

# The Effect of Ethical Sensitivity and Accountability Pressures on the Ethical Decision-Making

Krisnhoe Rachmi Fitrijadi<sup>a</sup>, Mahfud Sholihin<sup>b</sup>

<sup>a</sup>*Jenderal Soedirman University, Purwokerto, Indonesia*

<sup>b</sup>*Gadjah Mada University, Yogyakarta, Indonesia*

## Abstract

This study investigates the effect of ethical sensitivity on Ethical Decision Making (EDM) in an accounting context, with a laboratory experiment using a 2x2 between subjects involving 61 postgraduate students. It considers the person-situation interaction approach with rationalist-intuition as the basis of moral decisions. Our analysis reveals that ethical sensitivity affects EDM. Furthermore, accountability pressure interacts with ethical sensitivity to affect EDM. Our results are consistent with Rest (1986) model and Jones (1991) theory. EDM is affected by individual factors (ethical sensitivity) and organizational factors (anonymity and feedback accountability pressures). Our findings reveal that to improve EDM, organizations should increase the ethical sensitivity of their organizational members as well as set accountability pressures for them. Individu with high ethical sensitivity who are under the pressure of feedback accountability are more ethical in decision-making. This study employs students as subjects, the results should be interpreted cautiously. Future study should validate the findings using professional accountants as subjects or performing other research strategies, such as a qualitative approach, to answer why such phenomena exist.

*Keywords: Accountability Pressure; Corporate Accountant; Decision-Making; Ethical Sensitivity*

## 1. Introduction

Ethical Decision-Making (EDM) is a process used by individuals to decide if an issue is right or wrong based on moral principles (Carlson, Kacmar & Wadsworth, 2009). Most previous studies related to EDM applied the contingency models. These models described a link among moral intensity (individual variables), contextual factors (job contexts and organizational situations) and external environment (e.g. Bagdasarov et al., 2016; Bobek, Hageman & Radtke, 2015; Brown, Treviño & Harrison, 2005; Jones, 1991; McDevitt, Giapponi & Tromley, 2007; Schwartz, 2016;

Sheldon & Fishbach, 2015; Sweeney & Pierce, 2010; Yu, 2015). However, there is a debate to validate the model.

Indeed, a variety of EDM descriptive models are contradictory and are less comprehensive (Schwartz, 2016). Further, Schwartz (2016) argued that EDM studies are empirically and theoretically questionable because of the inconsistency of the findings. These inconsistencies are caused by methodology differences, instrument measurement variances or quality, and also because EDM is a complex neuro-cognitive-affective process.

This study highlights ethical sensitivity relate to EDM in an accounting context. Ethical sensitivity variable is chosen with reference to Cohen & Bennie (2006), Woiceshyn (2011), Lynn et al. (2016), Jagger (2011), Brief et al. (1991), Stapleton & Hargie (2011), Hirth-Goebel & Weißenberger (2019) and Ng et al. (2009). The results of research show that despite the training and experience of ethical codes, professional accountants still often face ethical dilemma problems. This dilemma can lead to frustration and emotional exhaustion and influence the attitudes and performance of professional accountants. More importantly, moral sensitivity is posited to drive moral awareness (Reynolds & Miller, 2015; McManus, 2021). EDM reflect awareness based on ethical philosophy with two components: ethical sensitivity (perception) and ethical considerations is needed to determine what to do to deal with offenses committed by a person or a group. It means an assessment of actions that are justified by morals (Lynn et al., 2016; Madein & Sholihin, 2015; Sholihin et al., 2020)

Moreover, this study posits accountability pressures (organizational factor), particularly anonymity and feedback, interact with ethical sensitivity to mitigate EDM. This research investigates whether two types of accountability pressures, namely the lowest accountability (anonymity) and the highest accountability (feedback) interact with ethical sensitivity affecting EDM. The role of accountability is worth studying because “in the last 30-odd years, professionals ... have increasingly been called to account” (Vriens, Vosselman & Groß, 2018). However, investigation relate to the effect of accountability on EDM still debatable.

The term of anonymity means removing accountability, while feedback is a situation where individuals expect an evaluation of formal feedback on their decisions or judgments (Bagley, 2010; DeZoort & Harrison, 2018; DeZoort, Harrison & Taylor, 2006; Evans, 2012; Mansouri & Roney, 2014; Tetlock, 1985). Both types of accountability pressure are at an extreme point with contrasting discriminant results (Cloyd, 1997; DeZoort et al., 2006). The choice of two different types of

accountability pressures aims to examine the type of accountability pressure that can reduce ethical dilemmas in EDM.

This study presents a model that integrate an individual factor (ethical sensitivity) and an organizational factor (accountability pressure of anonymity and feedback) on EDM. The examination of this integrated model using a different context (accountant) is important to test the validity and generalizability of the previous studies and Jones's (1991) model. The Jones (1991) model which is consist of magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect, explains behavioural beliefs, results evaluation, normative beliefs, and accompanying motivations.

This research uses Multidimensional Ethics Scale (MES) to measure ethical sensitivity, which is different from previous study which use Defining Issues Test (DIT) (Jagger, 2011). MES has some advantages compared to DIT. It measures some attitudes such as justice, satisfaction, contractual, selfishness and relativism. MES is more informative and is able to provide a theoretical explanation of the moral judgment of individuals (Shawver & Sennetti, 2009).

This research uses an experimental method to validate the causal relationship between ethical sensitivity and the pressure of different accountability (anonymity and feedback) on corporate accountants' EDM. Corporate accountants as a part of management should become ethical role models and be able to support the effectiveness of regulatory approaches to legalize the foundations of effective compliance and business ethics. Additionally, these results are expected to provide valuable insight into the psychological model of human behaviour related to EDM in a business organization.

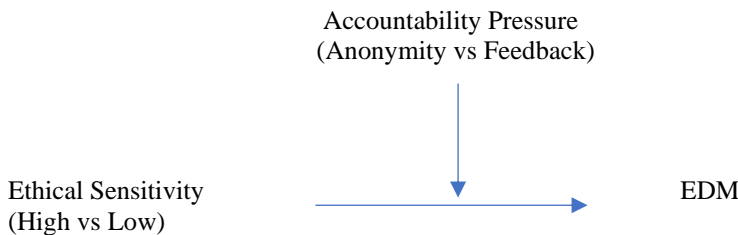
The results of this study indicate that there are significant differences for EDM between subjects who have high sensitivity and those with low sensitivity. Furthermore, there are significant differences in EDM between groups with the accountability pressure of anonymity versus feedback. In particular, the results show that subjects with high sensitivity who are pressured by feedback accountability are more ethical in decision-making than subjects with low sensitivity who are under the pressure of anonymity.

The theoretical contribution of this research is to complement the accountability and professional ethics literature by validating the causal relationship of ethical sensitivity and EDM of corporate accountants. This relationship is strengthened by the level of accountability pressure as a

moderating variable. Furthermore, the results of this research are to describe the decisions, judgment and ethical attitudes of corporate accountants dealing with ethical dilemmas. From a practical perspective, this paper suggests that organizations can design and implement programs to strengthen better EDM by emphasizing accountability regarding the duties and work of internal accountants.

The model in this research is depicted in Figure 1. The model illustrates that the accountability pressure is a moderating variable on the relationship between ethical sensitivity and EDM.

Figure 1. Research Model: The Accountability Pressure in the Ethical Dilemma of EDM



The rest of the paper is organized as follows. The second part presents the theoretical review and development of the hypotheses. The third part contains the methodology, followed by the fourth part which presents the results and discussions. The last section covers conclusions, implications, and limitations.

## 2. EDM, Ethical Dilemma and Ethical Sensitivity

Many scholars have been attempting to conceptualize and develop EDM (Cohen & Bennie, 2006; Flanagan & Clarke, 2007, Jones 1991; McManus, 2021; Schwartz 2016; Schweikart, 1992; Sweeney & Pierce 2010; Treviño, 1986; White et al., 2009; Zolotoy et al., 2021). Jones (1991) defines ethical decisions as decisions that are legally and morally acceptable in a larger community. Previously, Rest (1986) has developed a four-component model for theorizing the effect of social learning and social psychology on moral decision-making. There are four factors that affect a person's ethical decision, namely sensitivity, judgment, motivation, and moral character. Meanwhile, Brown et al. (2005) argue that there are situational factors which affect EDM.

Further, Jones (1991) used the Rest (1986) model to explain that EDM starts from ethical sensitivity related to ethical dilemma and argued that EDM is also contingent on the moral issues. Jones (1991) asserted that moral intensity is a type of influence based on objective existence of ethical dilemma, which comprise various characteristics. Ethical attributes such as magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect should be considered. When the consequence of an ethical issue has considerable implications and relevance to the decision maker, or the probability of the issue occurring is extremely high, the likelihood that the decision maker will adopt EDM behaviour is high; otherwise, unethical decision making typically occurs (Barnett, 2001).

The Jones (1991) model explains behavioural beliefs, results evaluation, normative beliefs, and accompanying motivations. Variables of behavioural beliefs and evaluation of results influence attitudes that lead to ethical and unethical behaviour. Furthermore, normative beliefs and motivation variables are related to subjective norms. These attitudes and norms lead to the intention to behave ethically or unethically which has an impact on actions that are realized.

McDevitt et al. (2007) summarize the EDM model which includes two main categories, namely individual and situational variables. Many individual and situational variables have been identified and have an impact on EDM by business managers in organizations (Bagdasarov et al., 2016; Brown et al., 2005; Domino, Wingreen & Blanton, 2015; Jones, 1991; Christensen & Woodland, 2018; McDevitt et al., 2007; McManus, 2021; Musbah, Cowton & Tyfa, 2016; Pimentel, Kuntz & Elenkov, 2010; Schwartz, 2016; Sweeney & Pierce, 2010; Paik, Lee & Pak, 2019; Tønnessen, Ursin & Brinchmann, 2017; Vriens et al., 2018; Wisler, 2018; Yetmar & Eastman, 2000; Yu, 2015; Zolotoy et al., 2021).

McDevitt et al. (2007) built an integrated model and indicated the complexity of the decision-making processes used by individuals when facing ethical dilemmas. Whittier et al. (2006) argued the Jones (1991) model should be evaluated to improve the model. According to Whittier et al. (2006), by evaluating and developing various EDM models, it will be able to complement and support the role of EDM in real organizations.

A normative model of EDM emphasizes the ideal ways decision makers can take to carry out activities in the decision-making process. Conversely, the descriptive model looks at empirical evidence by paying attention to the way decision makers take actual action in the decision-

making process. Then, the prescriptive model focuses on empirical evidence that aims to help decision makers to improve the performance of decision-making in a complex context when they have to make decisions.

Whittier et al. (2006); Pimentel et al. (2010) and Woiceshyn (2011) argued that the EDM model that has been developed is still inadequate because: 1) it is still failing to find individual characteristics that are integral to ethical dilemmas, 2) there are limitations in ethical evaluation which are within the limits of teleological and deontological normative theories. For these reasons, it is necessary to empirically examine the existence of variables that interact by referring to various disciplines and theories such as philosophy, social and moral psychology, social economics, organizational behaviour, ethical behaviour and business.

Through a qualitative study, Palácios et al. (2017) concluded that ethical dilemmas involve managers having to make decisions but experiencing conflicting expectations, such as moral values conflict. Using a different approach, Hirth-Goebel & Weißenberger (2019) conducted a survey of management accountants. They found ethical awareness indirectly influences ethical intention. So, ethical awareness serves as an identification mechanism that plays a key role in the EDM processes of professionals. Thus, it is not enough to implement only particular control mechanisms like code of conduct or ethics trainings to complement the firm's management accounting system. Instead, organizations should try to foster an ethical atmosphere where role models truthfully act according to certain values and guidelines.

On the other hand, ethical behaviour by all organization members is an important key to the organization, in order to continue to operate efficiently and effectively. Ethics and social norms create shared expectations about how individuals should behave in organizations so that they can create social control mechanisms (Beu & Buckley, 2001). Previously, Douglas & Wier (2005) and Scot & Kenneth (2000) found ethical considerations in situations of high moral intensity were influenced by personal and environmental value variables such as professional codes of ethics (both directly and indirectly) and have a direct relationship with previous ethical instructions. Buchan (2005) findings show that there is a significant relationship between subjective norms and attitudes. Professional attitudes towards ethical issues significantly affect intention. The results of the research also illustrate the potential influence of social factors in shaping attitudes.

As a professional part of management, corporate accountants must

have high moral commitment and adhere to applicable accounting standards and professional standards. By having an important position in the company, corporate accountants may engage in unethical behaviour. Accountants who lost their due care of professional judgment could be blamed on poor ethics. Therefore, it is possible that ethical sensitivity has an impact on ethical actions that arise and influence the efficiency and effectiveness of the company's operations.

Since 1990s, the community has lost confidence and increasingly demands professional institutions to be able to carry out their profession in accordance with the prevailing professional ethics, along with increasing competition in the market (Gibbins, 2001; Gong, Kim & Harding, 2014; Mansouri & Rowney, 2014). The existence of violations related to ethical issues can put the company and professionals in a disadvantage in business competition. In the standards of the accounting profession, a code of ethics is clearly defined as the basis for carrying out duties and providing services. The existence of a code of ethics is expected to create a professional commitment that has an impact on public trust because it involves the interests of the wider community and reputation (Domino et al., 2015; Yetmar & Eastman, 2000).

Meanwhile, despite having received training and experience in the code of ethics, professional accountants still often face ethical dilemma problems (Cohen & Bennie, 2006; Brief et al., 1991). This dilemma can lead to frustration and emotional exhaustion and influence the attitudes and performance of professional accountants. The conflict or dilemma arises because of social pressures that are different from the principles of individual ethical standards that have been studied and trained during the learning period (Kammeyer-Mueller, Simon & Rich, 2012). An ethical situation called a dilemma is a consequence of the influence of individual decisions on the interests, welfare and expectations of others (Rest, 1986). Based on previous research, for example, Tsalikis & Fritzsche (1989), Ng et al. (2009), Izraeli (2014), McDevitt et al. (2007) and Douglas & Wier (2005), factors that usually cause ethical dilemmas in business are related to:

1. Employee security issues
2. Financial issues of human resources
3. Conflict of interest
4. Allocation of corporate resources

Ethical dilemma is common in business and complicates mental situations because it involves a vital moral conflict. Moral sensitivity is the ability to identify hidden aspects in a moral dilemma (Billiot et al., 2012; Jagger, 2011; Lynn et al., 2016). Ethical sensitivity is the desire to take more moral actions. Ethical sensitivity factors are recognized as having a key role in the development of moral considerations (Billiot et al., 2012; Jagger, 2011; Lynn et al., 2016). When a person has low ethical sensitivity, there is little awareness of the relevance of the moral domain to existing business practices (Carroll, 2003). Not surprisingly, there have been many scandals related to issues of unethical behaviour such as Enron, WorldCom, Adelphia, Tyco, Xerox, Health-South and others, in business organizations.

More over, Schwartz (2016) stated that by developing an integrated model that considers the person-situation interaction approach with rationalist-intuition as the basis of moral decisions, the key factors that influence EDM can be further clarified. This is important to confirm various variables that may have a causal relationship. Shaub (1989) found that ethical orientation had an effect.

Ethical sensitivity or ethical awareness is the first step in the EDM process (Rest, 1986). One can act ethically because one understand that an ethical issue exists. The empirical evidence that students with low levels of ethical sensitivity are likely to experience less development in their moral judgment during an ethics education course. Therefore, educational methods, which focus on the development of ethical sensitivity, are more likely to be effective than those that do not (Billiot et al., 2012; Jagger 2011).

However, previous research relates to this important initial steps is still limited (Billiot et al., 2012; Cengiz, 2010; Chan & Leung, 2006; Lynn et al., 2016). Likewise, Buchan (2005); McDevitt et al. (2007); Jagger (2011) argued that moral sensitivity is a measure of moral norms and that the study of it in the business context is still very limited. Ethical sensitivity cannot be studied in the same way that cognitive developmentalists ethical judgments, by presenting some moral problems to respondents, then asking them what is right and wrong (Rest, 1986).

There have been two studies that used as instrument to measure auditors' ethical sensitivity (Shaub, 1989; Shaub, Finn & Munter, 1993). Measurement of an ethical sensitivity developed was not simply replicating the concept of Rest's DIT. In measuring the ethical sensitivity, the subject is asked to go through the scenario and to indicate what issues they consider being important and their relative importance. Recognition



of the ethical issues in the scenario, regardless of the importance attached to the issues, serves as the absolute measure of ethical sensitivity. Shaub's (1989) study indicated auditors' ethical orientation not only influence their ethical sensitivity, but also their organizational and professional commitment. Relativistic auditors were found less likely to recognize ethical issues in an auditing context.

### **3. Accountability Pressure**

According to Tetlock (1985), one of the contextual variables that should be understood is accountability. Accountability as a social factor can be raised externally to get better understand what and how humans think. It is useful for avoiding mis judgment on suboptimal cognitive predispositions or the ability of individual decision makers.

Some of the accounting literatures describe accountability has the potential to increase consideration and effort (Ashton, 1990; Trotman, 2011). Accountable individuals will become more ethical. Comprehensive complex thinkers try to find valid arguments on the positive and negative sides of an issue and balance the legitimacy of attention that is different from one another (Ashton, 1990; Tetlock & Boettger, 1989; Tetlock, Lerner & Boettger, 1996; Tetlock, Skitka & Boettger, 1989; Trotman, 2011).

Accountability pressure is a construct that is widely studied in order to get more understanding of the stakeholder behaviour in decision-making that can be used to increase trust and be conditioned in supporting EDM. There is a need to be focus an emphasis on accountability for decision makers (Beu & Buckley, 2001; Brief et al., 1991; Demirag & Khadaroo, 2011; Tetlock, 1985). However, the results of previous research also show that accountability pressures do not always lead to accountable behaviour (Hoogervorst, De Cremer, and van Dijke, 2010).

Meanwhile, according to Ashton (1990) and (Vriens et al., 2018) there is an increase in accountability pressures, and it can support or even reduce performance, depending on the level of previous pressure and the demands of decision-making tasks. This is consistent with the opinion that accountability should not be seen as a single construct. The existence of different accountability pressures can have different influences in consideration and decision-making (Ashton, 1990; Beu & Buckley, 2001; Brief et al., 1991; Demirag & Khadaroo, 2011; Tetlock, 1985; Trotman, 2011).

Brief et al. (1991); DeZoort & Lord (1997) and DeZoort et al. (2006) argued that accountability is a pressure and is a justification regarding one's judgment and decisions towards other parties. In other words, the accountability pressure is intended to monitor others. This is to show that the standards set previously have been relevant to the fulfillment of obligations, duties, expectations and other burdens. So, according to DeZoort & Lord (1997) it is necessary to look more closely at the effects of accountability pressure.

Tetlock et al. (1996) stated that researchers are generally mistaken in using accountability as a uniform phenomenon whereas empirically they can apply different constructs. They also highlight the importance of empirical research on differences between types of accountability. By using various accountability treatments as a single construct in previous research, it raises questions about generalizations on the results which state that there are significant and insignificant effects on EDM. There are indications of problems in the construct and external validity by testing various alternative levels of accountability pressure (Ashton, 1990; Tetlock & Boettger, 1989; Tetlock et al., 1996; Tetlock et al., 1989; Trotman, 2011).

The uniqueness of the corporate accounting profession provides an interesting opportunity and acts as an informative medium to examine in depth the constructs of accountability pressures (both individually and in groups) for researchers. DeZoort & Lord (1997); Ashton (1990) and Trotman (2011) stressed the need for accountability pressure research because there is still little theory and accounting literature to explain the different types of accountability pressures that influence consideration of efficiency and effectiveness in the context of EDM for professionals in accounting and auditing.

The studies of DeZoort & Lord (1997); DeZoort et al. (2006) and Ashton (1990) showed that accountability pressures have more detailed frameworks and components and diverse traits that are also tiered. Previous research on the accountability pressure in psychology (Brief et al., 1991; Tetlock, 1985) and accounting (Ashton, 1990; DeZoort et al., 2006; DeZoort & Lord, 1997) have used anonymity.

Repeated research results have shown that the accountability pressure can influence how and what someone thinks. People respond structurally by engaging in actions that help avoid or minimize the accountability pressure. Brief et al. (1991) stated that the choice of individuals who act as managers in solving ethical dilemmas is influenced by the accountability

pressure to justify their decisions on the authority above them. Therefore, accountability arises when recognizing the demands and desires of those who have higher authority.

Accountability pressures have more detailed frameworks and components and diverse traits that are also tiered (DeZoort et al. 2006). Ashton (1990); DeZoort et al. (2006) and DeZoort & Lord (1997) support the existence of discriminant validity among various forms of accountability pressure in the form of anonymity, review, justification and feedback on the consideration of the auditor's materiality.

The lowest accountability pressure is anonymity, simply eliminating accountability explicitly. Previous research on the pressure of accountability in psychology (Brief et al., 1991; Tetlock, 1983) and accounting (Ashton, 1990; DeZoort & Lord, 1997; DeZoort et al., 2006) indicated that anonymity improves subjects in experimental settings. On the contrary, the highest pressure of accountability in the form of feedback arises in situations where individuals expect the evaluation of formal feedback on their decisions or considerations (Goldberg, Lerner & Tetlock, 1999). Feedback pressure is the ability to stimulate learning among professionals (Ashton, 1990).

#### **4. Hypothesis Development**

According to EDM theory (Jones 1991), ethical issues arise when individual actions carried out freely can harm or benefit other parties. The ethical issue of moral intensity is a construct that describes the level of the main moral issues in a certain situation. This is a stimulus for affection in the form of emotions, feelings and moods. Whereas in moral decision-making, organizational factors play a role in two things, namely: raising moral intentions and triggering moral behaviour. While organizational pressure may implicitly determine one's moral intentions, explicit organizational factors can cause ethical or unethical behaviour, because of good or bad intentions (Brief et al., 1991; Cohen & Bennie, 2006; Hirth-Goebel & Weißenberger, 2019; Jagger, 2011; Lynn et al., 2016; Ng et al., 2009; Stapleton & Hargie, 2011; Woiceshyn, 2011).

Rest (1986) explained that the ability to properly recognize and evaluate situation of ethical dilemmas is an important initial requirement in EDM. Moral sensitivity is the ability to identify the significant effect on commitment and ethical sensitivity. There is a significant relationship between subjective norms, attitudes, and professional attitudes on ethical

intention (Buchan, 2005; Shaub, 1989). Musbah et al. (2016) argued that the dimensions of moral intensity have a significant influence on the variance of intention, recognition and ethical considerations.

Jones (1991) used the Rest (1986) model to describe ethical sensitivity related to ethical dilemma. Jones (1991) asserted that moral intensity affected by existence of ethical dilemma, which comprise various characteristics such as magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect. When the implications can be identified extremely high, the likelihood that the decision maker will adopt EDM behaviour is high; otherwise, unethical decision making typically occurs (Barnett, 2001).

Thus, it can be stated that the higher the ethical sensitivity of an individual the more ethical the decision-making will be. Based on the theory of Jones (1991) and the results of prior studies (Billiot et al., 2012; Buchan, 2005; Jagger, 2011; Lynn et al., 2016; Madein & Sholihin, 2015; Musbah et al., 2016; Rest, 1986; Shawver & Sennetti, 2009; Sholihin et al., 2020; Yetmar & Eastman, 2000), the relationship between ethical sensitivity and EDM can be hypothesized as follows:

H1: Subjects with higher ethical sensitivity are more ethical in decision-making than subjects with low ethical sensitivity.

Previous studies (Bagdasarov et al., 2016; Bobek et al., 2015; Brown et al., 2005; Jones, 1991; McDevitt et al., 2007; Schwartz, 2016; Sheldon & Fishbach, 2015; Sweeney & Pierce, 2010; Yu, 2015) suggested that organizational factors play an important role in making ethical decision. Organizational pressure may implicitly affect one's moral intentions. While explicit organizational factors can cause ethical or unethical behaviour due to good or bad intentions (Jones, 1991). Ethical behaviour plays an important role as one guarantee of all actions in accordance with the rules, so it is necessary to emphasize accountability to those responsible for decision-making because it affects performance (Akrami et al., 2018; Beu & Buckley, 2001; Jones, 1991; Mansouri & Rowney, 2014; Sweeney & Pierce, 2004).

In a social context, the accountability pressure situation faced by employees and their behaviour will be observed and evaluated by external parties and compared with a set of standards or expectations. Pressure of accountability is the cause of the emergence of a shift in attitude when superior preferences are known and become a defence mechanism when someone does not obey the wishes of the superior. In addition,

accountability pressure can be a mechanism used by organizations to control and direct employees (Brief et al., 1991; DeZoort et al., 2006; Gibbins, 2001; Gong et al., 2014). Thus, if employees feel accountable to other parties in the organization, the pressure of accountability can lead to EDM and behaviour.

Meanwhile, DeZoort et al. (2006) found that auditors under high accountability pressure in the form of feedback and justification provided more conservative materiality considerations. With the pressure of feedback and justification, auditors also make considerations with less variability than auditors with low pressure levels in the form of review and anonymity.

The theory of Jones (1991) and various previous findings (Brief et al., 1991; DeZoort et al., 2006; Gibbins & Newton, 1994; Gong et al., 2014) indicate that the higher the level of pressure accountability the more careful the employees will be and it leads to being more ethical. Accordingly, the following hypothesis will be tested:

H2: Subjects with feedback accountability pressures will be more ethical in making decisions compared to subjects with anonymity accountability pressures.

Jones's (1991) model explained that EDM begins by recognizing the emergence of a dilemma, as it is related to ethical sensitivity. Furthermore, someone will make a one-sided explanation (identifying the ideal solution) and deliver an explanation (intention to act) and end with ethical behaviour (taking-action). Various research has been done to understand the ethical behaviour of accountants using cognitive, professional and social contexts (Abdolmohammadi, Fedorowicz & Davis, 2010; Brees & Martinko, 2015; Chan & Leung, 2006; Domino et al., 2015; Na & Jian, 2014; Schweikart, 1992; Zhang & Zhang, 2014). These studies obtain a better understanding of the accounting profession in maintaining reputation, integrity, trust and credibility in society.

Previous studies suggest that accountability pressures are expected to support EDM (Brief et al., 1991; DeZoort et al., 2006; Gibbins & Newton 1994; Gong et al., 2014). In situations of accountability pressures, individuals understand that their actions will be compared to standards by evaluators. However, if expectations of behaviour are unclear and priorities are blurred, individuals will feel unaccountable and may behave unethically (Beu & Buckley, 2001; Iskandar et al., 2012; DeZoort & Harrison, 2018; DeZoort et al., 2006; Gong et al., 2014; Mansouri &

Rowney, 2014; Yasmin & Ghafran, 2019). So, the effect of accountability is indicated by the subject regarding his choice to be accounted for by the parties concerned (Bagley, 2010; Brief et al., 1991; Gong et al., 2014; Hoos & Bollmann, 2012; Rich, 2004; Self et al., 2015; Tetlock, 1983)

DeZoort et al. (2006) also stated that participants trying to make the right decisions feel the pressure gets stronger when the level of accountability pressure increases. The results of the research support the existence of discriminant validity among various forms of accountability pressure in the form of anonymity, review, justification and feedback on the auditor's materiality considerations.

McDevitt et al. (2007) argued that the decision-making process by individuals when facing ethical dilemmas is quite complex and needs to examine the interaction of various internal and external variables. Schwartz (2016) supports this by explaining that decision makers' initial cognitions regarding right or wrong can be moderated by individual factors including ego strength (strength of confidence), area of dependence (dependence on external social role models) and locus of control (perception of who controls events in life). Situational factors also moderate these behaviours such as task context, organizational culture, task characteristics and other external pressures. Ethics and the pressure of accountability are both appropriate as methods of social control and should have been studied together (Beu & Buckley, 2001; Domino et al., 2015; Schwartz 2016; Sweeney & Pierce, 2010)

Social ethics and norms arise because understanding raises expectations about the proper behaviour of individuals in the organization. Thus, it is expected that high ethical sensitivity and the support of situational factors in the form of accountability pressures will create effectiveness and efficiency of the company's operations resulting in a social control mechanism. Thus, it can be stated that high-sensitivity individuals who get feedback accountability pressure will make more ethical decisions than those with low sensitivity with the pressure of accountability for anonymity. Based on the description above, the following hypotheses can be proposed:

H3: Subjects with high ethical sensitivity supported by feedback accountability pressure produce more ethical decisions than subjects with low ethical sensitivity and anonymity accountability pressures.

## 5. Methodology

This research uses 2x2 laboratory experiments between subjects. The subjects were Master Program students from Jenderal Soedirman University and Gadjah Mada University. The experiment required that participants were postgraduate accounting or financial students at least in their third semester. They have taken the course in Business Ethics, Accounting, and Financial Management which are understand the situation and demands of the profession regarding ethical issues faced by the Chief Financial Officer (CFO).

This study involved Master students in accounting as an appropriate proxy for a knowledgeable professional accountant because they have a reasonable level of financial knowledge and business ethics acquired during their courses. As explained by Bagdasarov et al. (2016) and Gong et al. (2014) students with certain conditions can be an appropriate proxy for practitioners. Based on previous accounting research that deals with management and decision-making judgment, students are treated as substitutes for managers.

Sixty-one students of the Master of Science in Accounting Study Program at Gadjah Mada University and Accounting Masters at Jenderal Soedirman University participated in this experiment. At the beginning of the experiment session participants were grouped into two random groups, namely with the accountability pressure in the form of anonymity and feedback. They were then given a description of the situation that measures ethical sensitivity and the accountability pressure. From the results of filling out the questionnaire, the participants with high and low sensitivity were grouped again so 2x2 tabulations could be arranged.

Experimental instrument described the situation faced by company accountants when they had to prepare financial statements was adopted from Cloyd (1997), Cohen & Bennie (2006) and McDevitt et al. (2007). In the instrument there was a dilemma situation faced by the CFO regarding ethical issues which related to the finding of fraud in operations in the past. In addition, there were additional, different situations, namely the accountability pressure for anonymity and feedback in accordance with the Indonesian context and the purpose of this research.

For the feedback accountability pressure, manipulation was done by asking participants to provide information such as their names and e-mail addresses. In addition, it was also supplemented by a statement that participants would receive formal feedback on the decisions taken and

selected ethical considerations along with other responses. Furthermore, there was an explanation that the Supreme Audit Agency (SAA) would conduct an examination by giving certain opinions about the company's operations and accountability for the use of funds sourced from the overall government budget.

The SAA as an external auditor has duties and functions as an examiner of the wealth of other parties obtained by using facilities provided by the Government. This is related to the authority of the SAA and the scope of the State Finance as stated in letter 1 of the Republic of Indonesia's Supreme Audit Board Regulation Number 1, 2017 concerning the State Financial Inspection Standards. In this experimental scenario, the company where the CFO works was a Government partner who does work based on contracts from the Government for the use of self-managed funds sourced from the Government budget. Thus, the SAA is tasked with auditing the accountability for the use of self-managed funds listed in Government contracts with companies.

The anonymity accountability pressure was manipulated with the statement that there was no need to provide personal information. The subject was informed that his decision would be reviewed in its entirety (aggregate) and the results of his work would remain anonymous. The treatment of anonymity accountability pressure is the same as was done by Cloyd (1997), Tetlock et al. (1996) and DeZoort et al. (2006) in their experimental research.

Ethical sensitivity was measured using the MES adopted from Reidenbach & Robin (2013), Cohen & Bennie (2006) and Shawver & Sennetti (2009). MES has been used to measure attitudes related to philosophical constructs of ethical orientation such as justice, satisfaction, contractual, selfishness and relativism.

The scenario used for this experiment was a fraud case in a company which is a government partner. According to McDevitt et al. (2007), although the scenario is not based on empirical tests, it fulfills two things. First, it is useful to apply an integrated model of EDM in a real case model by showing weaknesses and strength. Second, it can increase the understanding of ethical conflicts interacting with other variables during the decision-making process.

For the dependent variable we asked participants what decision they would make on an ethical dilemma situation regarding a fraud event that



occurred before participants worked at the company. Participants were asked to answer questions, namely:

- What do you think of the event? unethical --- ethical
- What will be done? not report --- report

The instrument was previously pilot tested using similar subjects as used in the experiment.

Recognition, experiment, and debriefing have been taken about 30 minutes to prepare participants for this research activity. In the opening session of the experiment, participants were asked to look at the company profile for 1.5 minutes in the form of a video as part of the scenario of the occurrence of fraud. Participants were also asked to respond to additional questions as manipulation checks. The questions given as manipulation checks are related to:

- Participant's understanding of the immediate supervisor in the case.
- Participant's understanding of the party who will conduct the examination
- Participant's understanding of requests for identity

## **6. Results and Discussion**

Table 1 shows the participants' demographics based on age, gender, occupation status, and education level. The majority of participants were 23 years old (49.2%) comprising 39 (63.9%) females and there were 8 people who had jobs. From the 61 participants, 33 received anonymity accountability pressure manipulation, and the rest received feedback accountability pressure manipulation. 34 participants identified with high ethical sensitivity, while 27 had low ethical sensitivity.

All of them have taken the course in Business Ethics, Accounting and Financial Management. Therefore, they understand the situation and requirements of the profession regarding ethical issues faced by the CFO. Students with certain conditions can be an appropriate proxy for problems in research (Bagdasarov et al., 2016; Gong et al., 2014; Patel & Psaros, 2000).

Table 1. Demographics of Participants

<b>Age (Years)</b>	22	7
	23	30
	24	9
	25	6
	26	6
	27	2
	29	1
<b>Gender</b>	Woman	39
	Man	22
<b>Job</b>	Employed	8
	Unemployed	53
<b>Education</b>	Master of Management	22
	Master in Accounting	39

The table 2 shows the highest score belongs to the group with high sensitivity and feedback accountability pressure, and the lowest score is the group with low sensitivity and anonymity accountability pressure. Based on the mean values in this descriptive statistics, subjects with high ethical sensitivity supported by the pressure of feedback accountability produce more ethical decisions than subjects with high ethical sensitivity and anonymity accountability pressure. Furthermore, subjects with low ethical sensitivity who supported with feedback accountability pressure produced more ethical decisions than subjects with low ethical sensitivity and anonymity accountability pressure.

Feedback accountability pressure influence EDM give a positive impression when they realize an increase in the evaluative process by the evaluator. Feedback accountability pressure reinforce effort, variability and conservatism considerations. CFA who are at the highest level of

accountability pressure, namely feedback more conservative and less variation in EDM (DeZoort et al., 2006).

Table 2. Descriptive Statistics

<i>Sensitivity</i>	<i>Accountability Pressure</i>		<i>Total</i>
	<i>Anonymity</i>	<i>Feedback</i>	
High	(Group 2) n = 18 $\bar{Y} = 5.67$ $\sigma_y = 0.59$	(Group 4) n = 16 $\bar{Y} = 6.44$ $\sigma_y = 0.63$	n = 34 $\bar{Y} = 5.96$ $\sigma_y = 0.72$
Low	(Group 1) n = 10 $\bar{Y} = 5.40$ $\sigma_y = 0.52$	(Group 3) n = 17 $\bar{Y} = 5.41$ $\sigma_y = 0.71$	n = 27 $\bar{Y} = 5.41$ $\sigma_y = 0.67$
Total	n = 28 $\bar{Y} = 5.57$ $\sigma_y = 0.57$	n = 33 $\bar{Y} = 5.90$ $\sigma_y = 0.84$	

## 7. Hypothesis Testing

The results of the first hypothesis testing showed a significant difference for EDM between subjects with high ethical sensitivity and those with low ethical sensitivity. The average value of EDM for subjects with low ethical sensitivity is 5.41 and the average value of EDM for subjects with high ethical sensitivity is 5.96 ( $p = 0.000$ ). Therefore, the first hypothesis which states that subjects with higher ethical sensitivity are more ethical in decision-making than subjects with low ethical sensitivity is supported.

The results of testing the second hypothesis also showed a significant difference in EDM between pressure groups of accountability for

anonymity and that for feedback. The average value of EDM for subjects with anonymity accountability pressure is 5.57 and the average value of EDM for subjects with feedback accountability pressure is 5.90 ( $p = 0.021$ ). Thus the second hypothesis which states subjects with feedback accountability pressures will be more ethical in making decisions compared to subjects with anonymity is supported.

To test the third hypotheses, this research uses Anova. The results of hypotheses testing are presented in Table 3:

Table 3. Results for EDM between Subjects

	<i>Sum of Squares</i>	<i>Df</i>	<i>Mean Square</i>	<i>F</i>	<i>P</i>
<b>Corrected Model</b>	10.856 <sup>a</sup>	3	3.619	9.186	0.000
<b>Intercept</b>	1896.640	1	1896.640	4814.418	0.000
<b>Sensitivity</b>	6.033	1	6.033	15.313	0.000
<b>Pressure</b>	2.212	1	2.212	5.615	0.021
<b>Sensitivity * Pressure</b>	2.081	1	2.081	5.282	0.025
<b>Error</b>	22.455	57	.394	9.186	
<b>Total</b>	2053.000	61	3.619	4814.418	
<b>Corrected Total</b>	33.311	60	1896.640		

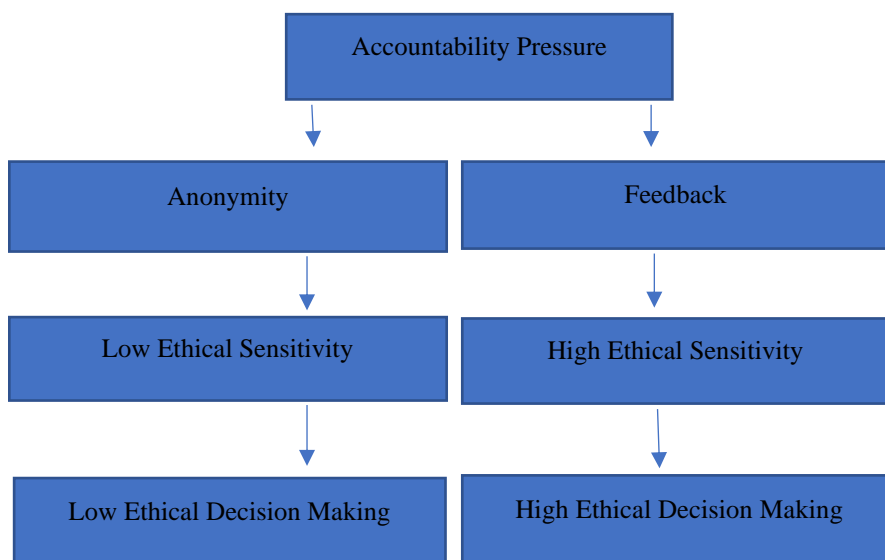
The results show the interaction between ethics sensitivity and accountability pressures is significant ( $p = 0.025$ ) and provides initial support for hypothesis 3. Further, Table 3 shows the average value of subjects with low ethical sensitivity and anonymity accountability pressures is 5.4 while that of subjects with low ethical sensitivity and feedback accountability pressure is 5.41. Additionally, the mean value of EDM for subjects with high ethical sensitivity with anonymity accountability pressure is 5.67 and that of subjects with high ethical sensitivity and feedback accountability pressure is 6.44. Therefore, hypothesis 3 is supported.

## 8. Discussion and Conclusion

The results of this study support Jones’s (1991) theory that ethical sensitivity on ethical issues significantly impacts EDM which is manifested in behavior. As Rest (1986) explained, one of the factors that raises the tendency of individuals to behave ethically is ethical sensitivity. In addition, these results are also in line with the arguments in EDM theories which state that ethics vary mainly due to differences in the ability to determine right or wrong (Buchan, 2005; Carroll, 2003; Jagger, 2011; Lynn et al., 2016; Madein & Sholihin, 2015; Musbah et al., 2016; Rest, 1986; Sholihin et al., 2020; Yetmar & Eastman, 2000).

Additionally, the results of this study also support DeZoort et al. (2006) where auditors under high accountability pressure in the form of feedback and justification provide conservative materiality judgments and make judgments with less variability than auditors with low pressure levels in the form of review and anonymity. The findings of this research are in line with Rest (1986), Ng (2009), Hirth-Goebel & Weißenberger (2019), Jeffrey et al. (2004), Sweeney & Pierce (2010), Mansouri & Rowney (2014) and Zhang & Zhang (2014).

Fig 2. Associations between Ethical Sensitivity, Accountability Pressure and EDM



Accountability as a pressure affects one’s judgment and ability to make decisions (Bagley, 2010; Rich, 2004). Accountability pressure is a

situational factor that can be used to increase trust and be conditioned in supporting EDM. The pressure of feedback accountability has a significant effect on CFA EDM. CFA are motivated to give a positive impression when they realize an increase in the evaluative process by SAA as a medium of direction, learning and evaluation. Feedback accountability pressures strengthen effort, variability and conservatism considerations because CFA more careful and conscientious. Feedback accountability as motivational support from SAA in a structured and clear assessment standard.

This result also supports previous studies which found that CFA are sensitive to ethical dilemmas regarding the emergence of different accountability pressures (DeZoort & Lord, 1997; Domino et al., 2015; McDevitt et al., 2007; Rausch & Brauneis, 2015; Schweikart, 1992; Sweeney & Pierce, 2010). The results of this research validate the existence of feedback accountability pressures from SAA as parties who are explicitly in authority, causing an immediate reaction from the CFA EDM because their accuracy standard is clear and continuous. CFA are increasingly aware of competency-based performance measures and understand achievement goals to maintain their reputation.

The interaction of CFA with high ethical sensitivity and feedback accountability pressure affect highest CFA EDM. Ethical sensitivity of CFA which are consist of magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect with clear standard evaluation through feedback accountability reflects to EDM. The results of this research are in line with of Sweeney & Pierce (2010) and Beu & Buckley (2001) that both ethical attitudes and accountability pressures are appropriate as methods of social control to be analyzed.

The research results have theoretical and practical implications. In theoretical terms it is necessary to further examine the integrated model of EDM using a comparison of various measurements of the variable ethical sensitivity. In addition, it is necessary to examine the measurement of accountability pressures that are appropriate to the context and situation of ethical dilemmas that arise. As Reidenbach & Robin (1991); Ferrell & Ferrell (2011), Ng et al. (2009) and Hirth-Goebel & Weißenberger (2019) suggest, it is important to develop corporate accountant as ethical role models and support the effectiveness of regulatory approaches to legalize the foundations of effective compliance and business ethics.

In addition, this research is expected to be able to contribute practically by giving an understanding of the interaction of ethical sensitivity and accountability pressures. Organizations can precisely design and implement programs to strengthen better EDM and choices. This can be applied in the form of, for example, technical guidelines that are used as rule of thumb for EDM under the supervision and responsibility of the ethical commission. Furthermore, it is necessary to emphasize accountability regarding the duties and work of CFA in a written code of ethic. Therefore, it is necessary to conduct intensive and continuous socialization and debriefing with appropriate methods for professional accountants so that they better understand professional ethics in order to realize the main goal of increasing ethical sensitivity and accountability.

Furthermore, it is important to apply accountability pressures in the context of the work environment of CFA. It aims to improve ethical decisions through clear accountability mechanisms. An internal control system with adequate ethical code support is also needed in order to realize the importance of good corporate governance. Organizations can also precisely design and implement programs to strengthen better EDM and choices. The results of this research also explain the importance of paying attention to the understanding of corporate accountants regarding ethical principles that can be enriched and enhanced through adequate training and learning facilities, in accordance with the demands and commitment of the profession.

This research has been carefully designed. However, it carries some limitations. First, the measurement of ethical sensitivity using a perception-based scale. Future research needs to develop an instrument to manipulate ethical sensitivity. Likewise, it is necessary to develop a measurement of accountability pressure using other theories different from those used by DeZoort & Lord (1997). Additionally, as our study employs students as subjects, the results should be interpreted cautiously. Future study should validate the findings using professional accountants as subjects or perform another research strategy, such as qualitative approach to answer why such phenomena exist.

Further research should also examine other research gaps such as the accountability pressure in relation to other organizational factors, such as ethical codes and ethical climates both in the context of profit and non-profit organizations. In addition, other individual attributes such as cognitive factors, locus control and personality, as well as task context factors can be developed into models of EDM.

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