



Applied-Research Paper

## Partial Least Squares Analysis to Measure the Impact of Pygmalion Financial Components

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### ABSTRACT

The growth and development of positive psychological approaches in the field of financial resource management have led to transcendental success as a new conceptual basis in the psychology of professions and occupations. This development has fostered a tendency to apply knowledge and skills to achieve financial development and meet job expectations. Moreover, it has the potential to promote the development of ethical financial practices. Certain professions, particularly those with increased responsibilities and accountability, play a significant role in observing the behavior of financial professionals. Deviations from ethical principles in these professions can have serious social consequences. Therefore, the purpose of this study is to investigate the impact of financial pygmalion on the development of financial confidence among financial auditors. The study employs partial least squares analysis (PLS) and incorporates the opinions of auditors who are members of the auditing organization and private sector auditing firms. The results of this study indicate that financial pygmalion has a positive and significant effect on three dimensions of auditors' financial ethics self-confidence: content understanding of the professional environment, understanding the value of the professional environment, and belonging to the auditors' professional environment. Regenerate response

## 1 Introduction

In every society, various occupations and professions adhere to a specific value system known as professional ethics, which complements the principles and rules of public ethics. Professional ethics encompasses a set of codified ethical rules that govern the behavior of professionals towards society, their colleagues, and stakeholders. Failure to adhere to these rules can result in significant cultural damage to both the profession and society [21]. The observance of professional behavior and adherence to ethical standards are pervasive norms within any society. Certain professions, particularly those with greater responsibility and accountability, play a crucial role in upholding professional behavior. Deviation from ethical principles within these professions can have serious social consequences. The auditing profession is one such profession, and any violation of its ethical

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and behavioral principles can have irreparable effects on stakeholder trust [7]. Over time, as competition in the auditing profession has increased, auditing service providers have adopted different approaches. They have sought to align their behavior with the standards and codes of professional conduct established by monitoring institutions and organizations. These efforts aim to foster responsible behavior based on the distinctive characteristics of the auditing profession in society [23]. The development of theories such as social identity theory, dependency theory, and professional commitment theories, along with specific criteria of the audit profession like impartiality and professional skepticism, has highlighted the significance of ethics in the competitive audit market environment. Previous research, including studies such as [2, 8, 21, 40, 46, 49], has addressed this issue from various perspectives. However, most of these studies have primarily focused on the ethical requirements and compliance of auditors, with limited exploration of the impact of unethical behaviors among auditors in other institutions. This research gap necessitates the development of new literature, particularly considering behavioral theories such as power-seeking and expectations [15]. With an awareness of this theoretical gap, this study aims to provide a model that enhances understanding of the subjective content and behavioral practices of auditors. Unethical behaviors within the auditing profession are a societal concern.

The potential institutionalization of such behaviors poses functional moral risks. Negative behavioral incentives undermine the development of ethical self-confidence sought by the auditing community and lead to a crisis in individual behaviors. On the other hand, the Pygmalion effect, as an expectation-based theory, plays a significant role in reducing these ethical abuses and institutionalizing ethical behavior in auditing. It highlights the influence of beliefs and expectations in strengthening adherence to ethical conduct. The Pygmalion effect encompasses individual expectations, beliefs, and expectations regarding the auditor's role in reviewing owners' financial performance. If these expectations are inaccurate or the perception of the auditor's capabilities is unsatisfactory, the auditor's performance suffers, directly affecting the quality of their comments [15]. Machiavellianism, on the other hand, represents an approach based on functional power-seeking and hypocrisy in individuals. It describes a tendency to deceive and mislead others to pursue self-interest, often at the expense of violating the rights of others. Individuals with high Machiavellianism disregard moral norms to achieve personal goals [50]. Ethics and professional ethics are critical issues in the field of accounting and auditing, directly impacting the honesty and competence of accountants and auditors in gaining public trust [4]. As the bankruptcy rates of major corporations like Enron and WorldCom increased, legislators and international institutions, such as the International Standards on Auditing [22], revised rules and standards to promote ethical behavior and the development of core values. Accounting professional institutions have developed guidelines, such as the Code of Professional Conduct, to motivate auditors to exhibit ethical behavior [6].

While auditing standards, like the IESBA Code of Ethics, guide auditors by examining and identifying threats within the profession, there is a need to develop ethical values based on motivational recognition. Certain ethical characteristics inherent to the auditing profession, such as neutrality and skepticism, significantly influence auditors. Therefore, reinforcing ethical values in the auditing profession requires a focus on external stimuli [37]. One such ethical stimulus is known as transcendental success, which holds a significant position in interpersonal communication theories by examining the impact of beliefs and expectations on auditors. Transcendental success refers to individual and public expectations and beliefs regarding the auditor's role in reviewing owners' financial performance. It can enhance adherence to ethical values in auditors or, conversely, decrease it due to negative external stimuli [15]. Transcendental success serves as a predictor of an individual's belief in moral values within the auditing profession. According to Shinde et al. [44], it can be compared to a reality shaped by individual and social beliefs. Without these beliefs, such a reality would not exist. The theory of transcendental success elucidates how auditors convey their mental

expectations about their professional values concerning owners and their performance. Auditors formulate their statements based on these expectations. The theory is rooted in the belief that auditors' values and expectations, aligned with the code of professional conduct, such as skepticism and neutrality, are influenced by societal behavior and expectations. The stakeholders' beliefs foster the responsible role of auditors, motivating them to scrutinize any deviations from the truth [25]. Furthermore, the theory of transcendental success highlights the role of negative feedback from specific stakeholders in shaping auditors' performance. If a negative atmosphere prevails concerning a client's past performance within the audit community, it can affect auditors' professional beliefs and subsequently their ethical values [52]. Given the increasing cases of fraud, tax evasion, and corporate bankruptcies in recent years, the development of ethical values within the auditing profession has gained significant importance. Consequently, it becomes crucial to consider incentives and influential factors in this realm. This study aims to investigate the impact of the Pygmalion effect, as an external stimulus, on functions that influence value-based development in auditing.

By addressing these aspects, this study contributes to filling the theoretical gap surrounding auditors' ethical behaviors. It emphasizes the need for a deeper understanding of the subjective content and behavioral practices of auditors. Unethical behaviors within the auditing profession pose significant challenges, and institutionalizing ethical values is paramount. The Pygmalion effect and the role of external stimuli, such as transcendental success, can play a vital role in shaping auditors' ethical conduct. Through this research, we aim to shed light on these dynamics and provide insights into enhancing ethical values in the auditing profession.

## 2 Theoretical

The effect of Pygmalion along with document theory is one of the important applications of perceptual process in profession and professional behavior. This phenomenon was first proposed by Merton [32] to explain the reason for the bankruptcy of well-known American banks during the years of recession.

### 2.1 Effect of Pygmalion

At the time, men's misconceptions led bankers to try to get their savings out of the bank [18]. Livingstone later called the phenomenon a pygmalion effect after observing the results of an experiment. The results he observed were not due to an independent cause but to the expectations that the subconscious researcher had instilled in people. Knowing that people are supposed to behave in a certain way, this preconception led them to behave as expected [30]. The effect of pygmalion refers to a psychological phenomenon according to which people react directly to the level of expectations of others. For example, if the public believes that the auditors do not have the necessary technical and professional performance, the auditors themselves believe and do not really perform at the desired level in terms of the quality of the audits. If there are high expectations, they increase their efforts to achieve such expectations [54].

The effect of Pygmalion is an important tool in the auditing profession that its effects may not have been addressed much, at least in scientific and experimental research. This theory informs auditing partners that the success factor for auditors does not depend solely on the circumstances, quality and competence of the individual or the work environment [43]. Audit partners and even the community that benefits auditors' decisions should always believe in auditors and expect them to succeed with the best results; Because it is in this situation that auditors will always feel this belief and will show their best skills and abilities [44]. Based on the model of interaction and behavior regulation of Guiral-Contreras et al. [15], who examined the effect of Pygmalion on the audit profession, it should be

noted that expectations from the performance of the auditing profession influence their votes and decisions. On the other hand, Louwers et al. [30] identified three important dilemmas that confirm the effect of Pygmalion. It is difficult to believe that an auditor's quality comment can be an indicator for stakeholder decision-making, as it is possible that the auditor's comment is influenced by a positive atmosphere for the owners. Second, if this is the case, it is not clear whether the auditor's comments can make shareholder investment more attractive to the capital market owner. Third, given the effect Pygmalion has created, auditors may be influenced by expectations or a positive atmosphere for owners, in which case they may not be able to fully assess owners' financial performance, and this may affect the quality of auditors' comments.

## **2.2 Develop Auditors' Ethical Confidence**

In recent years, non-compliance with moral values has led to several financial scandals. Kaplan [7] argues that while the impact of auditors' unprofessional behavior and ethical slips may be small, this leads to the collapse of the world's largest companies, causing hundreds of billions of dollars in shareholder assets to be lost. Therefore, observance of the principles of professional behavior and ethical standards by auditors, educated people, supervisory boards, regulatory boards and employers seems necessary [16]. Given the impartiality of auditors' personality traits, such as ethical values, it seems necessary to focus on reinforcing and applying it in the profession for auditing financial statements. In fact, value criteria in the auditing profession are understood in the form of ethical culture in this profession. Moral culture is one of the most important deterrents to immoral behavior versus moral behavior [13]. Despite the attention of some studies to the impact of moral culture on moral behaviors such as the research of [45,46,47,55] still have this mindset: to what extent can an auditor be expected to adhere to his or her professional performance, or to what extent can ethical values be used to enhance the quality of financial statement reviews? Research on the impact of ethical culture on the auditor's ethical behaviors has focused more on the relationship between personal and social factors influencing ethical behavior.

Windsor and Ashkanasy [55] found with some skepticism that organizational culture in auditing firms influences auditors' decision-making style, which in turn will influence their ethical decisions. They believe that the processes of culturalization in auditing firms will lead to the emergence of bold and result-based values that will limit the relationship between organizational culture and different styles of personal decision-making. Douglas et al. [13] examined the impact of ethical culture on the auditor's individual values as well as the combined effect of the two on how auditors judge ethical dilemmas. Their results suggest that ethical culture in auditing firms is indirectly related to ethical judgments so that ethical culture influences individual values and these values in turn will affect the auditor's judgments of their existence. None of these findings provide a clear understanding of the relationship between the auditor's ethical culture and impartiality, but they do point to reasons for such a relationship. Professional behavior represents a set of ethical rules and virtues, and these ethical rules are essential for the existence and continuity of the profession. Therefore, due to the importance of ethics and professional behavior, and to enable professionals to do their job in a completely honest, flawless, and correct manner, the organizers of the audit profession laid down the rules, regulations, and principles of professional behavior.

These laws usually include honesty, truthfulness, loyalty, respect, a sense of responsibility and concern for the interests of others, caution, justice and adherence to laws and regulations [51]. Although ethical standards are often emphasized in auditing standards and professional conduct as principles and ethics, less attention is paid to the ethical implications and goals that an auditor believes in the profession and career path. has taken. Studies such as [4, 12, 14, 18, 21, 27, 33, 37, 44, 49, 56, 58] have dealt with similar issues in the fields of moral philosophy, ethics, moral validity, and so on. As can be seen, the issue of developing an auditor's ethical confidence is a pervasive one and

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can cover a wide range of concepts related to the individual philosophies and professions of auditors. Therefore, in this section, a corner of the models related to the development of moral self-confidence is presented and based on that, the model of moral self-confidence development is deduced from the concepts and content of similar researches.

### **2.3 The Effect of Pygmalion on the Development of Auditors' Ethical Confidence**

In any profession, awareness of motivation is an important and fundamental issue, because motivation is the motivation to perform actions. Job expectations as a motivating factor can play a significant role in individual performance, because it shows the belief in the person in line with the set goals. The effect of transcendental success, as a theory in this field, examines the role of expectations in any profession, especially those that are based on competitive motivation. In fact, if the high expectations of one person (supervisor) increase the performance of other people (employees), then the effect of self-success is formed. Although the effect of self-success in the auditing profession on ethical values has not been studied, but its effect on ethical dimensions such as skepticism and continuity of owners' performance has been considered by several studies. Based on the model of interaction and behavior regulation of Guiral-Contreras et al. [15], who examined the effect of self-success in the auditing profession and stated that expectations from the performance of the auditing profession affect the opinion and judgment of auditors.

Ju Lin [25] regarding the effect of self-success on the quality and independence of the auditor's opinion regarding the auditor's tenure, the type of expectation created in this area is crucial, because if negative expectations are reinforced, the auditor in his career. It will become frustrating over time, and this can reduce the quality of the auditor's individual performance. However, if expectations are formed based on the perception of the position and nature of the auditor's position, the quality of the auditor's comments is enhanced, and this can shorten the auditor's tenure. This is because the motivation of commitment and professionalism creates an identity in the auditor. Islam [24] in a study entitled "Auditing in the 21st century" refers to the influential role of the effect of pygmalion (transcendental success). According to Islam [24], partners who have higher expectations of their auditors lead them to more significant achievements, achievements that are both individual and social in nature and are based more on the auditor's spiritual rewards. On the other hand, Louwers et al. [30] identified three important dilemmas that confirm the effect of pygmalion. It is difficult to believe that an auditor's quality comment can be an indicator for stakeholder decision-making, as it is possible that the auditor's comment is influenced by a positive atmosphere for the owners. Second, if this is the case, it is not clear whether the auditor's comments can make shareholder investment more attractive to the capital market owner. Third, given the effect Pygmalion has created, auditors may be influenced by expectations or a positive atmosphere for owners, in which case they may not be able to fully assess owners' financial performance, and this may affect the quality of auditors' comments.

### **2.4 Experimental Background**

Latan et al. [31] a study examining the relationship between moral awareness and professional judgment with disclosure of secrets; They have played the mediating role of perceived ethics. The results showed that emotions play a mediating role in the relationship between moral awareness and professional judgment. Perceived emotions and ethics can also improve the relationship between professional judgment and the intention to divulge secrets. Findings show that internal auditors have disclosed more secrets than external auditors, and reporting internal errors anonymously is the preferred method for professional accountants to disclose secrets. In a study, Mansor et al. [35] studied the role of professional commitment and independence commitment in exposing immoral

cases by auditors. The presented results showed that professional commitment and independence commitment had a positive effect on the intention to disclose and also professional factors can increase the intention of auditors to disclose. Drozd et al. [12] in the study examined the management of ethical behavior in auditors. The results of this study showed that ethical test standards and effectiveness criteria in accordance with ethical values can be used to evaluate the ethical behavior of auditors. In relation to similar experimental research, it should be noted that research with a similar approach to this research has not been conducted and in this section, an attempt is made to examine research to some extent in terms of a similar concept. Kenneth et al. [28] conducted a study entitled *The Impact of the Quality of Auditor Comments on the Stress of the Auditing Profession*. In this study, 293 US auditors were examined and the results showed that criteria related to job stress such as time budget tightness, overtime and workload have a negative and significant effect on the quality of the auditor's comments. Svanberg and Ohman [45] conducted a study entitled *Exploratory Study on Ethical Riddles and Conflicts in the Auditing Profession*.

In this study, which was conducted through data analysis of the foundation, 18 auditing experts were present. Based on three-stage interviews and coding, 4 main components of conscientiousness, responsibility, social interaction and quality of audit reviews as the most important dimensions of reducing professional conflicts in auditing. And solve audit puzzles to be determined. In fact, the results show that auditors should be diligent in reducing communication and interaction ambiguities between auditors and employers along with auditing standards such as tenure requirements, due to their professional perceptions, which can be strengthened based on the above four principles. And do not distort the audit profession at the community level. Holtbrügge et al. [19] conducted a study entitled *Personal characteristics, environmental conditions and ethical characteristics of the auditor with the aim of social cognition in the auditing profession*. In this study, researchers used a questionnaire as a data collection tool and 125 auditors from Lithuania were selected as members of the target community. The results showed that there is a positive and significant relationship between personal characteristics and environmental conditions with ethics in the auditing profession and social cognition, which was measured inspired by social identity theory, creates a stronger relationship between environmental conditions and personal characteristics with ethics in the auditing profession. Andreas [4] examined the effect of optimism on auditors' impartiality and understanding of professional ethics. In this study, using a comparative study, 125 auditors were examined in both experimental and control groups and the results showed that self-belief has a positive and significant effect on auditors' impartiality and understanding of professional ethics, so that the results of this study show Which, by increasing the auditors 'self-confidence as a trait (personality), evokes auditors' neutrality and reduces profit smoothing as an indirect result of this review.

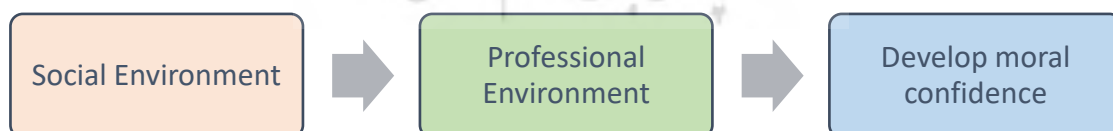
LaSalle and Anandarajan [29] conducted a study entitled *The Relationship between Auditor Displacement and the Impact of Pygmalion (Transcendental Success): A two-variable statistical model*. The results of this study showed that invisible interventions in professional relationships have a positive effect on the professional behaviors of auditors. It was also found that the effects of pygmalion theory reduce the audit tenure. Shinde et al. [44] conducted a study entitled *The Study of the Impact of Pygmalion (Transcendental Success) on Continuity*. The study involved 140 California audit partners as members of the statistical community, and a questionnaire was used to collect data. In this study, the success of feedback was measured based on 4 dimensions of auditors 'perception, auditors' ability, auditors 'knowledge and auditors' efficiency, and a 12-item questionnaire without subscales was used to continue the auditor's comments. The results showed that all four dimensions of self-success have a positive and significant effect on the continuity of auditors' comments. Akbari et al. [3] in a study examined the effect of effective communication and participation on reducing deviations and corruption of auditors examined the effect of effective communication and participation on reducing deviations and corruption of auditors. For this purpose, 160 people

(including technical manager, senior manager and Supervisor) During the research process, they were analyzed using a questionnaire. Finally, the results of the analysis using the structural equation technique and Smart PLS software indicated that the delay of job satisfaction on corruption and participation on work deviation was not confirmed, other research results indicate the delay of variables Has been on top of each other. Shayesteh Shojaei et al. [48] in a study examined the effect of ethical behavior criteria (including ethical environment, professional commitment, ethical values and ethical ideology) on the performance of auditors.

The results show that all variables under the ethical environment (including environment) Instrumental, arbitrary environment, independent environment, criteria environment, performance-oriented environment and law and regulation environment) have a positive and significant effect on auditor performance, but from the variables of ethical ideology, idealism has a positive and significant effect on auditors' performance. Relativism has a significant negative impact on auditors' performance. The results also show that the main research variables including ethical environment, professional commitment, ethical values , and ethical ideology have a positive and significant effect on the professional performance of auditors. Derakhshanmehr et al. [11] in a study analyzed the relationship between the components of professional ethics, ethical leadership, and social responsibilities with the performance of independent auditors. The results show the ability to predict the performance of independent auditors through the components of professional ethics, ethical leadership, and social responsibility. The results also show that the relationship between professional ethics and the performance of independent auditors is mediated through ethical leadership and social responsibility. Hajiha and Khodamoradi [20] in a study examined the effects of ethical culture on the performance of auditors (audit time budget pressure, audit quality, and less reporting of audit time) and their research results showed that between the existence of ethical culture and improving the quality of the report There is a positive and significant relationship between auditing and ethical culture. There is a negative and significant relationship between auditing time pressure and less reporting of auditing time.

### 3 The Model of Reflecting the Ethics of the Audit Profession

This model was proposed by Martin [34] and defined the basis of ethics as a social consequence as a reflection of pluralistic behaviorism in work and professional settings. In fact, the achievement of ethical philosophies in the auditing profession is due to the definition of one's goals in the social environment. When an auditor understands the concept of equality and transparency in his or her social environment, auditor is likely to behave more fairly in his or her professional conduct.



**Fig. 1:** Model of moral reflection

As evidenced by the conceptual model derived from ethics in the auditing profession, the social environment and then the professional environment can be a factor in achieving the development of the auditor's ethical confidence in the professional realm and lead to a stronger inference for the auditor than Create his job and work content.



### 3.1 Conceptual Model of Research

Based on the description of data collection tools and using the questionnaires of Shinde et al. [44] and Guiral-Contreras et al. [15], the following adaptation model is used to test research hypotheses.

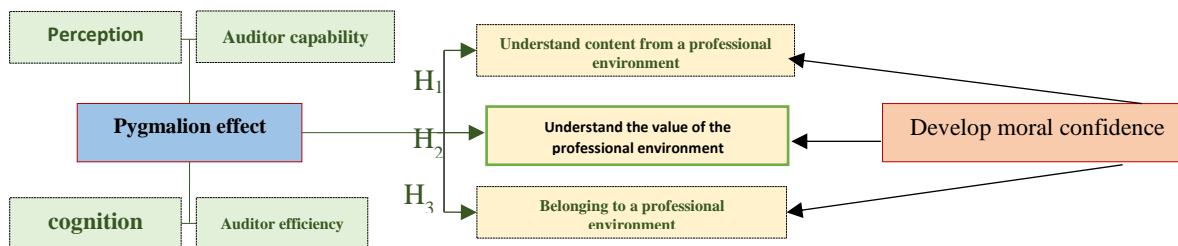


Fig. 4: Conceptual framework of research

Based on the above conceptual model, the research hypotheses are:

1. Pygmalion has a significant impact on the content understanding of the auditors' professional environment.
2. Pygmalion has a significant effect on understanding the value of the auditors' professional environment.
3. Pygmalion has a significant effect on belonging to the auditors' professional environment.

### 3.2 Research Methodology

The present research is applied in terms of the type and nature of the problem and the objectives of the research. This research is a descriptive survey-correlational data collection method. In other words, the required data were collected based on a survey. Accordingly, a questionnaire was used because, following previous research, it is an effective method of collecting data from a large sample [17,39]. Also, to collect the theoretical foundations, the library method and the study of the theoretical foundations of similar researches were used and in the first 6 months, 1400 were distributed among the target population. The tool for collecting research data was a questionnaire. Accordingly, the standard questionnaires of Shinde et al. [44] and Guiral-Contreras et al. [15] have been used. The questions of both questionnaires were arranged through a 5 Likert scale from strongly agree to strongly disagree.

As far as possible, the tools used (questionnaires) in this study are valid criteria that have been confirmed in previous studies. Higher scores indicate the high rate of each of the variables used in this study. The researcher also gave a moral commitment to the participants to observe ethical issues and confidentiality in maintaining and disseminating information. Also, when distributing the questionnaires, while explaining the nature of the research, they were asked to freely choose the answers they wanted, because there is not necessarily any right or wrong option. It is important to note that all data are collected from one source over a period of time (each participant completes all predictive and standard questionnaires at a time). The following is how to measure research variables:

### 3.3 Effect of Pygmalion

In this study, Shinde et al. [44] questionnaire, which includes 12 questions based on the 5-point Likert scale, has been used. This questionnaire includes 4 dimensions of auditors 'perception, auditors' ability, auditors 'knowledge and auditors' efficiency, the validity of which has been approved by experts. This questionnaire asks questions such as whether positive perceptions and perceptions of the auditing profession strengthen the auditor's perception? or does the auditor's



knowledge of the content of his / her profession increase the auditor's efficiency? In fact, the content of the questions is based on the extent to which the expectations related to the auditors' perception, auditors' capabilities, auditors' knowledge and auditors' efficiency towards customers (owners) cause the expected behaviors to show more quality reviews. . Also, the reliability of this questionnaire was confirmed based on Cronbach's alpha coefficient and was estimated to be about 0.82 by Ju Lin [25] research.

In this study, in order to measure the development of moral self-confidence, the Guiral-Contreras et al. [15], which includes 10 questions based on the 5-point Likert scale, has been used. This questionnaire includes three dimensions of content understanding of the professional environment of auditors, value understanding of the professional environment of auditors and belonging to the professional environment, which examines professional approaches in auditing ethics. In this questionnaire, questions such as whether the presence of spirituality in you causes you to focus more on audit judgments, or the existence of culturally institutionalized values raises the level of specialized functions in you? In fact, the content of these questions is based on examining the approaches and values of ethics based on behavioral virtues in order to maintain or develop ethical confidence in the auditing profession. Also, the reliability of this questionnaire was confirmed based on Cronbach's alpha coefficient and was determined to be about 0.75 by Espinosa-Pike and Barrainkua [14] research.

### 3.4 Statistical Population and Sample Size

The statistical population of this study is auditors working in the auditing organization and private sector auditing firms in 2020. Given that the statistical population in this study is unlimited, the following equation has been used to determine the sample size:

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

In the above relation:

n: indicates the sample size;

$Z_{\alpha/2}$ : standard normal value is 1.96;

$\sigma^2$ : indicates the variance of the population which, because it is not clear, was obtained by using a pre-test and examining the standard deviation of a sample of 30;

e: The accuracy of the research is usually considered equal to 0.1 [10].

Due to the above relationship, the sample size of 179 people was obtained that to increase the validity of the research, 250 questionnaires were randomly distributed among auditors and finally, 192 questionnaires were received and used as a basis for statistical analysis. The final analysis of the collected data was performed using structural equation modeling and PLS software. The steps of modeling structural equations are as follows: first, model fit (including measurement model fit, structural model fit, and general model fit) and then test the research hypotheses.

## 4 Research Findings

In this section, partial least squares analysis (PLS) is used for statistical tests and model fit. Therefore, in order to assess the reliability of the questionnaires, Cronbach's alpha method, which is a kind of internal consistency, was used. Typically, the Cronbach's alpha capability range ranges from zero meaning no positive correlation to one meaning complete correlation, and the closer the

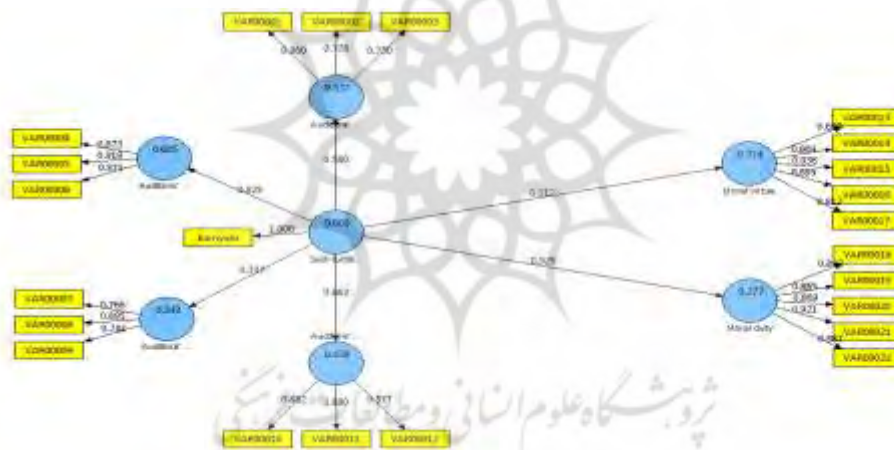
number is to one, the greater the reliability of the questionnaire. As shown in Table 1, an alpha value above 0.7 for each questionnaire indicates the appropriate reliability of all three questionnaires used in this study.

**Table 1:** Assessing the reliability of the questionnaire

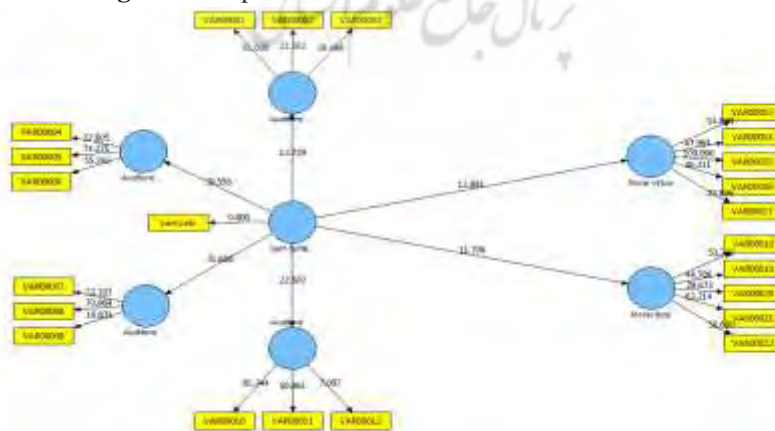
Concealed variables	(Alpha > 0.7)Cronbach's alpha
Capability of auditors	·/76
Audit recognition	·/73
Performance of auditors	·/71
Audit perception	·/92
Understand the content of the professional environment	·/87
Understand the value of the professional environment	·/98
Belonging to the professional environment	0/85

### 4.1 Test of the Conceptual Model and Research Hypotheses

Structural equation modeling with partial least squares and Smart-PLs approach was used to analyze the research data. Software that uses structural equation modeling based on this statistical method is compatible with conditions such as the alignment of independent variables, the normality of the data, and the small size of the sample [18]. The software output, after testing the research conceptual model, is shown in Figures 5 and 6. Below are the results of the study of the two parts of the measurement model test and the structural model test in detail.



**Fig. 5:** Conceptual Model of Research in Standard Mode



**Fig. 6:** Conceptual Research Model With Significant Coefficients (T-values)

Structural equation models are usually a combination of measurement models (representing the subcomponents of latent variables) and structural models (representing the relationships between independent and dependent variables).

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

Concealed variables	obvious variables	mean	Std. Dev.	FL	AV	C.R.
Capability of auditors	1	3,24	0,72	0,82	0,6	0,8
	2			0,79		
	3			0,76		
Audit recognition	4	3,81	1,03	0,81	0,7	0,9
	5			0,91		
	6			0,85		
Performance of auditors	7	4,39	0,81	0,74	0,6	0,8
	8			0,92		
	9			0,72		
Audit perception	10	4,24	0,79	0,89	0,6	0,8
	11			0,88		
	12			0,58		
Understand the content of the professional environment	13	3,82	,071	0,72	0,7	0,9
	14			0,91		
	15			0,91		
	16			0,86		
	17			0,81		
Understand the value of the professional environment	18	4,01	,079	0,91	0,7	0,9
	19			0,93		
	20			0,87		
	21			0,86		
	22			,083		
Belonging to the professional environment	23	4,08	,076	0,76	0,7	0,9
	24			0,82		
	25			0,91		
	26			0,73		
	27			0,85		
Effect of Pygmalion	Pygmalion	3,96	,053	1,00	1,0	1,0

## 4.2 Check the Measurement Model Test

Index reliability, convergent validity and divergent validity were used to measure the fit of the measurement model. To examine the validity of structures [12], they introduced three criteria, which include the validity of each item, the combined reliability (CR) of each structure, and the mean variance extracted (AVE). Values greater than 0.4 for factor load coefficients, greater than 0.5 for mean variance extracted (AVE), and greater than 0.7 for composite reliability (CR) indicate that the measurement models fit well and that they converge in terms of reliability and validity [17-23]. The results of these indicators are shown in Table 3. After performing the confirmatory factor analysis, the results of which were shown in Table 2, it was found that all items had a factor load higher than 0.4, the average extracted variance above 0.7 and a composite reliability above 0.5. 0, which indicates the appropriateness of this criterion and the appropriate reliability of measurement models.

Acceptable divergence validity of a model indicates that one structure in the model has more interaction with its characteristics than other structures. Fornell and Larker state that the divergent validity is at an acceptable level when the AVE for each structure is greater than the common variance between that structure and other structures in the model [12]. This is done by a matrix in

which the cells of this matrix contain the values of the correlation coefficients between the structures and the square root of the AVE values for each structure. Based on the results of correlations and AVE root placed on the diameter of Table 3, the divergence validity of the model at the structural level can be concluded from the Fornell-Larker criterion.

**Table 3:** Correlations Between Latent Variables and the Value of AVE

	Capability of auditors	Recognition of auditors	Performance of auditors	Perception of auditors	Understand the content of the environment	Understanding the value of the environment	Belonging to the environment	Pygmalion
Capability of auditors	0							
Recognition of auditors	0	0						
Performance of auditors	4	6	9					
Perception of auditors	3	7	0	9				
Understand the content of the environment	2	1	0	2	9			
Understanding the value of the environment	4	9	7	3	6	5		
Belonging to the environment	8	7	4	9	9	9	7	
Pygmalion	8	4	7	5	3	1	1	0

### 4.3 Structural Model Evaluation

After measuring the validity and reliability of the measurement model, the structural model was evaluated through the relationships between latent variables. In the present study, two criteria of coefficient of determination ( $R^2$ ) and coefficient of predictive power ( $Q^2$ ) have been used.

#### Determination factor ( $R^2$ ) and forecast power factor ( $Q^2$ )

( $R^2$ ) is a measure that indicates the effect of an exogenous variable on an endogenous variable. According to Fig. 2, the value ( $R^2$ ) has been calculated for the endogenous structures of the research, which can confirm the suitability of the structural model. In addition, a criterion called ( $Q^2$ ) was used to evaluate the predictive power of the model. According to the results of this criterion in Table 4, it can be concluded that the model has a "strong" predictive power.

**Table 4:** The Values of Coefficient Of Determination and Coefficient of Predictive Power

Criteria	$R^2$	$Q^2$
Capability of auditors	0,38	0,16
Audit recognition	0,57	0,26
Performance of auditors	0,42	0,26
Audit perception	0,71	0,57
Understand the content of the professional environment	0,29	0,21
Understand the value of the professional environment	0,37	0,21
Belonging to the professional environment	0,42	0,25

After fitting the measurement and structural part of the present study, in order to control the overall fit of the model, a criterion called FOG was used, for which three values of 0.01, 0.25 and 0.36 were introduced as weak, medium and strong values. Has been. This criterion is calculated using Formula (1):

$$\text{GOF} = \sqrt{\overline{\text{Communalities}} \times \overline{\text{R}^2}} \quad (1)$$

$\overline{\text{Communalities}}$  is obtained from the average of the common values of the latent variables of the research.

**Table 5:** Results of Fitting the General Model of Research Variables

Concealed variables	Communality	R <sup>2</sup>	$\overline{\text{Communalities}}$	$\overline{\text{R}^2}$	GOF
Capability of auditors	0.64	0,38			
Audit recognition	0.65	0,57	0/75	0/49	0/57
Performance of auditors	0.63	0,42			
Audit perception	0.79	0,71			
Understand the content of the professional environment	0.79	0,29			
Understand the value of the professional environment	0.73	0,37			
Belonging to the professional environment	0,71	0,42			
Pygmalion	1.00				

Given that the GOF criterion is 0.57, the overall fit of the model is confirmed as "strong".

#### 4.4 Test of Research Hypotheses

After examining the fit of the measurement models and the structural model and having a suitable fit of the models, the research hypotheses were examined and tested. In the following, the results of significant coefficients for each hypothesis, standardized coefficients of paths related to each hypothesis and the results of hypothesis testing at the 95% confidence level are presented in Table 6.

The significance coefficients of the variables are expressed in Fig. 3 and Table 6. Given that the significance coefficients of the variables are greater than the absolute value of 1.96, the hypotheses are confirmed.

**Table 6:** Test of Research Hypotheses

Hypothe	Causal relationships between research variables	Path coefficient ( $\beta$ )	T value	Results
H <sub>1</sub>	Pygmalion has a significant impact on understanding the content of the auditors' professional environment.	0/61	12/91	Confirm
H <sub>2</sub>	Pygmalion has a significant effect on understanding the value of the auditors' professional environment.	0,66	12/87	Confirm
H <sub>3</sub>	Pygmalion has a significant effect on belonging to the professional environment of auditors.	0/52	11/72	Confirm

## 5 Conclusions and Practical Suggestions of the Research

As the work environment becomes more complex, the level of learning and expectations from people has caused work to be considered as a double-edged sword. If the expectations are positive, the person will experience more job motivation, but if the person is negative, he will experience job frustrations. Affected by the. Transcendental success has been considered as a theory based on the same expectations in recent years, according to which people have a more coherent level of knowledge of the profession and its relevance to their perception. It is noteworthy that the perception of success at work can lead to changes in job attitudes. In fact, if a person gets energy from his work and work is considered as an opportunity for him to learn and apply knowledge and skills, this can affect a person's perception of his job. In fact, from a psychological point of view, attitudes determine a person's view of the environment and job attitudes affect people's perception of the work environment and their judgments [36].

The purpose of this study is to investigate the effect of Pygmalion on the development of auditors' ethical confidence. Based on the results of the statistical test of the first hypothesis of the research, it was determined that Pygmalion has a significant effect on the content understanding of the professional environment of auditors. In fact, Pygmalion is a perception of society's expectations that affects the ethical and professional performance of auditors and causes auditors to behave in a way that reinforces society's expectations. Accordingly, this hypothesis showed that by increasing the level of Pygmalion due to the existence of effective audit expectations in improving the level of transparency and information functions for better decision making of shareholders, investors and analysts, ethical approaches in terms of virtue will be strengthened. Increase accountability responsibly when making judgments and decisions. Existence of Pygmalion depending on the situations and environments of the profession is an important factor in the development of ethical virtues of auditors, because the existence of positive social expectations of auditors will control the pressure and influence of intermediaries, increase efforts to improve ethical practices in the profession. And enable auditors to have a more coherent understanding of their professional responsibilities. Pygmalion also helps to rethink the understanding of the content of the environment during the professional auditing process and allows auditors to adjust to changing social attitudes and expectations. The result is conceptually consistent with the research of Moizer [33] and LaSalle and Anandarajan [29].

Also, the result of the second hypothesis of the research is that Pygmalion has a positive effect on understanding the value of the professional environment. In fact, ethical conscientiousness or conscientious ethics as another dimension of professional ethics values is a kind of consistent attitude of the individual in terms of experience and level of learning in the career path that makes a person more committed to professional values. Pygmalion in terms of the existence of expectations in the work environment increases the level of auditor's conscientiousness due to the existence of social and institutional expectations and causes us to see better performance of auditors accordingly. In other words, Pygmalion can help auditors become more aware of the sensitive points of the profession and focus on ethical judgments alongside the principles of the auditing profession. This result shows the extent to which the level of expectations and placing these expectations within the framework of professional norms can help increase the level of adherence of auditors to the code of professional conduct and increase the performance of the audit profession and build more trust in the profession. Based on Pygmalion, an auditor will receive a more comprehensive knowledge and feedback from his / her professional environment, based on which he / she will try to perform his / her duties conscientiously according to social expectations and approaches. The result is conceptually consistent with the research of Moizer [33] and LaSalle and

Anandarajan [29]. In other words, the behaviors that reduce the quality of the audit that results from the auditors' behavior during the audit period reduce the efficiency of the evidence collection and make the assumption that the auditor has been influenced by the owners more likely. Apart from reducing the level of transparency and reducing the power of decision-making on this basis, the most important point is the pervasiveness of these immoral behaviors, especially in societies that easily allow these behaviors to occur due to lack of supervision.

In fact, the existence of these behaviors on the part of the auditor's predecessors causes a kind of motivation and reinforces negative and utilitarian behavior and causes the auditors' professional performance to be affected. In fact, the institutionalized behavior of these behaviors, while affecting the quality of the audit, causes the credibility of the audit profession to be criticized, because the basis of audit studies is the existence of some kind of trust in the profession in any society. On the other hand, because the elements of the auditors' psychological contract with the community and stakeholders are not fundamentally clear and transparent, the behavioral frameworks are less effective than legal instruments in promoting ethics. Because ethical standards are not quantifiable and may not be within the standards, strengthening professional behaviorism requires raising the level of culture in the auditing profession. On the other hand, there is always the moral assumption that behaviorism in the auditing profession has been the result of the strengthening of auditors' motivations by partners or the community. Also, Pygmalion has a significant effect on belonging to the auditors' professional environment. In fact, the effect of Pygmalion defines the role of beliefs and expectations in strengthening adherence to ethical behaviors and refers to a set of individual expectations and expectations and beliefs of the auditor and his role in reviewing the financial performance of owners that can improve auditor performance. Expectations are inaccurate and the perception of the auditor's capabilities is not satisfactory, the auditor's performance is reduced and this can directly affect the quality of the auditors' comments [15].

According to the obtained results, it is suggested to create a stronger and more perceived level of expectations not only from the society but also from organizations and institutions that supervise the auditors' performance in order to perceive more attention and importance of this profession in auditors than before. Create specific behavioral sources such as virtue. It is also suggested that in order to develop the ethical conscientiousness of training courses with the aim of strengthening the core value functions in auditors on an ongoing basis. This can shape the skills and behavioral capabilities, cognition and perception and power of auditors' decisions in complex situations with high pressures based on ethical principles and values, and increase the quality of decisions and judgments to increase the decision-making power of the capital market. Legislators and policymakers in the field of auditing are encouraged to develop oversight mechanisms to further monitor the conduct of auditing firms in order to prevent opportunistic behaviors. It is suggested that in order to strengthen the professional performance of auditors, the level of expectations defined from auditing behaviors in the community and stakeholders should be created, which while identifying effective values will strengthen the behavior of auditors and cause auditors to react positively to these behaviors. Show themselves.

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