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Yin Xu

Karl J. Wang

Doug Ziegenfuss
Old Dominion University, dziegenf@odu.edu

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The Effect of Professional Identity Salience and Leadership Climate on Accountants' Ethical Decisions

Yin Xu
Department of Accounting and Business Law,
School of Business,
College of Charleston, USA

Karl J. Wang
Patterson School of Accountancy,
University of Mississippi, USA

Douglas E. Ziegenfuss
School of Accountancy, Strome College of Business,
Old Dominion University, USA

ABSTRACT

The purpose of this study was to examine the influence of contextual factors in organizations on accountants' ethical decisions. Specifically, the study investigated whether professional identity salience and ethical leadership climate affected accountants' ethical judgments and intentions to act more ethically. A study is conducted, in a 2 x 2 between-factorial design, by using certified public accountants (N=375) as participants. The findings show that accountants made more ethical judgments when professional identity salience was increased by highlighting the professional code of ethics. Accountants intended to act more ethically only when the leadership climate was positive. The results suggest that a good ethical climate created through management practices potentially constitutes a necessary condition to influence employees' ethical behavior.

Keywords: professional identity salience, ethical leadership climate, accountants' ethical behavior

Correspondence address:
Yin Xu, Ph.D.
Professor of Accounting
Department of Accounting and Business Law
School of Business, College of Charleston,
5 Liberty Street, Charleston, SC 29424, USA
e-mail: xuy1@cofc.edu

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1. Introduction

Highly publicized accounting and corporate governance failures in the United States and other countries have underscored the importance of the role of accountants. Concerns and issues have been raised regarding the integrity of the accounting profession, questionable ethical practices of accountants, and the role of accounting academics (Cooper, Everett and Neu, 2005). While much ethics research in accounting focuses on the ethical reasoning level of accountants in public accounting firms (Scofield, Phillip and Bailey, 2004; Ponemon, 1992), ethical education (Armstrong, 1987, 1993; Christensen and Woodland, 2018), or whether college education is generating the type of accounting and business people needed to prevent future accounting or corporate governance failures (Low, Davey and K. Hooper, 2008), this study examines the impact of contextual factors in organizations on accountants' ethical decisions. More specifically, a study is conducted to investigate the influence of professional identity salience and ethical leadership climate on accountants' ethical judgment and intention to act ethically.

Research in behavioral ethics in organizations is primarily based on the cognitive developmental model (Rest, 1986, 1994) that includes the sequences of ethical awareness, ethical judgment, ethical intention, and ethical behavior (Treviňo, Weaver and Reynolds, 2006; Tenbrunsel and Smith-Crowe 2008). Empirical evidence indicates that accountants, in general, possess relatively lower ethical judgment capacity than other individuals (Armstrong 1987; Lampe and Finn, 1992) or other professionals such as attorneys (Scofield, Phillip and Bailey, 2004). Evidence also shows that accountants appear to have an ethical reasoning level that is likely to be influenced by social or external factors (Treviňo, Weaver and Reynolds, 2006). These findings suggest that it be important for researchers to explore and investigate whether and how the possible social context in organization influences accountants' ethical behavior. This study examines whether the social factor such as professional identity salience has an effect and how it interacts with other organizational factor such as ethical climate to influence accountants' ethical decisions and behavior.

Social identity theory provides a framework for understanding the impact of role expectations and role-identity salience on individuals' decision making process and behavior (Stryker, 1968, 1980; Stryker and Burke, 2000; Obodaru, 2017). According to the theory, salience of a particular identity reflects the extent to which an identity is readily apparent at a given point in time. The theory also predicts that the salience of an identity reflects behavior consistent with the role relationships requiring that identity. The higher the salience of an identity, the greater the likelihood of decisions or actions in accordance with the expectations associated with that identity. Studies have examined identity salience in the context of religious identity (Stryker and Serpe, 1982; Malhotra, 2010). Recent research begins to explore accountants' identity formation and the roles played by professions in shaping the identity (Brouard, Bujaki, Durocher and Neilson, 2017) and the relationship between professional identities and commercialization in audit firms (Broberg, Umans, Skog and Theodorsson, 2018). Studies, however, on whether the identity of professional accountants has an impact on accountants' behaviors, remain to be strengthened.

Research has also established that organizational or leadership climate is an important factor in shaping behavior of members in organizations (Schneider, 1975; Fleishman, 1953). Prevailing perceptions of management practices that have ethical content determine an ethical leadership climate, which in turn affects members' ethical judgment and behavior (Victor and Cullen, 1988). Evidence suggests that ethical or unethical climate in organizations (including leadership, reward system) play a significant role in influencing individuals' ethical decision making (Treviňo 1986; Douglas, Davidson and Schwartz, 2001).

This study uses professional accountants as participants to examine the effects of professional identity salience and leadership climate on accountants' ethical decision making. The study manipulates the level of professional identity salience and the nature of ethical leadership climate to determine the influence these variables have on ethical judgment and intention to act ethically. The study also examines whether there is an effect of interaction between professional identity salience and leadership climate on accountants' ethical decision making.

The study finds that professional identity salience exerts a significant effect on accountants' ethical judgment when they face an ethical dilemma. The study also finds that the professional identity salience is more likely to be triggered to affect accountants' intention or motivation to act ethically only when leadership climate is positive. In addition, both judgments and intentions are more ethical when leadership climate is positive as compared to negative. The results also show that accountants' work experience does not appear to be associated with ethical judgment, but has some influence on accountants' intention to engage in ethical behavior.

This study provides important implications. Since it is difficult to change the level of individuals' ethical reasoning, examining social factors that influence individuals' ethical behavior becomes very important. While there is a notion that the professional identity influences accountants' behaviors (Empson, 2004), the current study directly investigate the effect of professional identity salience and the interaction of professional identity salience and ethical climate on accountants' ethical behavior. The study uses social identity theory and focuses on the construct of professional identity salience, which is the key trigger for behavior in the identity realm. The study demonstrates that even though accountants may have relatively lower levels of moral or ethical reasoning as suggested by previous research (Armstrong, 1987; Lampe and Finn, 1992), appealing to their responsiveness to social or external forces can increase their ethical reasoning and intentions to act more ethically. Furthermore, the results of this study can help inform the profession and management with respect to ethical issues.

The remainder of this paper is organized as follows. The next section provides a brief overview of related research and a development of hypotheses. Then the research method and the results are described. The final section includes discussions and limitations of the study.

2. Background and Hypotheses Development

Many studies of behavioral ethics in organizations are based on the cognitive developmental model that consists of a multistage process conceptualized by Rest (Rest, 1986; Rest, Narvaez, Bebeau and Thoma, 1999). According to Rest, ethical decision making starts with an awareness of the ethical issue. Then the individual makes an ethical judgment, establishes an intention to act, and finally engages in ethical or unethical behavior. Much of the accounting research in ethics has focused on the association between accountants' levels of ethical reasoning and their ethical judgment, which are based on Kohlberg's (1969) moral development theory. Kohlberg proposed a stage-sequence model that consists of three levels of moral reasoning (i.e., pre-conventional, conventional, and post-conventional). Within each of the three levels are two stages, thus producing a total of six developmental stages of ethical reasoning. According to Kohlberg's theory, individuals move upwardly through these developmental stages and levels in an invariant, irreversible sequence beginning at the "pre-conventional" (Stage 1 and 2: obedience to rules and authority; serving one's own or other's needs) to the "conventional" (Stage 3 and 4: playing a good role; doing one's duty in society) and sometimes to the final and highest level "post-conventional" (Stage 5 and 6: upholding the basic values even when they conflict with rules and laws; assuming guidance by universal ethical principles).

Research shows that more than 80 percent of American adults do not reach the highest level of ethical reasoning (i.e., post-conventional level) (Rest, Narvaez, Bebeau and Thoma, 1999). Studies in accounting ethics show that the majority of accountants are within the conventional level of ethical reasoning (Ponemon, 1992; Scofield, Phillip and Bailey, 2004) and individuals who possess the conventional level of ethical capacity are assumed to be more susceptible to external influence than the post-conventional level of ethical reasoning (Treviňo, 1986; Treviňo, Weaver and Reynolds, 2006). These studies provide research implications for ethics in the accounting profession. If accountants' ethical reasoning is more likely influenced by external factors, then examining whether these external factors have an impact on accountants' ethical decisions becomes significant.

2.1. Identity Salience

Accountants have a unique identity in society and possess a "… degree of responsibility, wisdom and concern for the public welfare neither necessary nor commonly found in occupations not meriting the description 'profession'" (Mautz, 1988: 121). The professional identity of accountants is built upon the members of the profession acting with the "highest sense of integrity" in the public interest (AICPA, 2009: 1601). It is expected that this attribute will override the desire for any personal interest if there is a conflict. As such, the ethical foundation of the accounting profession rests on a moral schema and code of ethics which serve as a guide to professional conduct (IFAC, 2015). Research indicates that ethical judgment and decision making have been considered essential elements of the accounting profession (Nolder and Riley, 2014). Some studies, however, show that accountants possess lower moral reasoning capacity than other individuals examined (Armstrong, 1987). For example, accountants appear to perform "poorer" than attorneys in resolving ethical issues (Scofield, Phillip and Bailey, 2004). Research in social psychology has provided a framework for understanding the influences of role expectations and role-identity salience, in a context-specific situation, on individuals' decision making process and behavior (Stryker, 1980; Stryker and Burke, 2000). People have various identities (i.e., each group-based self) attached to groups of people with which they interact. Identity theory generally focuses on role identities and posits that role decisions or choices are a function of identities. Individuals occupy more than one position in networks of social relationships such as religious person, employee, accountant and so forth, and these positions have role expectations. The set of roles associated with a position comprises an element of that individual's identity. According to the theory, the role set generates a sense of identity as a particular type of individual such as religious person, employee, or accountant. The more salient an identity relative to other identities, the more likely individuals make decisions or choices consistent with the expectations attached to that identity (Burke, 1980; Stryker, 1980; Stryker and Burke, 2000).

Empirical evidence is generally consistent with the identity theory prediction. For instance, Callero (1985) finds that the more salient a blood donor role-identity, the more frequently individual make blood donations. More studies have been conducted in the context of religious identity. Stryker and Serpe (1982) indicates that the salience of religious identities predicts time spent in religious activities and Malhotra (2010) finds that religious persons are more likely than non-religious persons to respond to an appeal for charity, but only during days on which they are likely to have attended their place of worship. Hall (1987) suggests that professional ethics of accountants, to some extent, are similar to religious doctrines. Little research, however, has been conducted to investigate the impact of the salience of professional identity on accountants' ethical decisions.

As described earlier, individuals in the conventional stage where accountants are typically found to be are particular susceptible to the influenced of others or social group. Therefore, the professional identity is likely to be a particularly influential social identity. Further, if some accountants are in the post-conventional stage, then they have internalized certain norms into their self-schema and it is arguable that this includes norms consistent with the professional identity. In either case, making professional identity salient will highlight norms that are outwardly or inwardly important to accountants. Moreover, to influence accountant decision about issues of professional ethics in a particular context, the role of expectations attached to the professional identity of accountants has to be activated in that context. The higher the salience of the professional identity of accountants, the greater the probability of making more ethical decisions consistent with the expectations associated with that identity. Thus, in the context of this study, it is predicted that the more salient a professional role identity is to an accountant, the more likely that accountant will be to behave in accordance with the role expectations specified by the accounting profession. This leads to the following hypothesis:

***H1**: When facing an ethical dilemma, accountants make more ethical judgment when professional identity salience is high rather than low.*

2.2. Ethical Leadership Climate

Much research has shown the impact of some aspects of organizational contexts on individuals' judgment and behavior. For example, evidence indicates that employees adapt their perceptions and behavior to the prevailing climate in an organization by behaving, not as they were taught in a formal training session, but in a manner consistent with their leadership climate (Fleishman, 1953; Wimbush and Shepard, 1994). Vidaver-Cohen defines ethical climates in organizations as "Prevailing employee perceptions of organizational signals regarding norms for making decisions with a moral component" (Vidaver-Cohen, 1998: 1219). Research suggests that individuals' perceptions of ethical leadership climate are potential influences on organization members' ethical judgment and behavior (Cullen, Victor and Bronson, 1993; Victor and Cullen 1988). Within the accounting profession context, studies have found that the leadership climate or organization's environment significantly influences accountants' ethical decisions (Douglas, Davidson and Schwartz, 2001; Sweeney, Arnold and Pierce, 2010).

Ethical judgment is generally considered to be a cognitive process that serves as a precursor to ethical intention (i.e., the intention to do what is ethical or what is unethical) and behavior. Ethical climate will not only influence members' ethical judgments, but also ethical intentions and behaviors because tone at the top is often a fundamental factor in developing an organizational ethical environment and reflects the true expectations and values of top management (Tenbrunsel and Smith-Crowe, 2008; Weaver and Trevino, 1999). From a perspective of the role of leadership, employees pay attention to leaders (supervisors or managers) and the ethical norms they set or fail to set partly because leaders are authority figures (Brown, Treviño and Harrison, 2005). The above discussions result in the following hypotheses:

***H2**: When facing an ethical dilemma, accountants make more ethical judgment when ethical leadership climate is positive rather than negative.*

***H3**: When facing an ethical dilemma, accountants intend to engage in more ethical behavior when ethical leadership climate is positive rather than negative.*

While contextual factors such as professional identity and organization's norm or climate may both influence individuals' behavior, research suggests that individuals may compromise between their professional identity and the organization's norm or climate when a conflict arises (Ashforth, Harrison and Corley, 2008). If there is a conflict of norms when professional identity is salient and organization's climate is negative, individuals may considerthe factor exerting the most pressure and make a decision accordingly. As a consequence, when facing a negative pressure from management, accountants may compromise with their professional identity and act less consistently with their ethical principles. In addition, research on the attitude-behavior relationship (Albarracin, Johnson, Fishbein and Muellerleile, 2001; Webb and Sheeran, 2006) indicates that various factors may affect the link between cognitive identification and action, such as organization's climates or pressures from management. As discussed earlier, the pressure felt from top management is predicated to influence both accountants' ethical judgment and intention to act, it may, however, have a greater impact when accountants make a decision about the course of action to take (i.e. intention to act). The reason is that the action would generally require greater justification and accountants would be likely held more accountable for intended actions than mental judgments. Therefore, it is predicted that an interaction between the professional identity salience and the leadership climate or norm on accountants' intention to act ethically and the following hypothesis is proposed:

***H4:** The effect that professional identity salience has on accountants' intention to engage in ethical behavior will be greater when ethical leadership climate is positive rather than negative.*

2.3. Demographic Variables

A great deal of research has been conducted examining the connection between individual factors including work experience and ethical judgment. While cognitive-development research in psychology provides mixed results regarding the relationship between work experience and ethical judgment and intention (O'Fallon and Butterfield, 2005; Tenbrunsel and Smith-Crowe, 2008), several studies in accounting, except one (Scofield, Phillip and Bailey, 2004), have found that more experienced manager and partners in public accounting firms have lower ethical judgment scores than do less experienced accountants (Ponemon, 1992; Shaub, 1994). In this study, it is predicted that accountants' work experience influences their ethical judgment and ethical intention.

3. Method

3.1. Participants and Design

A study is conducted to test the hypotheses. Four hundred eighteen certified public accountants (CPA) were asked to participate in the study while they were attending annual professional ethical education sessions (at the beginning of each session). The accountants came from different organizations in the southeast of the U.S.A. The usable number of responses obtained was 375.

The study employs a 2 x 2 between-subject factorial design. Participants were randomly assigned to one of four conditions. The two independent variables are the salience of the accounting profession at two levels and the ethical leadership climate at two levels. The dependent variables are participants' (1) ethical judgment about an ethical issue and (2) intention to act ethically.

The research instrument is comprised of three parts. The introduction requests participation and provides an assurance of anonymity. The second part provides participants a short case involving a hypothetical external auditor who finds an error and wants to document it in the work papers for a potential adjustment. But the auditor manager does not want it to be documented and the auditor decides to follow what the manager has suggested. After reading the case, participants are asked to indicate the extent to which they believe whether the auditor's decision is ethical or unethical and whether they would make the same decision as the auditor did. Finally, participants are asked to answer several case-related questions and provide demographic information.

3.2. Independent Variables

The study manipulates the two variables in a 2 x 2 design. The first independent variable is the contextual professional identity salience. This variable is manipulated at two levels as presenting or not presenting a statement of professional conduct regarding integrity and objectivity for professional accountants (IESBA, 2008; ITI, 2015). In the condition of high professional identity salience, participants are provided the fundamental principles adapted from Code of Ethics for Professional Accountants (IESBA, 2008) as follows: "Professional accountants play an essential role in society. They are expected to comply with the fundamental principles that they should be objective and honest in performing all professional duties and should not allow bias, conflict of interest or undue influence of others to override professional judgments." Alternatively, in the low professional salience condition, the above statement is absent.

The second independent variable is the ethical leadership climate, operationalized as organizational pressure. This variable is also manipulated at two levels by varying the auditor's perception about the potential action taken by top management (partner) regarding the ethical issue. In the condition of positive leadership climate, the scenario indicates that the auditor feels the partner in charge of the audit would probably disagree with the auditor manager's unethical view and consider making a potential adjustment. In the condition of negative leadership climate, the auditor feels that the partner would probably agree with the auditor manager's unethical view and not consider making a potential adjustment.

3.3. Materials and Procedures

An accounting ethical case written by Fleak and Fouch (2000) is adapted. The short case describes a situation in which an auditor at a multi-office CPA firmis assigned to the audit of a company. During the audit, the auditor finds a material cutoff error and wants to document it in the work papers for a potential adjustment purpose, which is a normal audit procedure. At this point, the professional identity salience variable is manipulated. In the high identity salience condition, participants are provided a statement of the fundamental principles of code of conduct for accountants as described earlier. In the low identity salience condition, such a statement is not presented. Participants are then given the information that the audit manager (the auditor's supervisor) instructs the auditor to complete the audit work without mentioning the issue in the work papers, which implies an unethical view or behavior. Then the variable of ethical leadership climate is manipulated, as discussed before, by providing the information about the auditor's perception regarding the potential action of the partner of the firm. Finally, participants learn that the auditor decides to follow what the auditor manager suggested and not to document the finding in the work papers.[1]

After reading the case, participants are asked to indicate, on a seven-point scale, the extent to which they believe whether the auditor's decision is ethical or unethical (1 = "Definitely believethe auditor's decision is ethical" and 7 = "Definitely believe the auditor's decision is unethical"). Since the auditor's decision in the case is unethical, higher numbers reflect more ethical judgments by participants.

On the following page, participants are required to respond to the two questions, on a seven-point scale, about (1) the likelihood, in their view, that the average CPA would make the same decision as the auditor described in the case, and (2) the likelihood that they (i.e., participants) would make the same decision as the auditor (1 = "Very likely" and 7 = "Very Unlikely"). The average of this two-question scale (alpha = .93) is used to measure participants' ethical intention. Higher numbers indicate participants' intention to act more ethically.

On the final two pages, participants respond to two manipulation check questions regarding (1) whether the case contains the paragraph related to the fundamental

Table 1. Demographic and dependent variables

Demographic Variables		**Dependent Variables (1-7 scale)**	
Gender	Percentage		Mean (SD)
Male	50%	Ethical Judgment[1]	5.78 (1.21)
Female	50%		
Age		Ethical Intention[2]	4.19 (1.55)
21 and 30	17%		
31 and 40	16%		
41 and 50	31%	**Other Variables** (1-7 Scale)	Mean (sd)
51 and 60	28%		
Over 61	8%	Perceived Professional Identity[3]	4.82 (1.22)
Organization Employed			
CPA firm	55%	Perceived Ethical Leadership Climate[4]	2.62 (1.43)
Industry	22%		
Government	16%		
Non-profit organization	5%		
Other	2%		
	Mean (SD)		
# of years of work experience	20 (11)		

[1] Ethical Judgement is one question. Participants indicated, on a seven-point scale,the extent to which they believe whether the auditor's decision in the case is ethical or unethical with a higher number representing a more unethical judgment(1 = "Definitely believe the auditor's decision is ethical and 7 = "Definitely believe the auditor's decision is unethical").
[2] Ethical Intention is the average of two questions. Participants indicated, on a seven-point scale,the extent to which they believe they would make the same decision as the auditor did in the case with a higher number representing a more ethical intention to engage in ethical behavior.
[3] Perceived Professional Identity is one question. Participants indicate, on a seven-pont scale, the extent to which they believe whether the identity of an professional influences their judgment and responses (1 = "Little Influence" and 7 = "Very Strong Influence").
[4] Perceived Ethical Leadership Climate is one question. Participants indicated, on a seven-point scale,the extent to which they believe whether the Leadership climate described in the case is positive or negative (1 = "Negative" and 7 = "Positive").

[1] We conducted a pretest to examine the extent to which participants believe, on a seven-point scale, that the situation described in the case involves an ethical issue (1 = "Completely disagree it involves an ethical issue" and 7 = "Completely agree it involves an ethical issue"). The mean is 6.22, suggesting the vast majority of participants are aware of the situation described in the scenario that involves an ethical issue.

principles adapted from Code of Ethics for Professional Accountants, and (2) whether the auditor in the case feels that the partner in charge would probably disagree (agree) with Bruce and consider (not consider) making the adjustment. Participants also respond two case-related questions about the extent to which they believe (1) whether the identity of an accounting professional influences their judgment and responses (1 = "Little Influence" and 7 = "Very Strong Influence"), and (2) whether the leadership climate or environment described in the case is positive or negative (1 = "Negative" and 7 = "Positive"). These two questions allow us to assess, in addition the manipulation check, whether the variables of profession salience and leadership climate are successfully manipulated. Finally, participants provide demographic information.

4. Results

Table 1 displays participant demographics. The number of male and female accountants participated was about the same and more than half of participants work in CPA firms. Neither gender nor type of organization employed had any effect on the participants' ethical judgment or ethical intention. As shown in Table 1, the majority of participants were between 41 and 60 years old and the average number of years of work experience was 20. Table 1 also reports that the mean response of dependent variables of ethical judgment and ethical intention. The means of Ethical Judgment and Ethical Intention were 5.78 and 4.19 (on a seven-point scale), respectively.

As a manipulation check for the treatments, participants were asked to respond to two questions. Twenty-one participants responded incorrectly. Excluding these participants' responses from the analysis, however, does not affect the overall results, so all participants' responses are included in the analyses. In addition, participants were asked to indicate, on a seven-point scale, the extent to which they believe whether the identity of an accounting professional influences their judgment and responses, and whether the leadership climate described in the case is positive or negative. The differences are significant,[2] suggesting that the manipulations of the two variables are successful.

Table 2 (Panel A) and Table 3 (Panel A) display descriptive data by treatment conditions regarding participants' ethical judgment and ethical intention. Accountants on average make more ethical judgments by indicating that the decision made by the auditor in the case scenario is unethical. (Given the scale of 1-7used, the midpoint is 4. Responses of 1-3 indicate a more unethical judgment and 5-7 indicate a more ethical judgment.) As shown in Table 2 (Panel A), the mean responses of ethical judgment were above the midpoint of 4 ranging from 5.40 to 6.14, reflecting accountants' judgments are more ethical. Table 3 (Panel A) shows descriptive data about accountants' intent to act ethically. Responses were between 3.68 and 4.98, suggesting a somewhat hesitation to engage in ethical behavior.

Table 2. Ethical judgment

Panel A: Mean (standard deviation)[1]

	Professional Identity Salience[2]		
Leadership Climate[3]	High	Low	Combined
Positive Climate	6.14	5.90	6.02
	(0.89)	(1.18)	(1.05)
	n = 90	n = 92	n = 182
Negative Climate	5.71	5.40	5.55
	(1.26)	(1.34)	(1.31)
	n = 97	n = 96	n = 193
Combined	5.92	5.64	5.78
	(1.12)	(1.29)	(1.21)
	n = 187	n = 188	n = 375

[1] Ethical Judgment is one question. Participants indicated, on a seven-point scale,the extent to which they believe whether the auditor's decision in the case is ethical or unethical with a higher number representing a more unethical judgment (1 = "Definitely believe the auditor's decision is ethical and 7 = "Definitely believe the auditor's decision is unethical").
[2] Salience was manipulated between participants at two levels: high salience and low salience (no statement is presented).

Panel B: ANOVA results

	Sum of squares	d. f.	Mean square	F	p-value
Salience[2]	7.28	1	7.28	5.20	0.0232
Climate[3]	20.67	1	20.67	14.74	0.0001
Salience x Climate	0.13	1	0.13	0.09	0.7649
Error	520.12	371	1.40		

[3] Climate was manipulated between participants at two levels: positive Leadership climate and negative leadership climate.

4.1. Tests of Hypotheses

H1 predicts that accountants tend to make more ethical judgments when professional identity salience is high rather than low. As shown in Table 2, Panel A, the mean of ethical judgment is greater under the condition in which

[2] The mean is 4.38 in the low salience condition and 5.25 in the high salience condition ($F = 52.98$, $p < 0.0001$; non-tabulated). The mean is 1.99 in the negative leadership climate and 3.28 in the positive climate ($F = 93.32$, $p < 0.0001$; non-tabulated).

professional identity salience is high (combined mean = 5.92) than under the condition in which professional identity salience is low (combined mean = 5.64). The ANOVA results presented in Table 2, Panel B, show a significant main effect for *Salience* (F = 5.20, p =0.0232), thus providing support for *H1*. The findings are consistent with identity theory and research evidence in other disciples, as discussed earlier, suggesting that the higher salient an identity in a specific context, the more likely individuals make decisions consistent with the expectations attached to that identity.

H2 posits that accountants are inclined to make more ethical judgments when leadership climate is positive rather than negative. As indicated in Table 2, Panel A, the mean of ethical judgment is greater under the condition in which leadership climate is positive (combined mean = 6.02) than under the condition in which leadership climate is negative (combined mean = 5.55). The ANOVA results displayed in Table 2, Panel B, show a significant main effect for *Climate* (F = 14.74, p < 0.0001), suggesting that accountants tend to make more ethical judgments when leadership climate is positive. Therefore, *H2* is supported.

H3 predicts that accountants intend to engage in more ethical behavior when leadership climate is positive rather than negative. As shown in Table 3, Panel A, the mean of ethical intention to act is greater under the condition in which leadership climate is positive (combined mean = 4.57) than under the condition in which leadership climate is negative (combined mean =3.83). The ANOVA results reported in Table 3, Panel B, indicate a significant main effect for *Climate* (F = 23.67, p < 0.0001), suggesting that accountants intend to act more ethically when leadership climate is positive as compared to negative. Thus, *H3* is supported.

H4 proposes that the effect that professional identity salience has on accountants' intention to engage in ethical behavior will be greater when leadership climate is positive rather than negative. This hypothesis is tested with the interaction of *Salience* and *Climate*, and planned contrast tests. Table 3 (Panel B) and Figure 1 show a marginally significant interaction of *Salience* and *Climate* (F = 2.59, p = 0.1083) on *Ethical Intention*. Planned contrast tests reveal that there is a significant difference between high salience (mean = 4.98) and low salience (mean = 4.17) when leadership climate is positive (F = 15.98, p <0.0001; non-tabulated). When leadership climate is negative, the mean of ethical intention in the high identity salience condition (mean = 3.99) is also greater than the mean in the low salience (mean = 3.68), but the difference is not significant (F = 1.88, p = 0.1715; non-tabulated). The results indicate that the effect of professional identity salience on accountants' intention to engage in ethical behavior is significant only when the leadership climate is positive. In the negative ethical climate condition, the identity salience has no impact on ethical intention. Therefore, there is limited support for *H4*.

Table 3: Ethical Intention to Act

Panel A: Mean (standard deviation)[1]

	Professional Identity Salience[2]		
Leadership Climate[3]	High	Low	Combined
Positive Climate	4.98	4.17	4.57
	(1.07)	(1.59)	(1.41)
	n=90	n=92	n=182
Negative Climate	3.99	3.68	3.83
	(1.66)	(1.50)	(1.59)
	n=97	n= 96	n=193
Combined	4.47	3.92	4.19
	(1.49)	(1.56)	(1.55)
	n=187	n=188	n = 375

[1] Ethical Intention is the average of two questions. Participants indicated, on a seven-point scale,the extent to which they believe they would make the same decision as the auditor did in the case with a higher number representing a more ethical intention to engage in ethical behavior.
[2] Defined in Table 2.
[3] Defined in Table 2.

Panel B: ANOVA results

	Sum of squares	d. f.	Mean square	F	p-value
Salience	29.19	1	29.19	13.38	0.0003
Climate	51.63	1	51.63	23.67	0.0001
Salience x Climate	5.65	1	5.65	2.59	0.1083
Error	809.15	371	2.18		

Table 4: Contingency Analysis of Intention to Act

Panel A: In the condition of positive leadership climate[3]

	Intention to Act			
Salience	Ethical Intention	Midpoint	Unethical Intention	Row Total
High	54	28	8	90
Row %	60.00%	31.11%	8.89%	100.00%
Low	42	21	29	92
Row %	45.65%	22.83%	31.52%	100.00%
Column total	93	51	38	

$\chi^2 = 14.40$ (p = 0.0007)

[3] Participants' responses were dichotomized at the midpoint: responses of 1 to 3 on the seven-point scale are classified as unethical intention to act, response of 5 to 7 are classified as ethical intention to act, and responses 4 are classified as midpoint (i.e.,nether ethical nor unethical intention to act).

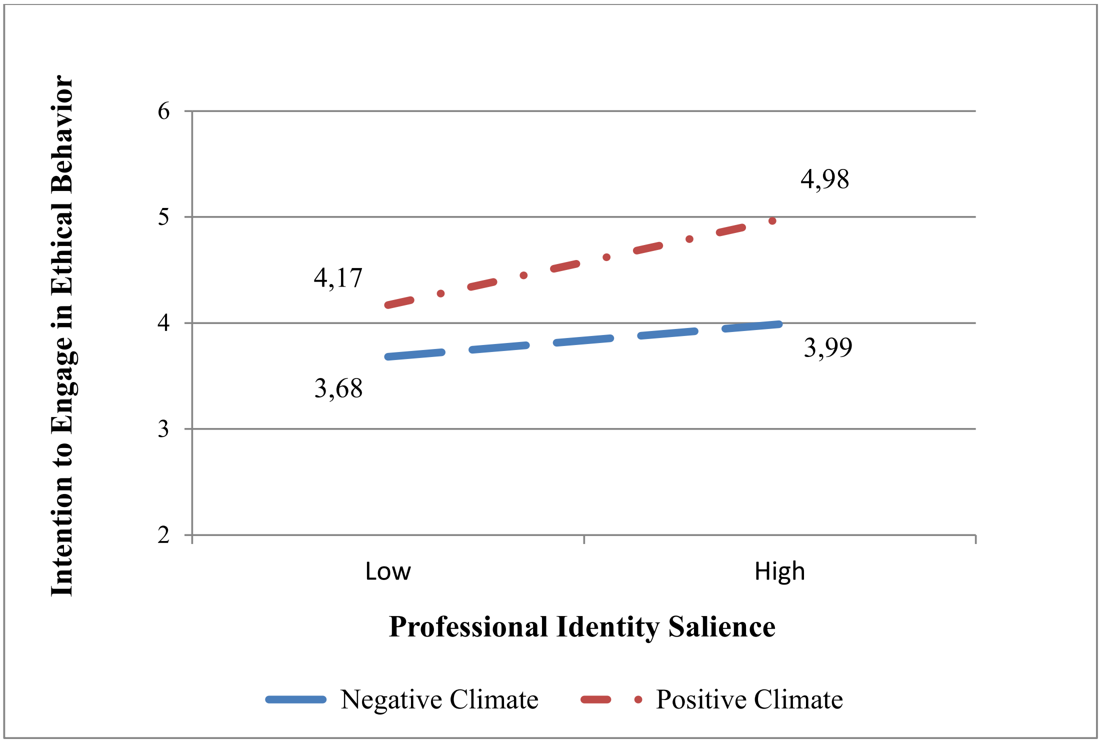

Figure 1. Ethical intention by level of professional identity salience and nature of ethical leadership climate[3]

Panel B: in the condition of negative leadership climate

	Intention to Act			
Salience	Ethical Intention	Midpoint	Unethical Intention	Row Total
High	39	18	40	97
Row %	40.21%	18.55%	41.24%	100.00%
Low	32	25	39	96
Row %	33.33%	26.04%	40.63%	100.00%
Column total	71	43	79	

$\chi^2 = 1.84$ (p = .399)

The effect of salience on ethical intention is further examined by dichotomizing participants' responses at the midpoint. Responses of 1 to 3 on the scale indicate an unethical intention and responses of 5 to 7 indicate an ethical intention. Responses of 4 represent the midpoint. Table 4 displays a contingency analysis of ethical intention by the *Salience* treatment in the positive leadership climate condition (shown in Table 4, Panel A) and in the negative leadership climate condition (Table 4, Panel B). In the positive leadership climate condition, 60 percent of participants in the high salience treatment indicate that they intend to act ethically, only about nine percent indicate that they intend to act unethically, and the remaining 31 percent indicate that their intentions are nether ethical nor unethical. The difference is significant ($\chi^2 = 14.40$, p = 0.0007). In contrast, there is no significant difference in the effect of salience in the negative leadership climate. In the high salience treatment, about 40 percent of participants indicate that they are more likely to act ethically and about 41 percent say they are more likely to act unethically. The results of the chi-square test are consistent with those of the ANOVA, providing additional evidence for limited support for *H4*.

4.2. Additional Analyses

The study predicts that work experience will likely have an influence on ethical judgment and ethical intention. But in this study, work experience is not found to be associated with ethical judgment (F = 1.09, p = 0.2971; non-tabulated), suggesting that the number of years of accountants' work experience may not have impact on ethical judgments. However, the result finds that work experience has a marginally significant effect on accountants' ethical

[4] Ethical Intention is the average of two questions. Participants indicated, on a seven-point scale, the extent to which they believe they would make the same decision as the auditor did in the case with a higher number representing a more ethical intention to engage in ethical behavior.

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intention (F=3.30, p = 0.0701; non-tabulated), suggesting that the number of years of work experience may influence accountants' intention to act ethically. Post hoc tests indicate that there is a negative association between work experience and ethical intention. Accountants with fewer years of work experience are more likely to motivate to act ethically than those with longer years of experience. The results are partly consistent with the findings of the study conducted by Scofield, Phillip and Bailey (2004) that accountants' capacity for ethical judgment does not differ across rank or position in the accounting profession. Our study, however, does reveal that work experience has some impact on accountants' motivation or intention to engage in ethical behavior.

5. Discussion

The purpose of this study is to examine the extent to which contextual variables in organizations influence accountants' ethical decisions. Results provide evidence on whether and the extent to which the professional identity salience affects accountants' ethical judgments and ethical intentions.

This study is designed by applying existing theories and integrating findings from previous research; our work, however, is different from prior studies in accounting ethics in some ways. One aspect is that this study examines the effect of professional identity salience, a relevantand important social or contextual factor in the profession, on accountants' ethical judgments and ethical intentions rather than assess accountants' ethical capacities or ethical reasoning in general. The results in this study show that both the extent to which and the way in which professional identity salience manifests in the workplace context have a substantial impact on accountants' ethical judgments and their intentions to engage in ethical behavior. The results also suggest that even though accountants may have relatively lower levels of moral or ethical reasoning as indicated by prior research, appealing to their responsiveness to external forces can increase their ethical reasoning and behavior.

While there is a marginally significant interaction found between the professional identity salience and the ethical leadership climate, the results suggest that the salience of professional identity influences accountants' intentions to act more ethically only when the leadership climate is positive. When the leadership climate is negative or weak, the effect of professional identity salience is insignificant. The evidence may support the notion that action or behavior consistent with a particular identity may be viewed as a probabilistic outcome of identification, not a necessary element (Ashforth, Harrison and Corley, 2008). The study also suggests that a good ethical leadership climate created through management practices potentially constitutes a necessary condition for professional identity salience to influence accountants' intention to act or behave ethically.

Although it is not hypothesized, the findings in this study show a significant difference between accountants' ethical judgments and their ethical intentions. Accountants seem to be able to identify an ethical issue and make more ethical judgments than they intend to act ethically given the experimental condition, suggesting that conscious ethical judgments may not necessarily lead to ethical intentions (and eventually ethical act). The findings appear to be more consistent with motive-externalist theory than motive-internalist theory.[5] Motive-externalist theory posits that ethical or moral reasoning can exist independently of a motivational force and there is no necessary connection between judgments and motivations. Therefore, ethical thoughts and ethical actions may not always correspond (Shaub and Lawrence, 2002), and ethical judgment may not form an intention to act in accordance with that judgment (Roskies 2003; van Roojen, 2002). Then a question one might ask is that if judgment alone cannot motivate action, what else is involved in the path between judgment and motivation or intention? The results of the present study indirectly raise this issue; future research could be conducted to try to more directly address the question.

There are some limitations in our study. The data are collected by using a short hypothetical case and accountants who were attending professional ethics education. The study case materials provide participating accountants with a limited amount of information to make judgments. As is true in all experimental investigation, our setting is limited in the number of real-world features of accountants' practice and ethical dilemmas that they encompass. Therefore, caution should be exercised in attempting to generalize the findings in this study to other settings. Future research could explore and determine whether the influence of the results in this study generalize to other contexts and whether the effect of other variables that could affect accountants' ethical behavior.

[5] Motivational internalism hypothesizes that a moral judgment is necessarily connected to a motive or intent to act in accordance with that judgment and "there is a necessary connection between reasons and motives" (van Roojen, 2002: 30).

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