used PLS analysis to fit the desirability of the structural research model. The results showed a significant positive relationship between auditor independence and client importance. Adams et al. (2017) carried out a study entitled "The Impact of Employers' Influence and Power and Auditor's Independence." The results suggested that employers' influence could be regarded as a negative function in accepting the auditor's work because the negative effect of employers' influence on auditor independence is very likely under the influence of auditors' professional identity based on analyzes. Salawu (2017) carried out a study entitled "Factors Affecting Auditor Independence in Nigeria." The results showed a positive relationship between the size of the audit firm/the number of subsidiaries and the independence of the auditor. Expectations of an increase in audit fees are expected due to the complexity of the audit, which in turn leads to reduced auditor independence. Tavakol Nia et al. (2019) performed a study entitled "A Model for Assessing Auditors' Fear of Losing an Employer." Thus, they used the views of 14 professional and academic experts, data from 132 companies listed on the Tehran Stock Exchange (TSE) in 2007-2016, multivariate regression, factor analysis technique, and two-sample t-test. The studies and processing conducted led to the presentation of a model consisting of 17 variables, the strength of which was confirmed in additional studies. The presentation of this model leads to an increase in the number of experimental studies conducted in the field of auditor independence, followed by an

increased knowledge in this field. Additionally, this model can be used by members of the audit profession to explain the factors that determine the employer's fear of loss. Besides, the explanation of this model can facilitate the development of audit literature in general and the quality, independence, and mobility of auditors in particular. Bakhtiari et al. (2019) carried out a study entitled "Relationship Orientation and Auditor Independence: Testing Social Relation Theory." For this purpose, 943 questionnaires were randomly distributed among auditors working in the audit organization and member organizations of the Iranian Society of Certified Public Accountants in 2017. Then, they were collected and the obtained data were analyzed using structural equation modeling. The results demonstrated that the greater the desire for relationship orientation in auditors, the more likely auditors would be to violate their independence, even under professional supervision. According to the results of this research, relationship-oriented culture is considered a relationship as an influential factor in the association between the auditor and the employer in the internal audit market. To keep in touch with their employers, auditors attempt to adapt their judgments to their relationships with their employers, reflecting the negative effect of relationship and social ties on the independence and quality of audit. Nikbakht et al. (2018) carried out a study entitled "Developing the Auditor's Independence Model." Using grounded theory, the study sought to develop a model for auditor independence. Under this model, auditors, owners, and regulators can provide the necessary arrangements to improve auditors' independence, improve audit quality, and enhance the quality of economic decisions using identified factors. In this study, 22 semi-constructed interviews were conducted with audit experts, in three stages, namely open coding, selective coding, and axial coding. According to the results in a paradigmatic model, the quality of human resources, the lack of influence of the employer on the auditor, the lack of financial dependence on the employer, the quality of distribution of audit work, the correct rotation of audit firms, the quality of audit fees, the amount of competitive space in the audit profession; Adequacy of professional supervision is considered as a factor affecting the independence of the auditor. Soleimani et al. (2018) performed a study entitled "The Impact of Threats on Auditor Independence," with an applied research method in terms of purpose

and descriptive-survey methodology, with data collected using questionnaire distribution. To achieve the research goal, the effect of five important threats, such as personal interests, self-examination (soul-searching), bias, familiarity, and intimidation on apparent and inner auditors' independence, as well as the impact of auditors' expertise and experience on the relationship between threats and their independence was examined. The statistical population of the study consisted of the community of official accountants and employees of audit firms throughout Mashhad. The number of samples was determined to be 174 using Cochran's formula using random sampling. The results showed the negative effect of five important threatening factors on the independence of apparent and inner auditors, as well as the impact of auditors' expertise and experience on the association between threats and inner independence and the lack of impact on the relationship between threats and apparent independence.

As reflected, the "concept of inertia and its impact on auditors' independent functions" has not been studied directly in almost any research. Research has focused mainly on the impact of similar concepts on independence, ethics, insight, and psychological characteristics. These categories can be expanded and applied well in the selective coding analysis of this research. On the other side, the lack of this concept in auditors' professional functions can be regarded as a gap between standards and theories. The more conceptualized it is at the heart of audit research, the easier it can be to better identify the profession and develop behavioral strategies in the field of human resources in the audit profession.

### **Self-Fulfilling Prophecy Effect**

This study uses a questionnaire provided by Shinde et al. (2013) including 12 items based on a 5-point Likert scale. This questionnaire includes 4 dimensions, namely, auditors' perception, auditors' ability, auditors' knowledge, and auditors' performance, with its validity approved by experts. Among the items raised in this questionnaire are: "Do positive perceptions and perceptions of auditing lead to an enhanced perception of the auditor? Or, "Does the auditor's knowledge of the professional content of his or her job lead to the auditor's increased performance?" The content of the items is based on the extent to which auditors' perceptions of auditors' capabilities, auditors'

knowledge, auditors' audiences, and auditors' effectiveness toward clients lead them to anticipate expected behaviors to better examine financial statements. Furthermore, the reliability of this questionnaire was approved based on Cronbach's alpha coefficient, which was estimated to be about 0.82 in the study by Ju Lin (2014). It was re-evaluated due to the modified content of the items, calculated to be 0.78.

### Methodology

This is an applied study in terms of the type and nature of the problem and research objectives and a descriptive survey-correlational study in terms of the data collection method. In other words, data were collected using a survey (Dianti Deilami, 2014). Accordingly, a questionnaire was used to collect data because it is considered as an effective method of collecting data from a large sample based on previous research (Mael and Ashforth, 1992; Chen et al., 2009). Moreover, desk research method and study of theoretical foundations of similar research were used to gather theoretical foundations. Subjects were

interviewed for six months from October 28, 2019, to early May (or late April) 2020.

### Research tools

Data were collected using a questionnaire. The questionnaires used in this study were standardized questionnaires. The questions (items) of all the questionnaires were arranged through a five-point Likert scale, from strongly agree to strongly disagree. All questionnaires were referred to experts to check the validity and reviewed and modified in several stages in terms of the concept of questions and alignment with the objectives of the research. All questionnaire items were approved, and then the questionnaires were distributed among the target population.

According to the conceptual model above, the research hypotheses are:

Research Hypothesis) Self-fulfilling prophecy has a significant impact on Auditors Behavioral Inertia

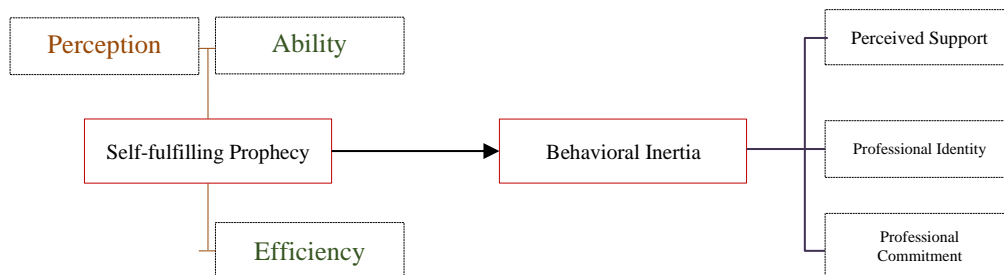


Figure 3: The conceptual research framework

### Statistical Population and Sample Size

The statistical population of this study consists of auditors working in the auditing organization and private sector audit firms in 2019. Due to the use of an unlimited statistical population in this study, the following equation has been used to determine the sample size:

In the above equation:

$$n = \frac{Z_{\alpha/2}^2 \cdot \sigma^2}{e^2} = \frac{1.96^2 \cdot 0.683^2}{0.1^2} = 179$$

$n$  indicates the sample size,  $Z_{\alpha/2}$  represents the normal standard value, ie 1.96,  $\sigma^2$  represents the community variance, obtained using a pre-test, and measures the standard deviation of a sample of 30 because it is unclear;  $e$  indicates the accuracy of the study, usually 0.1. (Bani Mahd et al., 2018). According to the above equation, the sample size was 179 people. To increase the research validity, 250 questionnaires were distributed randomly among auditors. Finally, 192 questionnaires were received and used as the basis for statistical analysis. Furthermore, the final analysis of the collected data was carried out using structural



equation modeling (SEM) and PLS software. In SEM, first, the fit of the model (including the fit of the measurement models, the fit of the structural model, and the fit of the overall model) is examined, followed by the test of the research hypotheses.

**Finding**

As can be seen, the highest average, 4.11, relates to the "efficiency of auditor" component of the "self-fulfilling prophecy" variable. This means that positive expectations in the auditing profession can increase the efficiency of auditors. The highest standard deviation is also related to the "perception of auditor" component of the "self-fulfilling prophecy" variable, indicating differences in participants' approaches to the impact of expectations on auditors' individual perceptions. Furthermore, the study of the "behavioral inertia" components shows that the highest average is related to the "professional identity of auditors," indicates the impact of the role of "dimensions of the audit profession" and related responsibilities in this profession on auditors, who express their identity based on auditing professional identity. Then, a conceptual model test is developed to fit its structural utility by PLS analysis. The software output, upon testing the conceptual model of the research, is shown in Figures 4 and 5. The results of the measurement and structural model tests are described in detail below.

Structural equation models are typically a combination of measurement and structural models, the former representing the subcomponents of latent variables and the latter representing the relationships between independent and dependent variables. Then, reliability index, convergent validity, and divergent (discriminant) validity were used to measure the fitness of the measurement model. Fornell and Larcker (1981) introduced three criteria for examining

construct validity: the validity of each item, the composite reliability (CR) of each construct, and the average variance extracted (AVE). Values greater than 0.4 for factor loadings, greater than 0.5 for AVE, and greater than 0.7 for CR indicate a good fitness of measurement models as well as convergent validity and reliability (Hulland, 1999). The results of these indicators are presented in Table 3.

This section uses the analysis of minimum squares (PLS) to perform statistical tests and model fit.

In this method, the reliability and validity of the research variables are first evaluated based on the partial least squares (PLS) method. Then, the hypotheses are tested by the model fit. However, descriptive statistics of research variables are first presented.

Following the CFA (Table 3), it was found that all items have an FL above 0.4, an AVE above 0.7, and a CR above 0.5, indicating the appropriateness of this criterion and the suitable reliability of the measurement models.

Acceptable divergent validity of a model refers to the situation in which a construct has more interaction with its characteristics than other models compared to other constructs. According to Fornell and Larcker (1981), divergent validity is acceptable when the AVE for each construct is greater than the pooled variance between that construct and the other constructs of the model. This is checked by a matrix whose cells contain the correlation coefficients between the constructs and the square root of the AVE values for each construct. Based on the results of the correlations and the square root of AVE, placed on the diameter of Table 3, the divergent validity of the model at the construct level can be inferred from the Fornell-Larcker criterion.

**Table 1: Descriptive statistics of research variables**

Criteria	Self-fulfilling prophecy			Behavioral inertia			
	Ability of auditor	Perception of auditor	Cognitive of auditor	Efficiency of auditor	Perceived support	Identity	Commitment
Mean	3.92	3.41	4.06	4.11	3.88	3.98	3.76
Median	4	3	4.33	4.33	3.75	4	3.50
SD	0.71	1.05	0.83	0.70	0.77	0.76	0.99
Min	2.67	2.00	2.33	2.67	2.50	2.60	2.00
Max	5.00	5.00	5.00	5.00	5.00	5.00	5.00

**Table 3: Descriptive statistics and confirmatory factor analysis (CFA) results**

Latent variables	Observed variables	Mean	SD	FL	AVE	CR
(Ability of Auditor)	1	3.92	0.71	0.88	0.58	0.81
	2			0.71		
	3			0.69		
(Perception of Auditor)	4	3.41	1.05	0.89	0.79	0.92
	5			0.91		
	6			0.87		
(Cognitive of Auditor)	7	4.06	0.83	0.77	0.63	0.83
	8			0.89		
	9			0.70		
(Efficiency of Auditor)	10	4.11	0.7	0.84	0.60	0.81
	11			0.90		
	12			0.51		
(Perceived Support)	13	3.88	0.77	0.67	0.72	0.91
	14			0.91		
	15			0.92		
	16			0.88		
(Professional Identity)	17	3.98	0.76	0.90	0.77	0.94
	18			0.85		
	19			0.86		
	20			0.92		
	21			0.85		
(Professional Commitment)	22	3.76	0.99	0.83	0.66	0.89
	23			0.90		
	24			0.76		
	25			0.75		
(Self-Fulfilling Prophecy)		3.88	0.55	--	0.44	0.75
(Behavioral Inertia)		3.88	0.59	--	0.50	0.75

**Table 4: Correlations between latent variables and AVE values**

Variables	Self-fulfilling prophecy				Behavioral inertia		
	Ability of auditor	Perception of auditor	Cognitive of auditor	Efficiency of auditor	Perceived support	Professional identity	Professional commitment
Ability of auditor	0.76	--	--	--	--	--	--
Perception of auditor	0.20	0.89	--	--	--	--	--
Cognitive of auditor	0.27	0.49	0.79	--	--	--	--
Efficiency of auditor	0.35	0.27	0.07	0.77	--	--	--
Perceived support	0.29	0.48	0.33	-0.13	0.85	--	--
Professional identity	0.37	0.17	0.36	0.08	0.15	0.88	--
Professional commitment	0.08	0.33	0.26	0.14	0.34	0.25	0.81

After measuring the validity and reliability of the measurement model, the structural model was evaluated using the relationships between latent variables. This study used two criteria, coefficient of determination ( $R^2$ ) and the coefficient of predictive power ( $Q^2$ ).  $R^2$  indicates the effects of an exogenous variable on an endogenous variable. It has been

calculated for an endogenous construct, indicating the suitability of the structural model fit (Figure 2).  $Q^2$  was also used to predict the predictive power of the model. According to Table 5, it can be concluded that the model has a "robust" predictive power.

**Table 5: Coefficient of determination (R<sup>2</sup>) and the coefficient of predictive power (Q<sup>2</sup>) values**

Criteria	R <sup>2</sup>	Q <sup>2</sup>
Ability of auditor	0.41	0.26
Perception of auditor	0.60	0.47
Cognitive of auditor	0.53	0.35
Efficiency of auditor	0.28	0.15
Perceived support	0.51	0.33
Professional identity	0.41	0.32
Professional commitment	0.58	0.30

Following the fitting of the measurement and structural parts of the model in this study, goodness-

of-fit (GOF) was used to control the overall model fit, with three values, 0.01, 0.25, and 0.36, as weak, medium, and strong. It can be calculated using Formula 1:

$$GOF = \sqrt{\overline{Communalities} \times R^2}$$

$\overline{Communalities}$  is obtained from the average communality by latent variables.

The GOF value was calculated to be 0.57, so the overall model fit is confirmed as "robust."

**Table 6: Results of fitting the general model of research variables**

Latent variables	Communality	R <sup>2</sup>	Communality	R <sup>2</sup>	GOF
Ability of auditor	0.58	0.41			
Perception of auditor	0.79	0.60			
Cognitive of auditor	0.63	0.53			
Efficiency of auditor	0.60	0.28			
Perceived support	0.72	0.51	0.63	0.45	0.53
Professional identity	0.77	0.41			
Professional commitment	0.66	0.58			
Self-fulfilling prophecy	0.44	--			
Behavioral inertia	0.50	0.30			

**Hypothesis testing**

After examining the fitness of the measurement and structural models and confirming their proper fit, the research hypotheses were tested. Table 7 shows the significance level results for each hypothesis, the standardized path coefficients for each hypothesis, and the hypothesis testing results at a 95% confidence

level.

Figure 5 and Table 6 show the significance levels of the variables. The hypotheses are confirmed because the significance levels are greater than the absolute value of 1.96.

**Table 7: Hypothesis testing**

Hypothesis	Causal relationships between research variables	Path coefficient (β)	(T-Value)	Test result
H <sub>1</sub>	Self-fulfilling prophecy has a significant effect on the auditor's behavioral inertia.	0.61	12.88	Confirmed

**Conclusion**

Many auditing standards state that the auditors' job is to accredit financial statements to protect the public interest. In other words, shareholders need auditing services to control the manager's duties to reduce agency conflict. The higher the level of auditor independence, the further the agency conflict between the manager and the shareholder can be reduced (Cao

et al., 2019). Inertia is a behavioral strategy to strengthen the auditor's behavioral and functional independence, which has its roots in physics, a reaction to destabilizing actions. Inertia is considered as an ability in the auditing profession because it develops independent functions and resistance to the influence of intermediaries and clients in line with auditing standards (Berglund and Eshleman, 2019).

Inertia in auditing is conceptually opposed to inertia in organizational behavior, referring to the resistance to organizational change and the emergence of a detrimental behavior against organizational strategies. However, it has an institutionalized value in the individual to maintain behavioral and functional independence. It is important to note that the audit profession is related in various dimensions to the social environment and stakeholder interests and expectations such as social expectations, including stakeholder (shareholders, investors, analysts, etc.) expectations and professional expectations, such as partners' expectations, etc. can affect the functional performance of auditors. This concept can lead to independence or lack of independence, depending on whether social approaches are positive or negative (Boiral et al., 2019). The study aims to investigate the effects of a self-fulfilling prophecy on auditors' behavioral inertia using the Pygmalion philosophical theory test. Based on research hypothesis testing results, it was found that self-fulfilling prophecy has a significant positive effect on auditors' behavioral inertia. Pygmalion's theory of self-fulfilling prophecy acknowledges that positive expectations and the psychological burden that motivate the auditor to perform his or her duties correctly and professionally, based on professional philosophies, can lead to greater dynamism in the auditor's decision-making functions and comments. Auditors must preserve their perceptual and behavioral independence in conformity with their specialized performance. This research addresses a phenomenon that conforms with the concept of independence, namely the auditor's behavioral inertia. Inertia is the antonym of flexibility, meaning resistance to influence or change in the individual. Inertia is considered in the content and concepts of organizational behavior as a warning of failing to exploit human resources due to the lack of acceptance of the change. Nevertheless, in the audit profession, it can be regarded as a foundation and model, according to which the auditors' behavior can be better analyzed in terms of maintaining independence and inflexibility against the pressure and influence of others. Inertia in audit behavior will cause the auditor to try not to be influenced by emotions and job engagement and to prefer a professional identity over the identity of the auditor-client (i.e., the identity given to the auditor by the client) It can also improve the auditor's independent functions so that he or she

can judge and comment based on independence-seeking behavior and insights. Pygmalion theory describes positive expectations in the social environment as a factor in shaping behavioral reinforcement in professional functions based on organizational behavior. Consistent with the above theory, this conclusion also confirms that these expectations can contribute to the greater dynamism of audit independence practices. In other words, expectations in social and professional contexts can be seen as trends as motivations for individuals to develop effective professional judgments. Here, based on the motivations received and positive expectations from their actions and decisions, people try to avoid implicit influence and dependence on clients and other intermediaries by maintaining their behavioral inertia and to emerge to perform best in the form of maintaining behavioral and functional independence. According to these results, the interaction of intellectual currents in society with the tendencies of investing in the capital market and creating more attractiveness by increasing the level of financial transparency for investors to make better decisions by regulatory bodies leads to two achievements. First, it will make investment more dynamic, and second, it will enable auditors to have a level of social awareness that aligns with the expectations and expectations of the professional auditing community, performing functional practices that are more independent in making professional decisions and judgments. Moreover, the inertial capabilities of auditors should be enhanced by using cultural tools and stabilizing practices such as visualizing the values of the auditing profession. This is because symbolizing the dimensions of an independent auditing culture can institutionalize ethical values in them and give the level of independence in judgment and behavior, as a capability, an advantage in the profession. It should be noted that the level of expectations reinforced and perceived not only by society but also by organizations and institutions overseeing the performance of auditors should be transferred in the form of cultural values to institutionalize as much perception and importance of the profession in auditors. This leads to certain behavioral sources, such as virtue. It is also suggested that continuous training be provided to strengthen the value-oriented functions of auditors to develop ethical conscientiousness. It can shape the skills and behavioral abilities, cognition and perception, and

decision-making power of auditors in complex situations under pressure based on ethical principles and values, and enhance the quality of decision-making and judgment to enhance the decision-making power of capital market elements.

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