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Social Cognitive Theory: The Antecedents and Effects of Ethical Climate Fit on Organizational Attitudes of Corporate Accounting Professionals—A Reflection of Client Narcissism and Fraud Attitude Risk

Madeline Ann Domino · Stephen C. Wingreen ·
James E. Blanton

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Abstract The rash of high-profile accounting frauds involving internal corporate accountants calls into question the individual accountant's perceptions of the ethical climate within their organization and the limits to which these professionals will tolerate unethical behavior and/or accept it as the norm. This study uses social cognitive theory to examine the antecedents of individual corporate accountant's perceived personal fit with their organization's ethical climate and empirically tests how these factors impact organizational attitudes. A survey was completed by 203 corporate accountants to assess their perception of relevant variables. The results of the structural equation model indicate three significant antecedents relating to ethical climate fit: higher internal levels of locus of control; greater numbers of prior job changes; and higher perceptions of an increasingly better fit with the firm's ethical climate (e.g., fit trend). Our results also indicate that higher levels of perceived fit to the ethical climate of a firm are associated with higher levels of perceived job satisfaction and organizational commitment. We also theorize that perceptions of an organization's ethical climate may be

reflections of client narcissism and serve a potential indicator of fraud risk. This is an important topic of study, since current auditing standards call for auditors to examine organizational attitudes toward fraud, but offer minimal guidance in doing so.

Keywords Accountants · Ethical climate fit · Fraud · Locus of control · Narcissism

Introduction

Can behavior considered normal and ethical in one organization be considered unethical by another? May an individual act be viewed as professional within the organization, yet the same act be viewed by others outside the organization and profession as unethical? The well-publicized frauds at Enron, Fannie Mae, and Health South involved corporate accounting professionals who worked at all levels throughout the organization and were perpetuated over extended periods of time. These defalcations serve as excellent examples of how an organization's internal ethical standards, although normalized within the organization (Ashford and Anand 2003), may be disconnected from commonly held professional beliefs about right and wrong. Several studies have demonstrated a link between an organization's ethical climate and its influences on individuals' professional behavior and unethical workplace behavior (Trevino et al. 1998; Deshpande et al. 2000; Fritzsche 2000; Peterson 2002).

The accounting literature establishes a very strong professional identity of accountants to ethics (Winter 1928; Myer 1931; Peloubet 1955; Loeb 1971; Fatt 1995) and the study of ethics continues to be an important topic of accounting research (Spalding and Oddo 2011; Hagel

M. A. Domino (✉)
Department of Accounting, Stetson School of Business and
Economics, Mercer University, Macon, GA 31207, USA
e-mail: domino_ma@mercer.edu; mdomino_cpa@yahoo.com

S. C. Wingreen
Department of Accounting and Information Systems, University
of Canterbury, Christchurch, New Zealand
e-mail: stephen.wingreen@canterbury.ac.nz

J. E. Blanton
Department of Information Systems and Decision Support,
College of Business Administration, University of South Florida,
Tampa, FL 33620, USA
e-mail: eblanton@usf.edu

2012; Anderson 2013; Davidson and Stevens 2013; Gerstein and Friedman 2013). Yet despite the accounting profession's emphasis on adhering to the highest standards of ethical conduct, the rash of high-profile breaches of trust continues at an alarming rate, often perpetuated by the entrusted corporate accountants who work within the organization (Business Week 2002; Wall Street Journal 2007; New York Times 2007, 2009; New York Daily News 2009).

The breadth of these frauds generated by internal corporate accountants suggests that these consequences are much more than just coincidental. Anecdotally, these breaches call into question the corporate accountant's perceptions of the ethical climate within the organization and the limits to which these professionals will tolerate unethical behavior and/or accept it as the norm. Given the unique position of the corporate accountant to condone and/or participate in unethical behavior, it is proposed that the degree to which their ethical beliefs fit with the organization's ethical climate may affect their ethical behavior, and therefore is an important topic of study. The organization's ethical climate is of particular relevance to corporate accountants, as it uniquely portrays the standards of right and wrong for issues and situations within an organizational context.

Ethical climate fit has been shown to be a factor in the development of person-organization fit (Sims and Keon 1997). This study uses the definition of ethical climate proposed by previous research and subsequently re-validated—that the ethical climate is the prevailing perceptions of typical organizational practices and procedures that have ethical relevance (Victor and Cullen 1988; Sims and Keon 1997; Cullen et al. 2003). Ethical climate has been linked to organizational ethical values and behavior (Winbush and Shepard 1994; Verbeke et al. 1996).

Social cognitive theory (SCT) is used as a theoretical underpinning to improve the understanding of the relationships between a corporate accountant's fit to the ethical climate of the organization and organizational attitudes. SCT proposes that an individual's beliefs and motives form the basis for value judgments and morality and that their resulting moral conduct reflects both personal factors as well as the environment (Wood and Bandura 1989). SCT suggests that corporate accountants with high levels of ethical climate fit may be more willing to participate in or condone acts, such as accounting fraud, which may be considered the norm within the culture of the organization. Conversely, corporate accountants with low levels of ethical climate fit may experience high levels of internal dissonance, resulting in lower levels of job satisfaction and organizational commitment. Prior research has established that lower levels of job satisfaction and organizational commitment result in higher turnover and intentions of

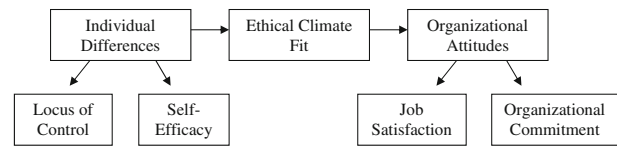


Fig. 1 Conceptual model

turnover (Aranya and Ferris 1984; Gregson 1992; Poznanski and Bline 1997).

Based on SCT, a multidimensional operationalization of the corporate accountant's ethical climate fit construct is developed and empirical tests are performed to determine its relationship to the organizational attitudes of job satisfaction and organizational commitment. In addition, two individual differences which are relevant to SCT, locus of control and self-efficacy, are also examined as antecedents. Figure 1 illustrates this study's conceptual model.

Current auditing standards advocate the consideration of organizational attitudes toward fraud when making fraud assessments (International Auditing and Assurance Standards Board (IAASB) 2009). Recent auditing research focuses on client narcissism as a potential indicator of fraud risk (Johnson et al. 2013). Narcissism is a personality dimension associated with Machiavellian strategies of self-interest, manipulation, deception, inflated views of self-worth and importance, often associated with a "dark side" (Paulhus and Williams 2002). "Narcissism has been used with increasing frequency to describe behavior in organizations, most notably in the process of explaining the destructive behaviors of CEOs and politicians" (Campbell et al. 2011, p. 1). Maccoby (2003) advanced the notion that narcissism may be viewed as on a continuum—as good or bad, as constructive or destructive. Extremes of narcissistic behavior lie on either sides of the continuum. Constructive narcissists (CN) may be charismatic, innovative and adaptable with little need to distort reality (Kets de Vries and Miller 1985). Conversely, destructive narcissists (DN) see achievement as a game, where there are winners and losers, and their desire is to win at all costs (Lubit 2002). DNs are more prone to unethical behavior within an organizational setting (Kets de Vries and Miller 1985; Lubit 2002; Campbell et al. 2011) as these individuals believe they deserve more positive outcomes (Huseman et al. 1987). Chatterjee and Hambrick (2007) found that narcissistic chief executive officers engender extremes and fluctuations in organizational performance. Individual personality traits moderate the rationalization to engage in accounting fraud and earnings manipulation (Zahra et al. 2005, 2007; Troy et al. 2011). Given that corporate performance focuses on the bottom line, accounting policies may often be the tool used by highly narcissistic managers to facilitate unethical acts as they focus on self-interests

(Brown 1997; Anderson and Tirrell 2004; Duchon and Drake 2009; Amernic and Craig 2010). While CEO narcissism has been linked to higher earnings per share (Olsen et al. 2013), Rijsenbilt (2011) found that CEOs who are highly narcissistic were more likely to commit fraud. High levels of management narcissism and low standards of integrity have also been associated with unethical behavior within organizations (Schwartz 1991; Duchon and Drake 2009; Amernic and Craig 2010; Hunton et al. 2011; Rijsenbilt and Commandeur 2013).

Unethical judgments and clouded decision making have been linked with narcissistic leaders acting in their own interests (Campbell et al. 2011; Rijsenbilt and Commandeur 2013). Ethical leadership has also been shown to impact employees' perceptions, as well as how employees behave (Trevino 1986; Brown and Trevino 2006). Duchon and Drake (2009) contended that extremely narcissistic organizations lack moral integrity and thus are unable to behave in an ethical manner, even if formal codes of ethics are in place. Since top management directs the firm, it is suggested that management narcissism and tone impact an organization's ethical climate. To put it another way, ethical climates are established by executive management and trickle down to the rest of the organization. Thus, it is theorized that ethical climate is reflective of organizational attitudes toward fraud.

Morf and Rhodewalt (2001) described narcissism as a personality trait in which an individual has elevated levels of self-focus, a sense of entitlement and an expectation of special treatment. Psychologists have differentiated types of narcissism, such as identifying trait narcissism as a stable personality trait found in the general population (Foster and Campbell 2007). Interestingly, the organizational psychology literature has also linked narcissism to negative consequences, such as less-effective corporate governance and a lax or an aggressive tone at the top (Salter 2008; Amernic and Craig 2010; Johnson et al. 2013). High levels of trait narcissism are related to unethical behavior (Brown et al. 2009; Brunell et al. 2011), as well as to low levels of personal integrity (Schlenker 2008). Accounting research finds positive associations between manager narcissism and aggressive financial reporting (Hales et al. 2011). Rijsenbilt (2011) found a significant association between reported fraud in the SEC Audit and Accounting Releases and CEO narcissism. Presumably, extremely narcissistic organizations are led by managers who are highly destructive narcissists (Amernic and Craig 2010). Thus, these linkages of overly aggressive accounting and accounting fraud are consistent with prior research findings that managers with high degrees of DN are frequently exploitive and ruthless (Lubit 2002). Very high levels of narcissism (extreme narcissism) may manifest in interpersonal alienation and more flawed decision

making, since these managers must satisfy their need for bold actions resulting in big gains or big losses (Chatterjee and Hambrick 2007). Extreme narcissism has been linked to a lack of management integrity (Blair et al. 2008), as these individuals have a propensity to deceive and manipulate others in order to reach their own goals (Kets de Vries and Miller 1985). Menon and Sharland (2011) proposed a framework for academic dishonesty which includes narcissism as a core construct.

The auditing standards describe fraud attitude as a mind-set, a set of ethical standards or rationalizations that justifies fraud. Management integrity is a key element of fraud attitude and the assessment of fraud risk (IAASB 2009). Rijsenbilt and Commandeur (2013) found that CEO narcissism is a cause of fraud. Thus, it is theorized that an organization's ethical climate reflects the mind-set of top management and the ethical standards of the firm, and that these factors are of relevance to the auditor in assessing fraud risk.

The remainder of this paper is organized as follows: In the next section, the theoretical foundation and the research model are presented and the hypotheses are developed. Narcissism and its theorized impact on the ethical climate of the organization are discussed. Finally, the results are presented and the study findings are discussed.

Social Cognitive Theory, Research Model And Hypotheses Development

Drawing from the fields of psychology and sociology, social cognitive theory (SCT) proposes that an individual's beliefs and motives are formed on the basis of value judgments (Wood and Bandura 1989). SCT also proposes that morality must explain how moral reasoning, in conjunction with other psychosocial factors, governs moral conduct. Thus, "social cognitive theory adopts an interactionist perspective to moral phenomena" and presents a framework in which "personal factors, such as moral thought and affective self-reactions, moral conduct and environmental factors all operate as interacting determinants that influence each other in determining outcomes" (Bandura 1986, p. 2). This interpretation of SCT is consistent with the early works of Dr. Kurt Z. Lewin, in his book, *Principals of Topological Psychology*. Lewin (1936) presented and discussed an interaction formula where a person's behavior (B) is a function the person's characteristics (P) and the relevant factors concerning the person's environment (E). Two personality variables, locus of control (LC) and self-efficacy (SE), provide measures of the socio-cognitive individual differences, which are considered to be important elements of SCT.

According to SCT, individuals regulate their behavior by continually engaging in the self-assessment of their own

standard of conduct in comparison with environmental circumstances (Bandura 1986), which by definition encompasses the ethical climate. Therefore, as the individual is continually engaged in the self-evaluation of personal conduct (e.g., as compared to the general climate of the organization) and to the extent that personal ethics have self-regulatory value, and as long as compliance with the ethical climate is not regarded to be morally reprehensible, it is theorized that the individual will form motives to close the gap between personal ethical conduct and the ethical climate. In other words, an individual will seek to improve his/her ethical climate fit to the extent the ethical climate “agrees” with the individual’s own ethical values, whether those values are held to be “good” or “bad.” This includes the possibility that a corporate accountant may seek to improve his ethical climate fit in the organization which is directed by narcissistic management.

Much of the research in accounting ethics uses theories of staged moral development as a theoretical underpinning to explain unethical behavior. These theories ascribe to a fixed, hierarchical development sequence for each individual as a means to explain his/her moral reasoning. SCT provides a strong contrast to stage theories of moral reasoning and the debate over the prescribed nature of stage theory. For example, Locke (1979, 1980) suggested that moral reasoning is better measured based on personal preferences, rather than on obtaining some hierarchical level of competence. Also, Kohlberg (1973) conceded that his stages of development are not prescriptive in nature, since they focus on the form of reasoning but not content. Thus, a principal issue of theoretical dispute is the validity of strict lockstep stages of development (Bandura 1986).

It is proposed that the ethical behavior of corporate accountants is guided by both internal values as well as external sources. Internal values are personal and self-guided beliefs, while external sources include the social standards of one’s organizational surroundings (Jensen and Wygant 1990). Thus, it is expected that a corporate accountant’s belief about his fit with his organization’s ethical climate is predictive of organizational commitment and job satisfaction, which in turn relates to negative effects such as turnover with the firm.

Ethical Climate and Ethical Climate Fit

The research literature tends to treat professional ethics as the body of commonly accepted professional practices and behaviors, whereas ethical climate refers more to a group of prescriptive climates that suggest organizational practices with moral consequences (Cullen et al. 2003). The ethical climate consists of a shared perception of the milieu of organizational ethical standards and the various personal

ethics practiced by the members of the organization. It is necessary to distinguish ethics, which comprise commonly accepted practices, such as community behavior standards or professional codes of conduct, from morals, which involve judgments concerning right and wrong (Bonhoeffer 1955). The organizational ethical climate is underscored by reinforcement of ethical conduct (Mumford and Helton 2000) and ethical climate is proposed to have a significant role in the way members of an organization behave, be it ethically or unethically (Schneider 1975; Stead et al. 1990; Victor and Cullen 1988; Agarwal and Malloy 1999; Malloy and Agarwal 2000). Hartman et al. (1999) proposed that perceptions of justice are key elements in the ethical climate, which influence ethical behavior. In organizations, the behavior of individuals in leadership roles will influence the integrity of their “followers” (Mumford and Helton 2000, p. 80). Research shows that ethical climate influences ethical decision making (Baumhart 1961; Sims and Keon 1997; Shin 2012). Falkenberg and Herremans (1995) found that ethical climate is the primary influence on ethical behavior.

In a study of the organizational influences on individual ethical behavior in accounting firms, Schlachter (1990) proposed that it is the organization in which the accountant works, with its written and unwritten policies, which shapes behavior over time as individuals make choices which have organizational consequences. Black (2005) suggested the profit motive induces fraudulent behavior and that the individuals with great moral fiber leave as the climate becomes more unethical and they are not rewarded financially when they do not conform. Peterson (2002) found the evidence that ethical climates can influence deviant behavior. A few studies focus on ethical climate fit, although not from the specific perspectives of the corporate accountants. A study of French managers, Herrbach and Mignonac (2007), found that perceived organizational ethical values were directly associated with the managers’ organizational commitment, job satisfaction and turnover intentions. Shafer (2002) also found that ethical pressure had a negative impact on corporate accountant’s commitment and job satisfaction.

Cognitive dissonance theory has been used to explain the cognitive aspects of ethical climate fit (Festinger 1957). According to cognitive dissonance theory, cognitive dissonance occurs when an individual is confronted with an external reality that does not fit his/her internal reality. The dissonance is resolved when individuals either adjust their internal representation of reality, or adjust the external reality, or a little of both.

It is argued that ethical climate fit is a unique aspect of corporate accountant’s professional identity. Further, it is argued that this identity is significant to differentiating the corporate accountant’s organizational environment as

compared to the organizational environment of other personnel within the firm.

Antecedents of Ethical Climate Fit

Individual differences have long been studied as determinants of behavior in many disciplines, including accounting research. This study examines two dominant constructs, locus of control (LC) and self-efficacy (SE) that have been identified within the framework of SCT as measures of socio-cognitive individual differences.

Locus of Control

Rotter (1954) first conceptualized locus of control (LC) as the aspect of personality characterized by a sense of control over reward and reinforcement. According to Rotter, locus of control is both a situational (environmental) and individual variable. Beliefs about control of rewards or reinforcement are formed based on the individual's generalized expectancies learned from how rewards were acquired in previous similar situations. While measured on a continuum basis, an individual's locus of control is discussed in the academic literature as either "internals" or "externals." "Internals" exercise control over their life by the choices they make and outcomes are the product of their efforts. In contrast, "externals" believe their destiny is controlled by powerful others, forces outside their control, luck and other capricious forces, and often may not own up to personal responsibility. So locus of control depends on the degree to which one relies on oneself or on others for reinforcement (Rotter 1954) and may be viewed on a continuum. It is reasonable to expect that "internals" might be more proactive in their ethical fit behavior, while "externals" might be more likely to acquiesce to an undesirable or uncomfortable ethical climate.

Locus of control has been studied in the accounting literature, but minimal research studies of this personality variable focus on this construct in the context of accounting ethics. For example, Brownell (1981) explored the impact of internal/external locus of control as a moderator between an accountant's budgetary participation and budgetary performance and suggests that accountants who are internals have higher levels of participating in the budget process, as well as better performance on a budgeting task. Brownell (1982) found similar results in a subsequent field study on budgetary participation.

Tsui and Ferdinad (1996) found that experienced auditors' locus of control moderated requests by a client to accede to unethical behavior and suggests that the personality variable of locus of control moderates ethical decision making and provides a better understanding of differing outcomes among individual auditors. Frucot and

Shearon's (1991) study of accountants found an interrelationship of internal locus of control with budgetary participation, as well as with both management performance and job satisfaction. Hyatt and Prawitt (2001) examined individual auditor locus of control in a study of audit firm structure and performance. The study results indicate that auditors with "internal" locus of control had higher levels of job performance in an unstructured firm than a structured firm while auditors with "external" locus of control had higher levels of job performance and satisfaction in a structured environment. Hence, it is hypothesized:

- Hypothesis 1** Corporate accountants who have higher levels of internal locus of control will have higher levels of ethical climate fit
- Hypothesis 1a** Corporate accountants with higher levels of internal locus of control will have higher levels of job satisfaction

Self-efficacy

Self-efficacy (SE) represents an individual's expectations of their performance on specific tasks (Wood and Bandura 1989). Self-efficacy, for its ability to explain the skill acquisition and performance behaviors of accounting professionals, has been a construct of interest in previous research. Bandura (1986) defined self-efficacy as "people's judgments of their capabilities to organize and execute courses of action required to attain designated types of performances." As such, self-efficacy represents an individual's expectations of their performance on specific tasks and underlies all human motivation and accomplishment (Wood and Bandura 1989). Therefore, persons with high self-efficacy are more likely to set higher goals and accept challenging tasks than their counterparts with low self-efficacy.

Self-efficacy, like locus of control, operates in reference to generalized expectancies, and hence is also referred to as "generalized self-efficacy." Therefore, individuals' self-efficacy beliefs are not entirely based on their past performance of the same behavior, but also include expectancies that are generalized from previous similar behavior. In other words, self-efficacy pertains to a person's generalized beliefs about their abilities, and not necessarily to whether or not they do, in fact, actually possess the abilities in question.

It is theorized that accounting professionals with high levels of self-efficacy in regard to their general accounting ability should possess expectancies that they are able to successfully engage in gap-closing behavior to maintain a minimum fit distance between themselves and the organization, should the need arise. For example, corporate accountant's self-efficacy may be generalized to their

potential ability to be a budget analyst, when, in fact, they know very little about budgeting. Although deficient in the requisite skill set, they would nonetheless exhibit considerable effort, determination and motivation in their attempts to operate the database. Therefore, self-efficacy is theorized to affect motivation to engage in gap-closing behavior because individual's beliefs in their own abilities directly affect their expectancies, which in turn affect motivation. Hence, it is hypothesized:

Hypothesis 2 Corporate accountants with higher levels of self-efficacy will have higher levels of ethical climate fit

Consequences of Ethical Climate Fit

Job Satisfaction

Job satisfaction is one of a key number of outcomes studied when investigating accountants in the work context. An employee's satisfaction level was greater when the employees found themselves in work climates that they preferred (Sims and Keon 1997). Norris and Niebuhr (1984) found that Big 8 accountants committed to their organization had higher levels of job satisfaction. Glover et al. (2000) found that job satisfaction of African American accountants was similar to prior studies and was predictive of intention to turnover. Valentine et al. (2006) found that corporate ethical values, along with perceived organizational support, had an impact on job satisfaction and turnover. Shafer (2002) also found a positive relationship between managerial accountants' job satisfaction and their perceptions of minimal ethical pressure. As a result, in evaluating accounting professional's ethical climate fit, job satisfaction is an anticipated moderator between fit and organizational commitment. Therefore, it is hypothesized:

Hypothesis 3 Corporate accountants with higher levels of ethical climate fit will have higher levels of job satisfaction

Organizational Commitment

Since the organizational commitment construct first became of interest as a better explanation of employee turnover, its definition and internal structure has been the subject of scholarly debate. Organizational commitment is defined as "the relative strength of an individual's identification with and involvement in a particular organization" (Steers 1977, p. 46). Following an extensive review of turnover and organizational commitment literature, a relatively complex model of employee turnover that accounted

for many of the factors that are rolled up into the organizational commitment construct was developed (Mobley et al. 1979). A three-component model was proposed in which organizational commitment was defined as having shared goals and values, individual effort and membership components (Mowday et al. 1979). The three-component model has become the dominant model of organizational commitment and has been refined through subsequent research (Allen and Meyer 1990; Jaros et al. 1993; Meyer and Allen 1991; Meyer et al. 1993) and, in its current form, proposes that organizational commitment is comprised of the affective, continuance and normative (moral) subdimensions.

According to Meyer and Allen (1991), affective commitment is the individual's feeling of attachment, loyalty or strength of emotional connection to the organization that stands independently from the instrumental assessment of the organization's value. That is the individual's calculation of the "bottom line" of the organization's worth to the individual.

Continuance commitment has been defined consistently with the concept of "side bets" (Becker 1960), where an individual forms a commitment to an activity based on a mental calculation of the number of "side bets" that would be lost if the activity was discontinued. In this regard, the individual weighs the perceived profit that would accrue if employment was discontinued versus the cost from all other factors against the benefits to be realized from continuing employment with the current organization.

Normative commitment, which is sometimes known as moral commitment, refers to the individual's commitment that arises out of a sense of mutual obligation or moral dedication between the individual and the organization. Normative commitment, for instance, may be the outcome of a psychological contract between the organization and the employee (Roepke et al. 2000), where the organization upholds its part in an implicit contract to provide the accounting professional with adequate training and professional development opportunities. Normative commitment may also be a negative outcome that occurs when the accounting professional no longer believes it is right to remain employed with the current organization. In this study, affective and normative commitment will be modeled as the outcome of good ethical climate fit.

Prior studies find that individuals who believe that their own ethical values are in conflict with their organizations' values will be less committed to the organization (Sims and Kroeck 1994) and that the ethical organizational context is related to organizational commitment (Cullen et al. 2003). Aranya and Ferris (1984) examined accounting professionals who worked in private industry and found that they had higher levels of perceived organizational and professional conflict than accountants employed by public

accounting firms. Shafer (2002) explored ethical pressure on management accountants to participate in unethical actions at work. Perceived pressure to engage in behavior which is deemed unethical would be a source of organizational conflict. The findings of Shafer (2002) suggested that perceived pressure to engage in unethical actions is positively related to higher levels of conflict, which reduces organizational commitment and job satisfaction.

Ponemon and Gabhart (1990) introduced the notion of affiliation or fit as it relates to the accounting professional and defined fit as the amount of affiliation by which a single individual learns to “fit in” with his/her immediate work group. It is theorized that conflict by the corporate accountant with the ethical climate of the organization will be directly associated with organizational commitment. Hence, it is hypothesized:

Hypothesis 4 Corporate accountants with higher levels of ethical climate fit will have higher levels of organizational commitment

In the accounting literature, job satisfaction and organizational commitment have been studied in the context of turnover of accountants. Job satisfaction of accountants is a factor in organizational commitment and ultimately in turnover (Gregson 1992; Aranya and Ferris 1984; Shafer 2002, 2009). Leong et al. (2003) studied organizational commitment of external auditors and accountants in public accounting firms. Using a field-based study of auditors, Leong et al. (2003) found a positive relationship between organizational commitment and job involvement. In a study of staff accountants working in public accounting firms, Poznanski and Bline (1997) reported job satisfaction and organizational commitment as antecedents to turnover and intentions to leave the organization. In a study of internal auditors, Quarles (1994) also reported a significant relationship between organizational commitment and job satisfaction, as well as an inverse relationship between and job satisfaction and turnover intentions. Bullen and Flamholtz (1985) reported job satisfaction as a significant predictor of the probability of turnover of accountants employed by a large CPA firm. Hence, it is hypothesized:

Hypothesis 5 Corporate accountants with higher levels of job satisfaction will have higher levels of organizational commitment

Control Variables

In addition to the previously discussed variables, we also include and test several control variables that may affect the relationship between the antecedents of ethical climate fit and the outcome variables. The control variables included in the study are number of job changes, number of

employer changes, job level and fit trend. Fit trend is the employee’s perception of increasing ethical climate fit with the firm.

Based upon SCT and these discussions, Fig. 2 is presented as the research model of our study. In the next section, we discuss the research method used to collect the data and the research model.

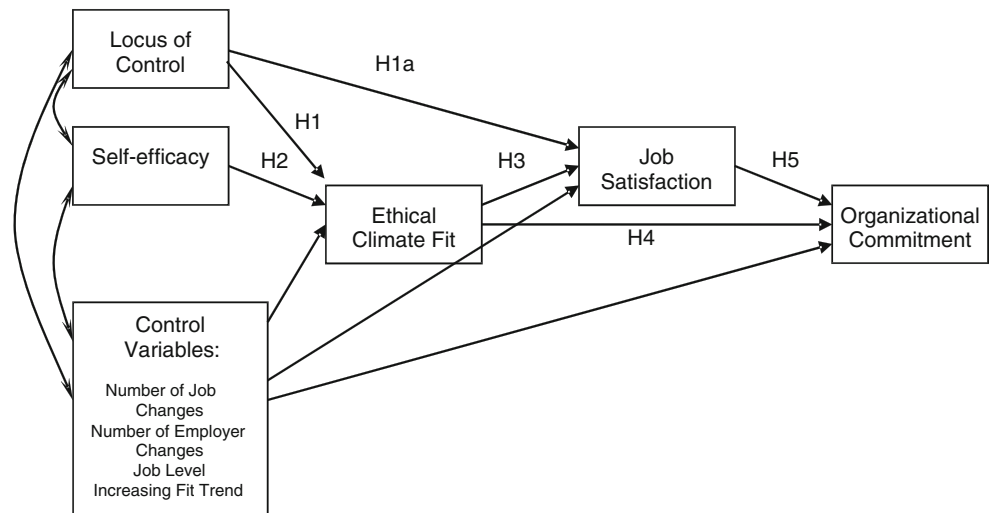
Research Method

Measurement

The initial instrumentation adopted for this study consisted of items from existing scales (Appendix), which were then refined and revised with a four-phased pilot test. Given the goal of this research is to investigate the dynamic of the corporate accountant—organization relationship, it necessitates the accountant to maintain a degree of professional freedom and discretion. Therefore, four items were adapted from the “independence” dimension of the Ethical Climate Scale (Victor and Cullen 1988) to measure ethical climate fit. To minimize threats to the operational validity of the ethical climate construct in this research, the same instrumentation, which was proposed and validated by Victor and Cullen (1988), was adopted as our theoretical definition of ethical climate. It was the judgment of the researchers that any advantages that may have been gained by considering other instrumentation were outweighed by the disadvantages of introducing potential threats to the validity of our ethical climate construct; therefore, other instruments were not considered. Job satisfaction was assessed using five items adapted from the Job Satisfaction Survey Scale (Spector 1994). Organizational commitment was measured using the fifteen item Organization Commitment Questionnaire (OCQ) (Mowday et al. 1979). The measurements for self-efficacy were adapted from the Sherer and Adams’ (1983) instrument. Locus of control was adapted from the Work Locus of Control Scale (WLCS) (Spector 1988). All scales demonstrated adequate reliability ($\alpha > 0.70$). All measurements were made using Likert-type items on a scale of 1–6, with 1 being low, or negative affect, and 6 being high, or positive affect.

Pilot Test and Instrument Development

Prior to conducting the study, instruments were tested and refined by means of pilot testing. Pilot testing was accomplished in three phases: development and refinement of items using expert evaluators (phase 1), qualitative discussion (phase 2) in small groups (two groups of $n = 3$ and $n = 4$) of undergraduate accounting students and the pre-validation of the instrumentation and research model

Fig. 2 Research model**Table 1** N, Cronbach's alpha and interscale correlations for phase 3 of the pilot study

Scale	N	Cronbach's alpha	Correlation from/to			
			Ethical climate fit	Job satisfaction	Organizational commitment	Self-efficacy
Ethical climate fit	26	0.87				
Job satisfaction	26	0.77	0.30			
Organizational commitment	26	0.90	0.53	0.74		
Self-efficacy	26	0.84	−0.02	0.06	−0.14	
Internal locus of control	26	0.71	0.62	0.50	0.54	0.09

with a small sample of students ($n = 26$, phase 3) enrolled in evening courses who are typically working career professionals. Refinements were made to the instrument at the completion of each phase of the pilot study.

Cronbach's alpha method was used as the measure of internal reliability for all scales. Table 1 reports the N, Cronbach's alpha and correlations for the summated scales that resulted from phase 3 of the pilot study. All reliabilities attained the minimum level of 0.70 suggested for measured scales (Nunnally and Bernstein 1994).

The correlations between the scales offer a glimpse that the proposed research model may be valid. The study proceeded under the assumption that a larger, representative sample would bear this out.

Data Analysis

Data Collection

The participants in the study were drawn from seven separate convenience samples from universities in Florida. The universities have accounting programs at the undergraduate and graduate level and offer night classes that are populated primarily by working professionals with "day

jobs," in other words, "non-traditional" students. Two of the universities have multiple campuses spread over a large geographic area. Alumni lists were obtained for graduates of these programs, and invitations to participate were mailed to all alumni from both universities. A first and a second mailing were conducted to facilitate maximum participation and response. Mailings indicated that the Institutional Research Bulletin (IRB) documentation was available from the authors upon request and contained an informed consent form, which all participants signed and returned. Participation was voluntary. No incentive was offered for participation.

Sample Design

Data were gathered from $N = 213$ corporate accounting professionals. Of these subjects, 203 were included in the study, reflecting the fact that some participants did not complete the entire survey instrument.

Given the potentially sensitive nature of ethical climate research and the possibility of "social desirability bias," thorough tests of various types of response bias were conducted to ensure the validity of the data. The study-wide response rate is estimated at 13 % of the total sample

frame, which included a 58 % response rate from working accountants attending evening classes in an MS/MBA program, and an 8 % response rate from a mass mailing that went out to alumni of two different universities. A simple test of significance between these two groups revealed no significant differences ($\alpha = 0.05$) with regard to the dependent variables; therefore, the overall response rate of 13 % was judged not to be a threat to the validity of the data. Non-respondents are defined as those who either provided no response, incomplete, or otherwise unusable responses. Non-response bias was evaluated by comparing those who declined to participate in the study for any reason (unwilling, unable, unemployed, etc.) but elected to complete a short section of the questionnaire that requested their demographic information only, with those who provided complete responses. A test of significance ($\alpha = 0.05$) revealed no significant differences between these two groups with regard to their demographic composition. Also, those who did not respond to the first mailing, but who responded to a follow-up reminder, are by definition non-responders to the first mailing, and therefore, a test of significance was administered to compare the first and second mailings ($\alpha = 0.05$). This test was insignificant, which provided further evidence that the study would not suffer a threat from response bias. Given that none of the various tests were significant, it is concluded that there is a very low likelihood that response bias will be a threat in this study.

Descriptive statistics were generated in order to compare the demographic characteristics. Although there are some small demographic differences between the groups, there was no indication that they would pose threat to the sample's generalizability. The organizational affiliations reported by respondents reveals $n = 136$ different organizations are represented in the sample. Although it is a collection of convenience samples, rather than a true random sample, there is sufficient diversity between the convenience samples that, when considered collectively, it is statistically valid. Demographic data indicate that $n = 116$, or 57 %, of the subjects in the study were females and $n = 87$ or 43 %, were males. The ages of the participants are as follows: $n = 25$ (12 %) were under 25 years of age; $n = 70$ (34 %) were between 25 and 29 years of age; $n = 38$ (19 %) were between 30 and 34 years of age; $n = 28$ (14 %) were between 35 and 39 years of age; $n = 24$ (12 %) were between 40 and 44; the remaining subjects, $n = 18$ (9 %), were between the ages of 45 and 67. Eighty-one percent (81 %) of the subjects were white, 8 % were blacks, 5 % Hispanic and the remaining 5 % were others. There was a range of work experience within the group of subjects. Approximately 48 % of the subjects worked in corporate accounting environments for 1–4 years; 33 % of the subjects worked for 4–10 years;

8 % of the subjects worked for 10–15 years; the remaining 8 % of the subjects worked for 15 or more years. Of this last group, approximately 4 % had over 21 years of internal corporate accounting experience.

Control variables

The control variables fit trend, number of prior job changes, number of prior employer changes and job level (senior management, middle management, lower or non-management) were tested using chi-square difference tests to determine whether their effects should be modeled (Table 3). A chi-square difference test examines the difference between a critical chi-square value for a specified type 1 error probability and number of degrees of freedom and the decrease in chi square value resulting from the inclusion of the control variable by specifying its effect on all dependent variables. If the inclusion of a control variable produced a significant decrease in the chi-square value according to this criterion, tests of individual paths were then conducted between the control variable and each dependent variable in the research model.

Cronbach's alpha method was used as the measure of internal reliability for all scales. Table 2 reports the N, Cronbach's alpha and correlations for the summated scales that resulted from the final study. All reliabilities attained the minimum level of 0.70 suggested for measured scales (Nunnally and Bernstein 1994) which are within the acceptable range.

Any control variable that produces a chi-square difference equal to 0.05 that is greater than 3.84 for one degree of freedom (individual paths) and 7.81 for three degrees of freedom (all paths at once) is judged to have significant effects (Table 3). Fit trend, whose inclusion produced a 106.8 point decrease in the chi-square value of the model, demonstrates significant effects with all three dependent variables. The path between job changes and ethical climate fit produced a significant 4.1 decrease in chi-square value and will also be included in the model.

Path Analysis

A path model was specified using SAS Proc CALIS, which performs a procedure that is statistically identical to LISREL. Figure 3 reports the results of the procedure with its associated fit statistics, standardized path and variance estimates, and estimates of R-squared for each dependent variable. Insignificant paths are indicated with dashed lines.

The fit statistics, which evaluate the research model's ability to explain the data, are unanimous in their support of the research model. First, the $p >$ chi-square statistic is non-significant at a value of 0.12. The null hypothesis tests

Table 2 N, Cronbach's alpha and interscale correlations of the study

Scale	N	Cronbach's alpha	Correlation from/to			
			Ethical climate fit	Job satisfaction	Organizational commitment	Self-efficacy
Ethical climate fit	203	0.94				
Job satisfaction	203	0.88	0.523			
Organizational commitment	203	0.92	0.626	0.774		
Self-efficacy	203	0.80	0.131	0.109	0.065	
Internal locus of control	203	0.73	0.325	0.331	0.339	0.391

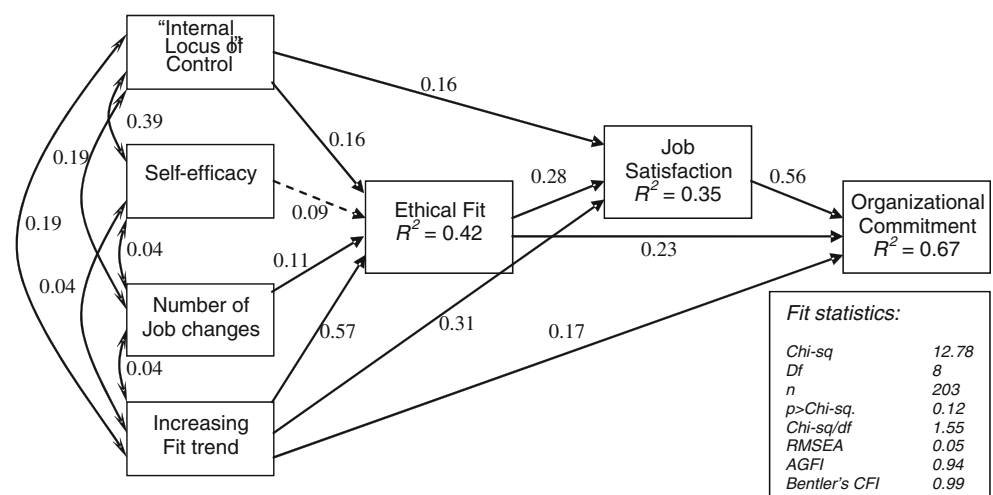
whether there is a perfect fit between the covariance matrices of the sample and the one implied by the model. Therefore, failure to reject the null hypothesis means that the research model fits the data very well. Previous research suggests that values of chi-square difference below 2.0, root mean squared error of approximation (RMSEA) values less than 0.05, values of AGFI above 0.90 and values of Bentler's Comparative Fit Index (CFI)

above 0.90 are indicators of excellent model fit (Schumacker and Lomax 2010). The research model demonstrates values of chi-square difference = 1.55, RMSEA = 0.05, Adjusted Goodness of Fit Index (AGFI) = 0.94 and Bentler's CFI = 0.99, all of which lend strong support to the hypothesis that the research model as specified very closely reproduces the covariance matrix observed in the primary data.

Table 3 Chi-square difference tests for control variables

	Global chi-square difference	Organizational commitment	Job satisfaction	Ethical climate fit
Increasing fit trend	106.8	11.0	13.6	82.2
Number of prior job changes	4.1	0	0	4.1
Number of prior employer changes	0.3	0	0.3	0
Job level	0.1	0.1	0	0.1

Overall, the model also demonstrates a strong predictive ability as observed in the R^2 estimates reported for the dependent variables. Specifically, the model explains 67 % of the variance in organizational commitment, 35 % of the variance in job satisfaction and 42 % of the variance in ethical climate fit. Of all the independent variables, fit trend demonstrates the strongest effects with a 0.57 standardized effect on ethical climate fit, 0.31 standardized effects on job satisfaction and 0.17 standardized effects on organizational commitment. At a value of 0.56, the effect between job satisfaction and organizational commitment is the strongest in the domain of the primary research model. Ethical climate fit (Hypotheses 3 and 4) is significantly related to both job satisfaction and organizational commitment, with standardized effects of 0.28 and 0.23, respectively. High internal locus of control is significantly

Fig. 3 Path model with standardized estimates and R^2 values

related to job satisfaction, with a standardized effect of 0.16, and ethical climate fit, with a standardized effect of 0.16; thus, Hypotheses 1 and 5 are significant. The path between self-efficacy (Hypothesis 2) and ethical climate fit is not significant. Thus, four of the five hypotheses are significant in the model.

Discussion

This study contributes to the ethics literature by exploring the relationships between ethical climate fit and job satisfaction and organizational commitment of corporate accountants. Although previous studies on this topic have explored some of the variables included in our research model, minimal accounting research has linked ethical climate fit to organizational commitment and job satisfaction. Given the self-perpetuating nature of an organization's ethical climate and the incidences of internally generated accounting fraud generated by corporate accountants, this is an important topic of study. To date, most of the accounting research on ethics has focused on auditors and has explored ethical decision making, utilizing staged theories of moral development and little research has focused on SCT.

The study explores how ethical climate may impact organizational commitment. This is of importance given both the keen competition to retain management accounting professionals and the continued emphasis on ethical organizational behavior. From a practitioner perspective, the research provides information about insights into ethical climate fit for corporate accountants, who are potentially in a position to commit fraud or act ethically at their companies and potential employee turnover in a period of scarce accounting personnel.

It is also theorized that an organization's ethical climate may reflect management narcissism and fraud attitude risk. Current auditing standards prescribe that auditors evaluate fraud risk but offer minimal insights as how to approach this issue. The extant accounting literature shows high levels of client narcissism and a lax level of integrity at the top of the organization impact perceptions about the organization's ethical climate and has been associated with fraud. It is suggested that the organization's ethical climate allows a mind-set and ethical position that easily allows the justification and rationalization of accounting fraud. While the study does not directly test the proposed theory outlined in this paper, it does demonstrate that the ethical climate, whether good or bad, is adopted by corporate accountants and this would include perceptions of client narcissism and lack of integrity. To date, minimal research has suggested a link between ethical climate and client narcissism and fraud attitude risk, and therefore, this research breaks the ground for further research on the topic. Additionally,

minimal research to date has explored the antecedents of ethical climate fit (Shin 2012).

Overall, the research affirms the study's proposition that SCT provides an adequate interpretation of the corporate accountant's relationships shown in the research model. The results also demonstrate that locus of control is related to ethical climate fit. The control variable of fit trend is very strong in the model. The highest path value in the model is .60 for the path from fit trend to ethical fit. Fit trend has a greater impact on job satisfaction than either locus of control or ethical fit. Fit trend also has a stronger impact on organizational commitment than does ethical fit. Study results suggest that, since the fit trend is in the same direction as that of the ethical climate, the ethical climate is both shared by corporate accountants and is desirable as an outcome of their fitting behavior. This may mean either that the corporate accountant's attitudes and beliefs "trend" toward the ethical climate, or that the ethical climate affects the fit trend. In either case, the results demonstrate that accountant's beliefs and attitudes toward their clients are entwined with the organization's ethical climate.

The research also suggests that ethical climate fit has a significant, although moderate, impact on organizational commitment (0.23 path value). This seems marginally better than other accounting ethics research that finds a rather weak relationship between an ethical construct and an outcome and suggests that the ethical climate construct may be more a more promising choice for future research. Although the ethical climate fit questions ask about congruence between the person's ethics and the organization's ethics, it does not ascertain the ethical level of either the person or the organization. For instance, there could be a strong ethical climate fit if a corporate accountant shares the values of an organization characterized by client narcissism and lack of integrity. Thus, there seems to be an implicit assumption that higher ethical climate fit is better, but that would only be true if higher ethical climate fit was a fit between accountants with high ethics and organizations with high ethics. Additionally, this research demonstrates that workplace interventions which target accounting professional's self-efficacy and locus of control should be effective, because both LC and SE have significant effects on perceptions of ethical climate.

Given the focus on understanding and assessing fraud attitude risk and ethical behavior within the accounting profession, these relationships may be of particular interest to auditors.

Limitations

This study adopted an exploratory position in that respondents were asked to report their own beliefs about the organizational side of the fit construct, under the assumption that any resulting actions taken or beliefs

formed would be in accordance with their own beliefs rather than the collective beliefs of their organization's management.

As to the limitations of the study, an important consideration is whether or not the sample will be generalizable to the population of accounting professionals at-large, since it is often argued that the low-response rates that typify mass mailings pose a threat to generalizability. Specifically that those who respond to such invitations are not typical of the at-large population. This limitation is addressed by demonstrating that a low-response sample group resembles a high-response sample group, which supports not only the generalizability of the low-response group, but also of the entire sample.

Although our theory that perceptions of a firm's ethical climate are indicative of narcissism and fraud attitude is not tested, it is viewed as an opportunity for future research. It is our plan to study this relationship in our next paper.

It is hoped that the findings have not been influenced by the recent spate of high-profile corporate ethical failures that have swept the business world, such as Enron, WorldCom and Arthur Anderson. If so, then the study may be limited by its sensitivity to the recently heightened ethical awareness in the business world. If, however, the new corporate ethic proves to be a relatively durable transformation of the corporate ethical climate, as opposed to a momentary "blip" on an otherwise sordid ethical continuum, then these findings may represent an early assessment of an emerging awareness in corporate ethics, and therefore of considerably higher value both to researchers and practitioners.

Appendix: Instrumentation

Ethical Climate Fit

How well you currently "fit" with your current organization with respect to the following organizational conditions?

1. Freedom to follow one's own personal and moral beliefs.
2. Freedom to decide for oneself what is right and wrong.
3. Freedom to be guided by one's own personal ethics.
4. Freedom to act in the best interests of everyone in the organization.

Organizational Commitment

1. I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.

2. I talk up this organization to my friends as a great organization to work for.
3. I feel very little loyalty to this organization.
4. I would accept almost any type of job assignment in order to keep working for this organization.
5. I find that my values and this organization's values are very similar.
6. I am proud to tell others that I am a part of this organization.
7. I could just as well be working for a different organization as long as the type of work was similar.
8. This organization really inspires the best in me in the way of job performance.
9. It would take very little change in my present circumstances to cause me to leave this organization.
10. I am extremely glad that I chose this organization to work for over others I was considering at the time I joined.
11. There is not too much to be gained by sticking with this organization indefinitely.
12. Often, I find it difficult to agree with this organization's policies on important matters relating to its employees.
13. I really care about the fate of this organization.
14. For me, it is the best of all possible organizations for which to work.
15. Deciding to work for this organization was a definite mistake on my part.

Job Satisfaction

1. I am not very satisfied with my job.
2. My job is enjoyable.
3. I feel a sense of pride in doing my job.
4. I like doing the things I do at work.
5. I sometimes feel my job is meaningless.

Self-efficacy

1. I prefer my job assignments to be pretty difficult.
2. If I cannot do a job the first time, I keep trying until I can.
3. When I set important goals for myself, I rarely achieve them.
4. If something looks too complicated, I avoid it.
5. When trying to learn something new, I soon give up if I am not initially successful.
6. If a new task seems especially difficult, I become more determined to master it.
7. Initial failure just makes me try harder.
8. I feel confident about my ability to do things.
9. I am a self-reliant person.

10. I am capable of dealing with most problems that come up at work.

Locus of Control

1. A job is what you make of it.
2. On most jobs, people can pretty much accomplish whatever they set out to accomplish.
3. If you know what you want out of a job, you can find a job that gives it to you.
4. Making money is primarily a matter of good fortune.
5. In order to get a really good job, you need to have family members or friends in high places.
6. Promotions are usually a matter of good fortune.
7. It takes a lot of luck to be an outstanding employee on most jobs.
8. The main difference between people who make a lot of money and people who make a little money is luck.
9. I try very hard to improve on my past performance at work.

Fit trend

With respect to your overall fit with your organization, is the goodness of fit between you and your organization getting better or worse?

The control variables of number prior job changes and the number of prior employer are introduced as an indicator of fit trend

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