The role of moral identity in auditor's ethical decision making

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ABSTRACT

This article aims to test and provide empirical evidence of the moderated mediating role that plays moral identity in explaining auditor's ethical decision making based on Jones' model of moral intensity. Therefore, this research proposes a moderated mediation model where moral identity accessibility mediates the relationship between perceived moral intensity and auditors' moral judgment. Moreover, Moral identity centrality is tested as a moderator variable for this socio-cognitive model. This study used random sampling methods to external senior auditors operating in audit firms in Morocco. Data obtained by 125 respondents and processed with SmartPLS. The results show that the impact of auditor's perceived moral intensity on his moral judgment is fully mediated by moral identity accessibility and moderated by moral identity centrality. Auditor's moral intensity perception seems to trigger the access to moral identity which in turn affects positively the moral judgment based on how central is moral identity to the individual.

Introduction

Recent economic and financial scandals such as Wirecard- Ernst & Young and the Anderson-Enron affair have raised many questions about the effectiveness of auditors to provide assurance on the quality of financial statements. Studies related to positive accounting theory take as an indication of audit quality the reputation of the accounting firm which they estimate in most of the cases by belonging to a large firm. Paradoxically, the latest financial scandals have involved these same large accounting firms. This cannot be a sign of their technical incompetence since their recruitment and training policies meet and sometimes exceed professional standards. So how can a reputedly competent auditor be associated with this type of scandal?

Audit quality is defined by De Angelo (1981) as "the joint probability that a given auditor will discover a breach in the client's accounting system and report on it". If the first probability depends on the overall competence of the auditor (technological capabilities, level of expertise, the procedures used…), the second probability depends on the auditor's level of professional ethics and independence from the client.

Fogarty (1992) considers the efforts made by accounting institutions and firms to educate auditors to behave ethically according to the profession as a limit to moral judgment. As a result, a number of research studies have attempted to explain auditor's ethical decision making based on individual, contextual, and situational factors and even the interaction of individual-situation factor (Trevino, L. K. 1986). Moral identity is a conception within moral psychology which indicate the degree of importance of morality to a person's self-definition (Hardy & Carlo 2011) and which drives moral functioning (Aquino and al, 2009). However, auditor's moral identity seems to be ignored till now by the literature as an individual variable that can be crucial in driving auditor's ethical decision making.

The social-cognitive conception of Moral Identity considers the situational factor as variable that can impact positively or negatively the access to knowledge structure related to moral identity (Shao et al. 2008). Auditors in their daily life encounter situations with different levels of moral intensity and the literature shows a significant positive effect of the characteristics of a situation on auditor's ethical decision making when facing an ethical dilemmas (Lehnert et al. 2015). As Craft (2013) and O'Fallon and Butterfield (2005)

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point out, many researchers have empirically tested the link between the moral intensity of an issue (Jones 1991) and the four stages of ethical decision making process (Rest 1986). However, to our knowledge, there is no study in the existing business ethics literature and specially the audit and accounting one that has studied this relationship in more depth, and has addressed the question of how perceived ethical intensity of a situation impacts auditor's ethical decision making.

Therefore, the purpose of this study is to show the role that can play moral identity in auditor's ethical decision making based on Jones (1991) model of moral intensity.

The first step of this research is to confirm the positive impact of auditor's perceived moral intensity of a situation on their moral judgment based on previous research finding. Thereafter, we will show that this relationship happens fully through the moderated mediating effect of moral identity which represents our main contribution to the existing literature. In other words, this research proposes a moderated mediation model where moral identity accessibility mediates the relation between perceived moral intensity and auditor moral judgment in such a way that a perception of a situation with high moral intensity will impact positively the individual access to moral identity contents which in turn impacts his moral judgment. Moreover, Moral identity centrality will be tested as a moderator variable for this socio-cognitive model in such a way that the impact of perceived moral intensity on moral judgment through moral identity accessibility depends on how important and central is moral identity to the individual. Thus, this research is at the crossroads of tree fields of investigation: audit, moral psychology and ethics.

In what follows, this paper starts by giving some theoretical backgrounds and empirical reviews about Jones (1991) conception of ethical decision making as well as moral identity on the basis of which we will develop our hypotheses. Thereafter, we will present the methodology used for this research for data collection, instruments used, and data analysis techniques. Right after we present and discuss the results and finally we give our conclusion.

Literature review

Theoretical background and hypothesis development

Moral Intensity and Ethical Decision Making

According to Rest (1986), ethical decision making involves four steps represented in Figure 1. First, the individual must be able to identify that the situation involves an ethical problem (Identification). In the second step, he makes a judgment about the action to be taken by indicating the attitude that a person in this situation should behave (Judgment). He must then have the intention to act ethically (Intention). Finally, he must act on the ethical problem in order to solve it (Action).

Jones (1991) was interested in the characteristics of the ethical problem itself. The perception of all these characteristics makes it possible to determine the moral intensity of a problem, which contain six dimensions: the importance of the consequences (seriousness of the consequences related to the decision taken), the probability of effects of the consequences, the social consensus (decision that peers would have made), the time frame for the consequences to occur, the proximity of the effects (effect of the consequences on those close ones) and the concentration of the effects (number of people affected by the consequences). Jones (1991) considers that the intensity of a moral problem can influence each stage of ethical reasoning (Rest 1986) see Figure 1.
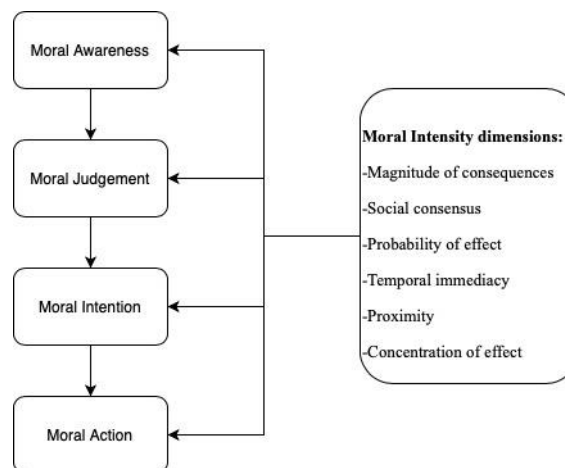
Figure 1: Ethical decision-making process and moral intensity dimensions; *Source:* Rest 1986; Jones 1991.

As Craft (2013) and O'Fallon and Butterfield (2005) point out in their reviews, many researchers have empirically tested the relationship between a situation's moral intensity and the four stages of the ethical reasoning process (Jones 1991). Lehnert et al (2015) indicate that the majority of work done in this area shows that moral intensity has a positive significant influence on all stages of Rest's (1986) model and that, given the increasing number of studies integrating this variable, it is becoming an essential element

for ethical decision-making analysis. In subsequent work, Musbah et al. (2016) using a sample of Libyan management accountants identified relationships between the moral intensity factors magnitude of consequences, social consensus, and temporal immediacy and the decision-making components ethical recognition, judgment, and intention. Therefore:

Hypothesis 1: Auditor's perceived moral intensity of a situation impacts auditor's moral judgment as the literature of past studies results states.

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┌──────────────────────┐                                    ┌──────────────────────┐
│   Perceived moral    │ ─────────────────────────────────▶ │   Moral judgment     │
│     intensity        │                                    │                      │
└──────────────────────┘              H1                    └──────────────────────┘
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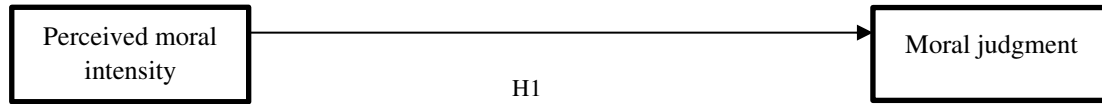
Figure 2: Research model A

Social-Cognitive Conception of Moral Identity

Moral identity centrality is a conception within moral psychology which indicate the degree of importance of morality to a person's self-definition (Hardy & Carlo 2011). Social-cognitive and character perspectives of moral identity shares some commonalities. In fact, they both states that the importance of moral identity to a self-definition drives moral functioning (Aquino and al, 2009). Despite their common point, the socio-cognitive perception differs from the character-based perception by considering the situational related factor in information processing (Bargh et al., 1986).

According to social-cognitive theory, moral identity is a set of cognitive representations derived from moral values and goals (Aquino & Reed, 2002). This conception of moral identity is based on theoretical mechanisms such as memory, identity, and information processing in order to understand the moral process (Bandura 2001) knowledge accessibility can also be considered as one of these mechanisms. The more access to representations linked to a specific identity the more an individual's behavior or action will be formed based on the content of that identity (Higgins, 1996, Hannah, Woolfolk, & Lord, 2009).

In other words, the more access an individual has to moral knowledge and representations, the more important moral identity is to his self-definition compared to other identities (cf. Aquino & Reed, 2002; Lapsley & Lasky, 2001a, 2001b; Narvaez, Lapsley, Hagele, & Lasky, 2006, Shao et al. 2008, Aquino et al. 2009, Joosten et al., 2015). And therefore, processing information from his environment would be of a moral order which makes moral identity as a powerful regulator of ethical decision-making (Aquino & Reed, 2002; Lapsley, 1996, 1998; Lapsley & Lasky, 2001a; Lapsley & Narvaez, 2004, 2005, Reynolds & Ceranic, 2007, Hannah et al., 2011).On the other hand, the social-cognitive conception states that situational related factors can impact positively or negatively the access to knowledge structure related to moral identity. For example, observing a moral exemplar can activate moral identity within the working self even for those whose moral identity is not very central to their self-definition. Inversely, being exposed to financial reward for task performance can disable the access to moral identity related content even for those whose moral identity is very salient to their self-definition (Shao et al. 2008). Based on what we have seen above we can make the following assumptions:

First, situational related factors that trigger moral self-representations should rise its reachability within the working self-concept. The current accessibility of the moral self-representation within the working self-concept should in turn impact positively the ethical decision making process. Therefore:

Hypothesis 2: Auditor's access to their moral identity will mediate the relationship between their perception of moral intensity and moral judgment.

Second, once an individual access his moral identity then his moral judgment will depend on how central is this moral-self to his self-concept, the more it's important to his self-definition the more ethical his judgment will be. Thus:

Hypothesis 3: The relationship between auditor's moral identity accessibility and his/her moral judgment is moderated positively by auditor's moral identity centrality.

Finally, if hypotheses1, 2 and 3 are correct, then we would expect to find that the influence of a moral prime on moral judgment through the current accessibility to moral identity is moderated by how central and important is moral identity to the individual. Thus:

Hypothesis 4: The impact of moral intensity perception on moral judgment through auditor's access to moral identity will be moderated by auditor's moral identity centrality.

H4: Moderated-mediation

H2: Mediation
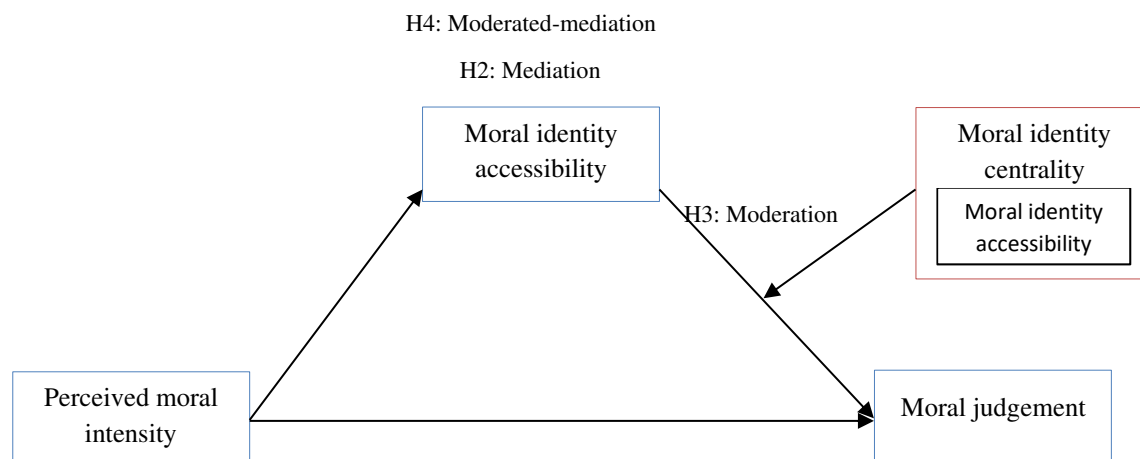
Figure 3: Research model B

Research and Methodology

The variables in this study were divided into three types, namely auditor's moral judgment as the dependent variable (Y), Moral identity accessibility as the mediator (M), Moral identity centrality as a moderating variable (Z) and perceived moral intensity as the independent variable (X).

This research uses a quantitative approach and can be categorized as explanatory research based on a positive paradigm. The data used are primary data obtained by mailing the questionnaires. The population in this study are all external junior-senior auditors operating in audit firms in Morocco like the Anglo-Saxon (Big 4): Deloitte Touche Tohmatsu,EY (Ernst & Young), KPMG,PwC (PricewaterhouseCoopers), Mazar, Moroccan s local audit firms….

This study uses a random sampling method by using Prospecting, a LinkedIn automated prospecting software that extract randomly junior and senior auditors operating in audit firms in Morocco from LinkedIn database and send them a request for collaboration in this research by completing the online questionnaire.

Research instruments

Each area of study is distinguished by measurement tools that collect data. Studies in business ethics and moral psychology are based on the scenario technique followed by a questionnaire (Weber, 1992). The advantage of this technique is that it allows researchers to better frame the research question to incorporate multidimensional and very complex concepts that reflect the decision-making process such as in the real world. In this respect, we have opted for the use of a scenario accompanied by a questionnaire that will serve as a measuring instrument. The scenario that are used in this research are the one developed by Sweeney et al. (2007) which consists on an audit-quality-threatening behaviour "overreliance on client work (ORC), to which auditors' resort in order to cope with what they perceive as excessively tight time constraints (Coram et al. 2004, Pierce and Sweeney 2004).

Participant were asked to read an audit situation where a unique possible action "ORC" could be taken by an average auditor. After, we ask them to answer the questions related to the following:

Moral Judgment

The measures used to assess moral judgment were self-reported measures taken from Pierce and Sweeney (2010).

Moral judgment was measured by two indicators asking respondents to indicate:

   i.   The extent to which they would regard the action taken by the average auditor in the scenario as unethical on a 7-point Likert scale.
   ii. The extent to which their peers would regard the action taken by the average auditor in the scenario as unethical on a 7-point Likert scale.

The extent to which respondents rate actions as ethical/unethical as well as their peer has been used previously to measure moral judgment. (Sweeney et al. 2010, Sweeney et al. 2013).

Perceived moral Intensity

There is inconsistency in the results of studies on the dimensionality of ethical intensity, with findings indicating that it is uni-dimensional (Valentine and Silver 2001), and multidimensional (Singhapakdi et al. 1996, McMahon and Harvey 2007). In this study, moral intensity was used as unidimensional because it provides better model fit than a multi-dimensional construct. Moreover, it was

decided to exclude the two dimensions of moral intensity (proximity of harm and concentration of effect) due to the difficulty of measuring the degree of nearness and of defining victims and beneficiaries for proximity of harm and due to the ambiguity over the impact of concentration of effect in the audit environment (see Shafer et al. 1999, Sweeney et al. 2013).

The magnitude of consequences measure included Singhapakdi et al.'s (1996) item to measure the extent to which respondents agree/disagree that the overall harm done as a result of the action would be very small. Social consensus was measured based on Pierce and Sweeney (2010) item '' Keith's actions would be considered as acceptable (even though not preferred) by the audit profession''. Temporal immediacy was measured based on Pierce and Sweeney (2010) two items: perceived harm in the short term and perceived harm in the long term. A single item measure based on Singhapakdi et al. (1996) was included to measure probability of harm.

Respondents were requested to indicate the extent to which they agreed or disagreed with each of the 5 statements on a 7-point Likert scale.

Moral identity centrality

We measured how strongly participants internalized moral traits in their identities. Participants read characteristics associated with a moral identity (caring, compassionate, fair, friendly, generous, helpful, hardworking, honest, and kind) and wrote about how a person with these characteristics would think, feel, and act on a typical day (Aquino & Reed, 2002; Aquino et al., 2007). Therefore, the 7-point Likert Internalization subscale of Aquino and Reed's (2002) moral identity measure was used to assess the importance of moral identity internalization to one's overall self-identity.We focus in this study on auditor's strength of moral identity internalization rather than their desire to appear moral in public settings (i.e., strength of moral identity symbolization) because it consistently predicts moral cognition and behavior, whereas results for symbolization are mixed (see Boegershausen et al., 2015 for a review). For instance, only moral identity internalization (not symbolization) predicted actual donations (Aquino & Reed, 2002).

Emerging evidence supports the construct and predictive validity of the Internalization subscale as a measure of moral identity centrality (Aquino and Reed 2002; Reed & Aquino, 2003) .They showed that the items on the measure (a) are internally consistent, (b) show significant test–retest reliability, and (c) have a stable factor structure.

Moral identity accessibility

To measure moral identity accessibility, we used K. Aquino.2009 method which consist of asking participants to rank the items listed in terms of who they are at the present moment while filling the questionnaire from "1 most reflect how you see yourself" to "7 least reflect how you see yourself." There are countless identities that study participants could have used as a basis for self-definition in the context of the experimental task, but to make the ranking task manageable, the number of identities to be ranked was limited to 7. The moral identity option was "a moral person." The six additional identities were "a successful person," "a family member," "an independent person," "an employee", "an adult person", and "a citizen"

These alternatives were chosen to be relevant for the auditor's sample while not having any obvious conceptual overlap with moral identity. Options were displayed in random order for each participant. The identity of primary interest was the ranking of the "a moral person" option. For ease of interpretation, ranking of this option was coded such that 1 indicate greater accessibility of the moral self-schema within the working self-concept relative to other identities.

Data Analysis Technique

In this study we have decided to use the Partial Least Square-Structural Equation Model (PLS-SEM) in order to analyze the data. This decision was made based on: the complexity of our model which include many constructs, indicators and/or model relationships. Also, because our research objective is to better understand increasing complexity by exploring theoretical extensions of established theories (exploratory research for theory development). And finally because of the latent nature of our variables (Hair et al. 2019).On the other hand, previous research in the area already used *Pls sem* as analytical tool (Latan et al. 2019, Haines et al. 2008).Additionally, PLS does not requires large samples (Hair et al., 2018).

In order to analyse data using Pls sem approach we have to analyse the measurement model (inner model) and structural model (outer model) (Rodriguez-Rad and Ramos Hidalgo, 2018). This sequence ensures that the measures of constructs are reliable and valid before attempting to draw conclusions with respect to the relationships between constructs (Roldán and Sánchez-Franco, 2012).

For reflective measurement models in which latent variables represent behavioural concepts such as social executive behaviour and social employee behaviour, composite reliability, convergent validity, and discriminant validity should be evaluated.

•Composite reliability test, aims to test internal consistency in scale, the minimum composite reliability value in the PLS-SEM analysis should exceed 0.7. (Hair et al., 2014).

• Convergent validity test, aims to see the correlation between indicators in measuring the construct that can be known through loading values > 0.7 and the value of Average Variance Extracted (AVE) > 0.5. (Hair et al., 2017).

•Discriminant validity test, to ensure that a reflective construct has the strongest relationships with its own indicators, the heterotrait-monotrait ratio of correlations (HTMT) is recommended for PlS sem. If the HTMT value is below 0.90, discriminant validity has been established between two reflective constructs. (Henseler et al., 2015).

Prior to the assessment of the structural model, the potential problems of collinearity between the constructs need to be examined.

•Collinearity test, the variance inflation factor values should be <5 which indicates the absence of collinearity (Hairet al., 2011).

After assessing the measurement model as well as the potential problems of collinearity, and find both of it satisfactory, then the next step in the PLS-SEM is to evaluate the structural model. In evaluating the structural model, the analyst should examine the overall fit of the estimated model, the path coefficient estimates, their significance (5%), the effect sizes (f2), and the coefficient of determination (R2) as well as the predictive relevance (Q2). The hypothesis used in this study is the two-tailed hypothesis.

Results and discussion

We sent nearly 1500 requests for collaboration and we were able to obtain a return of 125 usable answers to the questionnaire providing a response rate of approximately 8.33 percent. The low response rate was probably attributable to the fact that auditors are in general very busy people always under time pressure rushing to meet the deadlines fixed by their superiors.

A demographic profile of respondents is provided in Table 1. As the data indicate, the sample consisted of 125 auditors which 51.2% were males and 48,8% were females. More than 90% of respondents were between 20 and 30 years old with a master degree in Business Administration Finance/accounting / audit field. In addition, more than 50% of auditors reported having an experience more than 2 years in a Big 4 accounting firm.

Table 1: Demographic profile of respondents

Categories	Frequency	Percent (%)
Gender		
Male	64	51.2%
Female	61	48.8%
Age		
20-25	37	29.6%
26-30	79	63.2%
31-35	7	5.6%
36 and +	2	1.6%
Education Level		
Master	122	97,6%
Less than Master	3	2.4%
Type of Degree		
Business Administration Finance / accounting / audit specialty.	113	90.4%
Business Administration with other specialty.	9	7.2%
Other domain beside Business Administration	3	2.4%
		26.4%
Experience		
Less than 1 year	33	19.2%
Between 1 and 2 years	24	53.6%
More than 2 years	67	
Firm Size		
Big 4	76	60.8%
No Big 4 of local origin	16	12.8%
No Big 4 of non-local origin	17	13.6%
Other	**16**	**12.8%**
Total	**125**	**100 %**

Measurement model results

Table 2 shows that the individual item reliability is suitable because all standardized loadings are greater than 0.7 beside one indicator which loading is 0.620. Another rule of thumb is that an indicator with a measurement loading in the .40 to .70 range should be dropped if dropping it improves composite reliability (Hair et al., 2014: 103). In our case when dropping the item which loading is 0.620, the composite reliability improves. Consequently, the item was dropped and hence the individual item reliability is adequate.

Second, reflective constructs meet the requirement of construct reliability, as their composite reliabilities (C.R) are greater than 0.7.

Third, these latent variables reach convergent validity because their average variance extracted (AVE) measures surpass 0.5. For discriminant validity, all values are found to lie below 0.85, and hence discriminant validity can be accepted.

Table 2: Measurement model: loadings, construct reliability and convergent validity

Indicators	Code	F.loading	C.R	AVE
Perceived moral intensity	PMI		0.913	0.677
Keith's actions would be considered as acceptable (even though not preferred) by the audit profession (Social Consensus)	PMI1	0.793		
Keith's action will not cause any harm in the Short term (Short-term Immediacy)	PMI2	0.833		
Keith's action will not cause any harm in the Long term (Long-term Immediacy)	PMI3	0.823		
The overall harm (if any) done as a result of Keith's action would be very sall (Magnitude of consequences)	PMI4	0.875		
There is a very small likelihood that Keith's action will actually cause any harm (Probability of Harm)	PMI5	0.787		
Moral Identity Centrality	MIC		0.894	0.679
It would make me feel good to be a person who has these characteristics	MIC1	0.886		
Being someone who has these characteristics is an important part of who I am	MIC2	0.891		
Having these characteristics is not really important to me.	MIC3	0.705		
I strongly desire to have these characteristics.	MIC4	0.802		
Moral Identity accessibility	MIA		1	1
Rank the item listed on the screen in terms of who you are at the present moment	MIA1	1		
Moral Judgement	ETJ		0.879	0.784
To what extent do you regard this action as unethical	ETJ1	0.855		
To what extent would the 'typical' auditor at your level in your firm regard this action as unethical	ETJ2	0.915		

Structural model results

Prior to the assessment of the structural model, the potential problems of collinearity between the constructs need to be examined. In the model proposed, the variance inflation factor values are lower than five (Table 3), which indicates the absence of collinearity (Hairet al., 2011).

Table 3: Collinearity Statistics (VIF)

	MIA	ETJ	PMI	Moderating effect	MIC
MIA		1.472			
ETJ					
PMI	1.000	1.422			
Moderating effect		1.201			
MIC		1.330			

In table 4 we can see that the dependent variable in our model MIA, ETJ have R values, respectively of 0.252,0.325 .According to Chin (1998) recommended R2 values for endogenous latent variables base on: 0.67 (substantial), 0.33 (moderate), 0.19 (weak). We can see that all R2 values of our model fall between the moderate and substantial levels criteria as given by Chin (1998). Our results confirm the explanatory power of the model.

Additionally, Table 4 provide also the predictive relevance results. By performing blindfolding procedures, all Q2 values are above zero, which supports the predictive relevance for the endogenous constructs.

Table 4: R square and predictive relevance

	R 2	R 2 adjusted	Q2
MIA	0.252	0.246	0.228
ETJ	0.325	0.302	0.218

Table 5 present the results of the effect size which indicate the relative effect of a particular exogenous variable on endogenous latent variable(s) by means of changes in the R squared (Chin, 1998). According to cohen (1988), The resulting effect size value of each predictor variable in the model ranged from small to medium except for PMI on ETJ which f2 is 0.005.

To confirm our Model fit the root mean square residual (RSMR) was used as suggested by Crespo and Inacio (2019). According to Henseler et al. (2014), a model is of good fit if its value is less than 0.1. The SRMR values of our model is 0.091 which confirms that our model fits the empirical data.

Table 5: F square

	MIA	ETJ	PMI	Moderating effect	MIC
MIA		0.245			
ETJ					
PMI	0.336	0.005			
Moderating effect		0.053			
MIC		0.027			

Hypothesis testing

The purpose of our research is to confirm the impact of moral intensity perception on auditor's moral judgment as the literature stated (Model a). On the other hand, we are seeking through this research to better understand how this relationship works through mediation, moderation and conditional mediation analysis (Model b).

In order to test our hypothesis, 5000 bootstrap subsamples were performed. Indeed, as previous research, our result shows a positive and significant impact of moral intensity perception on auditor's moral judgment (B=0.346, p=0.000) thus supporting H1 (Model a).
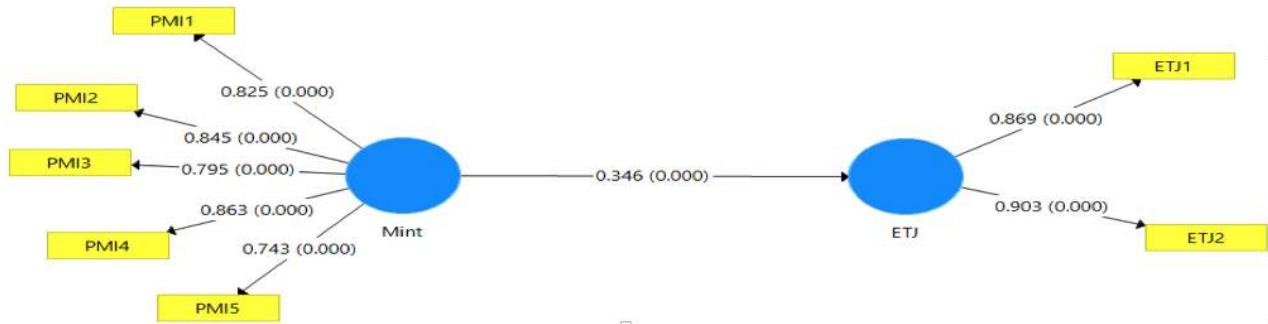
Figure 4: Model Results; Source: Smart Pls 3

Testing of mediation effect in model b.

In model B, moral identity accessibility was included as a mediator. After running 5000 bootstrap subsamples, the total, specific indirect effect and direct effect of auditor's perception of moral intensity on their moral judgment is reported in Table 6. The total effect was statistically significant (B= 0.319, p=0.001) . The specific indirect results show that access to moral identity significantly mediates the relationship between moral intensity perception and moral judgment (B=0.248, p=0.004). The direct effect was not statistically significant and approaching the zero value (B=0.072, p=0.430) quite the opposite of **model a** which means that the effect occurs fully through moral identity accessibility, thus supporting H2.

Table 6: Total effects, direct effects, specific indirect effects

| Relation	B	95% bias-corrected confidence interval (BCCI)		P values	Hypothesis
		Lower Limit Limit	Upper		
PMI → ETJ (Total effect)	0.319	0.119	0.500	0.001	H2:
PMI → ETJ (Direct effect)	0.072	-0.091	0.266	0.430	accepted
PMI → MIA → ETJ (specific indirect effect)	0.248	0.109	0.424	0.004	

Testing moderation hypothesis in model b.

Statistical analysis also showed that moral identity centrality moderate as well the relationship between auditor's access to moral identity and their moral judgment (the interaction effect was statistically significant, B = 0.197, p = 0.023). Simple slopes analysis revealed that, when the value of the moderator is low (-1 SD) the influence of moral identity accessibility on moral judgment is 0.2956 (p = 0.0085). When the value of the moderator increases to medium (the mean), the influence increases to 0.4937 (p = 0.000). Then, as the value of the moderator increases to high (+1 SD), the influence further increases to 0.6617 (p = 0.000). The conclusion is that how central and important moral identity is to auditor's self-definition positively moderates the positive influence of auditor's access to moral identity on their moral judgment. Thus, H3 was accepted.

Assessment of the moderated-mediation

First, we ran the PLS algorithm to extract the latent variable scores for each construct. Next, all the latent variable scores were then used to run the PROCESS Macro. The index of moderated mediation for the conditional indirect effect of moral intensity perception on moral judgment through moral identity accessibility (mediator) based on moral identity centrality (moderator) was statistically significant (0.0990, 95% BCCI [0.0128; 0.2419]). The conditional indirect effect results reported in Table 7 show that as the moderator increases, the conditional indirect effect increases. The indirect effect is bigger at higher values of the moderator. Thus, H4 was accepted.

Table 7: Moderated mediation.

Hypothesis	Moderator	Values of the moderator	Effect	95% bias-corrected confidence interval (BCCI)	
				Lower Limit	Upper Limit
H4 : accepted	Moral identity	Low (−1 SD)	0.1483	0.0038	0.3188
		Medium (the mean)	0.2477	0.1180	0.4553
		High (+1 SD)	0.3320	0.1614	0.6183
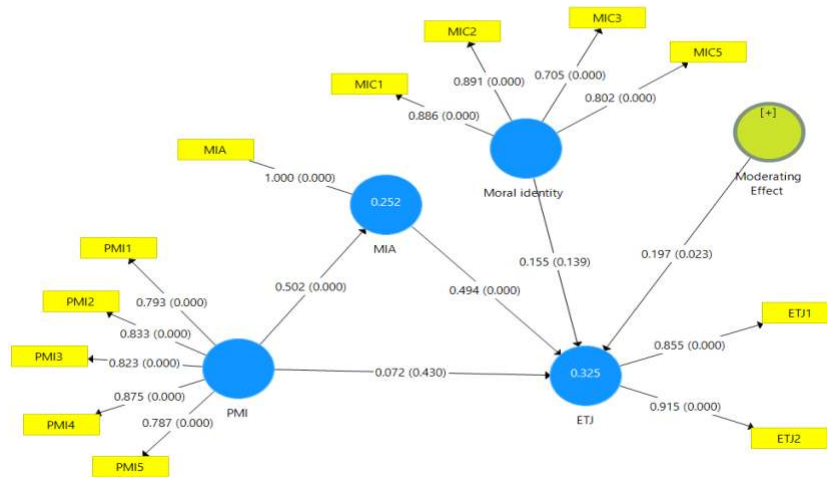
Figure 5: Model Results; *Source:* Smart Pls 3

Conclusion

Based on the results of the research conducted, it can be concluded that the more auditors perceived a situation as a high moral intensity one, the more they access their moral identity which in turn impacts their moral judgment depending on how central and important is moral identity to their self-definition. We can conclude that moral identity in general plays a very important role in auditor's ethical decision making once running into an ethical situation.

The theoretical implications of this study are to give more support to the existing literature about the significant positive impact of auditor's moral intensity perception on moral judgment. Therefore, it strengthens the Jones (1991) theory of moral intensity as situational factor that impact the ethical decision-making process. Moreover, this study contributes to auditor's ethical decision-making literature by introducing for the first-time moral identity as a new individual factor that showed a significant impact on auditors ethical decision making. This study also showed that the impact of perceived moral intensity on moral judgment is not direct one rather fully occurring through moral identity which is new to the literature. Finally, most of the significant body of research into ethical decision making, building on Jone's model, has been conducted in developed western countries. This study is among the first ones that investigated the role of the previous variables in the ethical decision making of auditors in an emerging country like Morocco.

From a practical perspective, the outcomes of this study show that auditors for whom moral identity is very important to their self-definition appear to make better moral judgments. Based on those results, audit firms can reward and encourage behaviors that are linked with moral identity traits (Aquino and Reed 2002), hence increasing the importance of the moral self to auditor's self-concept and therefore making moral judgments. In addition, audit companies can reconsider their recruitment strategy by focusing more on the moral aspect as an important criterion for candidate selection. For example, some personality test can be used in order to assess how central moral identity is to the candidate and make the selection based on the test scores in addition to other criterion of recruitment.

This research presents a number of limitations. First, it focused only on the second step of the ethical decision process which is moral judgment. Future research can push further the exploration to other steps of the decision process: moral awareness, moral intention and moral action. Second, this research focused only on one kind of audit quality threatening behavior which is overreliance on client's work. Future research can push the exploration further by experimenting with other kind of audit quality threatening behaviors. For instance, biasing sample selection behavior or premature sign-off behavior. Third, this research focused mainly on junior and senior auditors. Future research can target managers and others of higher levels of hierarchy. Fourth, this study focus on Moroccan auditor's mainly. This study can be expanded to a sample of auditors from other nationalities to compare and see if the cultural and national factors have their effect on the model as well.

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