

# **ABSTRACT**

## **Effects of Ethical Context on Earnings Management, Organizational-Professional Conflict and Organizational Commitment in Chinese Enterprises**

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This study investigates the effects of the organizational ethical context (ethical climate and ethical culture) in Chinese enterprises on accounting professionals' perceptions of earnings management, organizational-professional conflict (OPC) and affective organizational commitment (OC). We also test the effects of Machiavellianism on these factors, and the interactive effects of Machiavellianism and ethical context on OPC and OC. The findings, based on responses from 89 accounting professionals employed by Chinese enterprises at staff, supervisor and manager levels, indicate that in general the perceived ethical context did not affect judgments of the acceptability of earnings management. However, as anticipated, perceptions of a stronger benevolent/cosmopolitan climate (one that places more emphasis on the public interest) were associated with harsher judgments of accounting earnings management. Machiavellianism also had a marginally significant effect on judgments of accounting earnings management and a significant effect on judgments of operating earnings management, with high Machiavellians judging the actions to be more ethical. Two aspects of ethical culture, obedience to authority and ethical norms, were found to be significantly associated with organizational-professional conflict and affective organizational commitment. Contrary to our expectations, high Machiavellians appeared to be more, rather than less, sensitive to the perceived ethical context in their organization. Specifically, the perceived organizational ethical culture had a greater (lesser) impact on affective organizational commitment for high (low) Machiavellians.

**Keywords:** Ethical climate, Ethical culture, earnings management, organizational-professional conflict, organizational commitment, Machiavellianism, Chinese enterprises