Organizational Culture and Ethical Blind Spots in Managerial Accounting

Gilbert Rely
Universitas Bhayangkara Jakarta Raya; Bekasi, Indonesia
E-Mail: gilbert.rely@dsn.ubharajaya.ac.id

ABSTRACT

In recent years, ethical concerns in managerial accounting have become more prominent, especially in light of corporate scandals. While traditional ethics frameworks emphasize individual responsibility and legal compliance, they often overlook how organizational culture shapes ethical decision-making. One crucial but often neglected factor is the presence of ethical blind spots, moral oversights influenced by cognitive biases and cultural norms within organizations. This study explores how such blind spots emerge and persist in managerial accounting, using a qualitative multiple-case approach. Interviews with managerial accountants and financial controllers from three mid-sized manufacturing firms revealed patterns of ethical reasoning shaped by internal culture. Findings suggest that organizations focused heavily on performance targets and rule compliance, while discouraging ethical dialogue, are especially prone to ethical blind spots. Concepts like ethical fading and organizational silence explain how unethical behavior can become normalized over time, even among well-meaning professionals. These moral lapses are not merely personal shortcomings but reflect deeper cultural dynamics. Addressing them requires more than strict rules; it involves cultivating a culture that promotes ethical reflection, open communication, and psychological safety. The study highlights the need for ethical culture assessments and calls for ethics training to be embedded in accounting education to foster long-term integrity and resilience within organizations.

***Keywords**: Ethical Blind Spots, Ethics in Accounting, Managerial Accounting, Moral Disengagement, Organizational Culture.*

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ABSTRAK

Dalam beberapa tahun terakhir, isu etika dalam akuntansi manajerial semakin mendapat perhatian, terutama setelah berbagai skandal korporat besar. Kerangka etika tradisional umumnya menekankan tanggung jawab individu dan kepatuhan hukum, namun sering mengabaikan pengaruh budaya organisasi terhadap pengambilan keputusan etis. Salah satu faktor penting yang sering diabaikan adalah ethical blind spots—yaitu area kelalaian moral yang dipengaruhi oleh bias kognitif dan norma budaya dalam organisasi. Studi ini meneliti bagaimana blind spot etis muncul dan bertahan dalam praktik akuntansi manajerial melalui pendekatan studi kasus kualitatif. Wawancara dengan akuntan manajerial dan pengendali keuangan dari tiga perusahaan manufaktur menengah menunjukkan pola penalaran etis yang dibentuk oleh budaya internal. Temuan menunjukkan bahwa organisasi yang sangat berfokus pada target kinerja dan kepatuhan aturan—namun tidak mendorong diskusi etis—lebih rentan terhadap blind spot etis. Konsep seperti ethical fading dan organizational silence menjelaskan bagaimana perilaku tidak etis dapat menjadi kebiasaan, bahkan bagi profesional yang bermaksud baik. Kegagalan moral ini bukan semata kesalahan individu, tetapi mencerminkan dinamika budaya yang lebih dalam. Oleh karena itu, perlu adanya perubahan budaya yang mendorong refleksi etis, komunikasi terbuka, dan rasa aman secara psikologis. Pendidikan etika dalam pelatihan akuntansi juga menjadi langkah penting untuk membangun ketahanan etis jangka panjang.

***Kata kunci**: Ethical Blind Spots, Etika dalam Akuntansi, Akuntansi Manajemen, Keterlepasan Moral, Budaya Organisasi.*

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INTRODUCTION

Managerial accounting plays a vital role in supporting strategic and operational decision-making within organizations. However, over the past decade, several cases involving cost manipulation, financial risk concealment, and internal budget misappropriation have highlighted critical ethical weaknesses in managerial accounting practices (Leeming, 2018; Kirana & Novita, 2021; DeTienne et al., 2021). High-profile corporate scandals such as Enron, Toshiba, and, in the Indonesian context, Jiwasraya and Asabri, have demonstrated that although accounting systems are technically designed to promote transparency and accountability, ethical integrity often remains a neglected dimension (Cowton, 2021). Traditional approaches to accounting ethics typically emphasize compliance with professional codes of conduct, external regulation, and individual responsibility. While these elements are important, they fall short in explaining why individuals who understand ethical principles and legal boundaries still engage in unethical behavior. This phenomenon leads to the concept of ethical blind spots areas in decision-making where moral considerations become blurred or completely overlooked, often due to social and cultural influences within the organization (Bazerman & Gino, 2012; Payne et al., 2020).

Ethical blind spots do not occur in a vacuum, they emerge within the context of organizational culture, which shapes how accounting professionals think, behave, and interpret ethical situations. Organizational cultures that prioritize performance, efficiency, and loyalty to superiors without providing space for critical dialogue or ethical reflection significantly contribute to the collective justification of deviant practices. In such environments, small transgressions are likely to be normalized and may evolve into systemic misconduct (Rooij & Fine, 2018; Seshoka, 2021; Dodgson, 2021). Recent research has shown that organizational culture plays a crucial role in shaping ethical awareness and ethical decision-making in accounting. Cultures that promote openness, dialogue, and moral courage, commonly referred to as ethical voice, have been proven to help prevent ethical violations. In contrast, cultures that rely on rigid hierarchies and results-driven pressure, without ethical deliberation, tend to reinforce moral disengagement (Treviño et al., 2014; Lewis, 2021; Victoria, 2025).

This gap indicates a need for a new perspective that views ethical violations not merely as individual failings but as the result of complex interactions between individuals and organizational culture. This becomes especially relevant in managerial accounting, where practitioners serve as key actors in bridging financial information, business strategy, and day-to-day operations. Their responsibilities extend beyond data presentation to include the construction and framing of narratives that influence managerial decisions (Collier, 2015; Duckett, 2021). Nevertheless, empirical literature on ethical blind spots in managerial accounting remains limited particularly within the context of organizational culture in the Indonesian private sector. Most studies focus on normative ethics or post-scandal analyses, leaving a gap in our understanding of the internal mechanisms that create and sustain moral insensitivity in organizations. This study seeks to fill that gap by qualitatively analyzing how organizational culture fosters the emergence and persistence of ethical blind spots, specifically in the managerial accounting practices of mid-sized manufacturing firms (Stake, 2013; Cousins et al., 2014).

Using a multiple-case study approach and in-depth interviews, this research explores not only how organizational norms and values shape accountants' ethical perceptions, but also how power structures, internal communication, and performance pressure generate ethical gray zones in decision-making. The study is grounded in a conceptual framework that integrates the theories of ethical fading, organizational silence, and cultural cognition, offering a deeper understanding of how unethical behavior becomes internalized and collectively accepted. By deepening our understanding of how organizational culture influences ethical blind spots, this study aims to contribute both theoretically and practically to improving ethical governance in organizations. The findings are expected to serve as a foundation for developing more context-sensitive ethics training, conducting cultural ethics audits, and formulating internal policies that are more

responsive to the moral dynamics of managerial accounting environments. The purpose of this research is to investigate how specific elements of organizational culture such as shared beliefs, communication patterns, and authority dynamics contribute to the formation and persistence of ethical blind spots in managerial accounting.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Ethics in Managerial Accounting

Managerial accounting functions not only as a tool for internal recording and reporting but also as a critical instrument in decision-making processes that significantly influence the strategic direction of an organization (Okoro & Ekwueme, 2020; Putri & Triwidatin, 2025). In their role, managerial accountants have access to and authority over sensitive data, cost allocations, and the interpretation of financial information, all of which can shape the perceptions of management and other stakeholders. Therefore, integrity and ethical sensitivity are fundamental pillars of this practice (Karabay et al., 2018; Gallagher et al., 2023). However, ethical approaches in managerial accounting are often limited to formal compliance with regulations and professional standards, without addressing deeper and more contextual moral dimensions (Heywood et al., 2017; Akpan & Oluwagbade, 2023).

This gap becomes increasingly critical as managerial accountants are frequently involved in complex judgment areas, such as budgeting, cost control, and performance evaluation, where ethical dilemmas may not always be clearly defined by standard rules. The ability to recognize and respond to ethical issues requires more than adherence to codes—it demands professional judgment, moral reasoning, and an awareness of the broader implications of financial decisions (Okoro & Ekwueme, 2020; Ermawati & Suhardianto, 2024). Furthermore, the organizational environment and leadership behavior play a vital role in shaping ethical culture within accounting functions. Without active efforts to embed ethical considerations into everyday practices, there is a risk that accounting decisions may prioritize efficiency or profitability at the expense of transparency and accountability (Bayes et al., 2022: Putri & Triwidatin, 2025). Therefore, cultivating ethical sensitivity through education, training, and leadership example is essential to ensuring managerial accounting supports long-term organizational integrity.

Ethical Blind Spot Concept

The term ethical blind spots refer to an individual's failure to recognize that a situation contains ethical dimensions. This phenomenon typically occurs not due to malicious intent, but because of cognitive and social processes that obscure the moral aspects of a decision (Bandura, 2014; Imam & Kim, 2023). Bazerman and Gino (2012) explain that ethical blind spots arise from mechanisms such as motivated reasoning, bounded ethicality, and ethical fading, in which individuals do not consciously consider the moral consequences of their actions. In the context of managerial accounting, ethical blind spots can occur when the focus on achieving financial targets overrides integrity and transparency.

These blind spots are especially dangerous because they allow unethical behavior to persist under the guise of rational business practices. Managerial accountants may unknowingly rationalize questionable decisions, such as manipulating cost allocations or selectively presenting financial data, as necessary for organizational performance (Tenbrunsel & Messick, 2004; Bazerman & Gino, 2012). Over time, repeated exposure to such decisions can normalize unethical conduct, particularly in high-pressure environments where success is measured primarily through financial indicators (Ashforth & Anand, 2003; Collier, 2015). This normalization process is often reinforced by organizational silence and implicit rules that discourage ethical voice (Detert & Edmondson, 2011; Ozer et al., 2024). It highlights the need for ethical awareness training and the cultivation of a reflective mindset that encourages professionals to consistently evaluate the ethical implications of their actions (Trevino & Nelson, 2021; Cowton, 2021). Addressing ethical blind spots requires not only individual vigilance but also structural

support through ethical leadership and a values-based organizational culture (Ogunfowora et al., 2022; Imam & Kim, 2023).

Organizational Culture and Ethical Formation

Organizational culture is a system of shared values, norms, and beliefs that influences how members of an organization think and behave. A culture that emphasizes outcomes (outcome-oriented culture) often creates pressure to meet targets at the expense of ethical standards. In such contexts, deviant behavior can become normalized, especially when there are no consequences or when leaders set similar examples (Ashforth & Anand, 2003; Nafei, 2016). An organizational culture that is permissive toward ethical compromises tends to facilitate the release of moral responsibility, or moral disengagement, thereby creating space for the emergence of ethical blind spots (Bayes et al., 2020; Jones et al., 2024).

This phenomenon is further exacerbated when psychological safety is lacking, making employees hesitant to voice ethical concerns (Sherer, 2022; Anyamesem-Poku & Parmar, 2024). A culture where silence is rewarded or where dissent is discouraged fosters an environment in which unethical behaviors go unchallenged, contributing to ethical fading (Tenbrunsel & Messick, 2004). Over time, the normalization of such conduct results in widespread moral disengagement and ethical insensitivity (Bandura, 2014; Ogunfowora et al., 2022). The absence of strong ethical norms, combined with performance-driven pressures, weakens the organizational checks that typically prevent unethical decisions. Consequently, organizations with such cultures risk long-term reputational damage, employee disengagement, and regulatory consequences (Treviño et al., 2014; Adler, 2022).

Mechanism for Normalization of Ethical Violations

Normalization of deviance is the process by which unethical actions, initially seen as violations, gradually become accepted practices because they occur frequently without consequences. Within organizations, this process is reinforced by organizational silence, a culture of silence that discourages employees from reporting misconduct due to fear of managerial retaliation, reputational risk, or social exclusion (Sherer, 2022; Ozer, 2024). This dynamic allows ethical violations to become embedded within the system, making ethical blind spots increasingly difficult to detect.

This condition is often rooted in the absence of psychological safety, where employees feel unsafe to express dissenting views or ethical concerns, fearing backlash or exclusion (Joseph & Shetty, 2022; Anyamesem-Poku & Parmar, 2024). Furthermore, as Ashforth and Anand (2003) argue, repeated unethical behavior, when left unpunished, can evolve into normalized corruption within the organization. In such settings, moral disengagement mechanisms are activated, making individuals justify or minimize their unethical decisions (Bandura, 2014; Guay & Johnston, 2022; Ogunfowora et al., 2022). Additionally, Adler (2022) highlights the need for trustworthiness in organizational systems to counteract these dynamics. Without institutional checks and a culture of integrity, normalization processes can deeply erode ethical standards, making deviance the organizational norm rather than the exception.

Ethical Voice and the Role of Accountants

An individual's ability to express moral concerns within an organization, known as ethical voice, plays a crucial role in preventing the emergence of ethical blind spots. Unfortunately, in many organizational contexts, there is a lack of psychologically safe environments that support open dialogue on ethical issues, often due to structural hierarchies or repressive organizational cultures (Trevino & Nelson, 2021; Anyamesem-Poku & Parmar, 2024). This is particularly evident in managerial accounting, where the pressure to achieve financial targets and maintain loyalty to organizational goals often suppresses ethical expression. As Detert and Edmondson (2011) explain, implicit voice

theories—unspoken beliefs about the consequences of speaking up—discourage individuals from voicing ethical concerns, even when they are aware of wrongdoing.

This silencing effect is further amplified when leadership fails to model ethical behavior or provide formal channels for ethical discourse (Joseph & Shetty, 2022; Andriani et al., 2024). In such cases, accountants may experience internal conflict between their professional responsibilities and organizational expectations (Gallagher et al., 2023; Adler, 2022). Moreover, Seshoka (2021) warns that blind loyalty within organizational settings can foster environments where moral disengagement becomes routine. Thus, fostering a culture of ethical voice is not only a matter of individual courage but also of organizational design that prioritizes psychological safety, ethical integrity, and open communication as essential values.

RESEARCH METHOD

This study adopts a qualitative approach with a multiple-case study design to deeply explore how organizational culture shapes and influences the emergence of ethical blind spots in managerial accounting practices. The case study method was selected for its capacity to investigate complex organizational phenomena within real-world settings, particularly those involving the lived experiences of accountants. Research was conducted in three mid-sized manufacturing firms in Indonesia, each possessing formal managerial accounting systems and hierarchical structures. These companies were purposefully selected to reflect diverse organizational cultures, industry characteristics, and a willingness to participate. Key informants included managerial accountants, financial controllers, and unit managers engaged in accounting-based decision-making. Data collection relied on in-depth semi-structured interviews with 12 informants, focusing on ethical dilemmas, perceptions of organizational values, managerial pressures, and communication dynamics. This approach allowed for the exploration of both explicit and tacit knowledge related to ethical behavior and organizational culture. It was complemented by non-participatory observation of work environments and informal interactions to capture spontaneous expressions, day-to-day routines, and ethical attitudes that might not surface in formal interviews. Additionally, the analysis of internal documents such as codes of ethics, financial reporting policies, audit reports, and internal communication materials provided important contextual data and served as a foundation for triangulation.

Thematic analysis was used to identify meaningful patterns from interview transcripts, observation notes, and documents. The analytical process involved several stages, including data familiarization, open coding, theme generation—such as ethical fading, organizational silence, and cultural reinforcement—and thematic interpretation aligned with broader ethical and organizational behavior frameworks. To ensure validity and robustness of findings, the study applied both source and method triangulation and incorporated member checking to verify whether the interpretations accurately reflected participants' perspectives. In terms of methodological rigor, credibility was enhanced through prolonged engagement, triangulation, and feedback loops. Transferability was addressed by providing thick descriptions of the organizational context and participant narratives. Dependability and confirmability were ensured by maintaining a transparent audit trail of decisions and conducting critical self-reflection throughout the research process to minimize bias and enhance interpretive clarity.

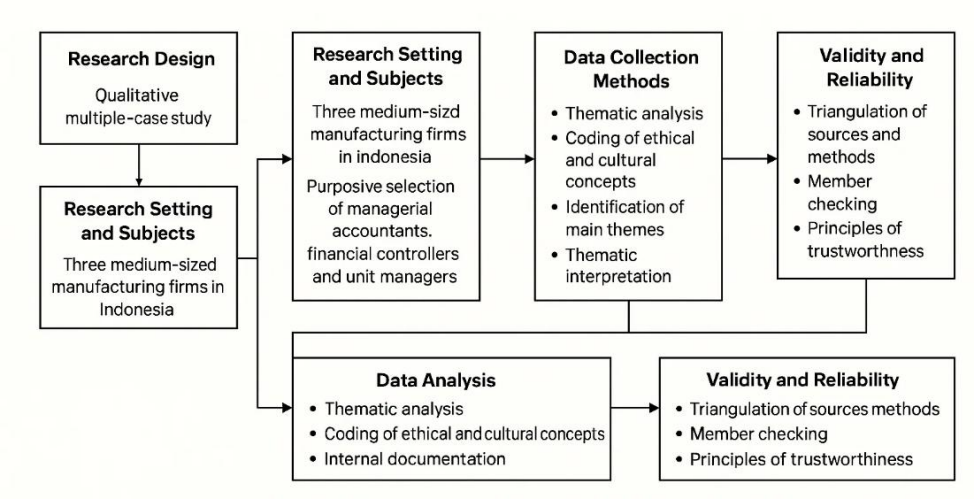

Figure 1. Research Methodology Flowchart

The Figure 1 illustrates the methodological framework of a qualitative multiple-case study focused on ethical blind spots in managerial accounting. The research design employs a qualitative approach involving three purposively selected medium-sized manufacturing firms in Indonesia. Participants include managerial accountants, financial controllers, and unit managers. Data collection involves thematic analysis, coding of ethical and cultural concepts, identification of key themes, and thematic interpretation. These methods inform the data analysis, which reiterates the use of thematic analysis, concept coding, and internal documentation review. To ensure validity and reliability, the study applies triangulation of sources and methods, member checking, and adherence to principles of trustworthiness, which are integrated at both the data collection and analysis stages.

RESULTS

Table 1. Thematic Analysis Matrix on Ethical Blind Spots within Organizational Culture

Main Theme	Sub-Theme	Indicator Empiris
Organizational Culture	Target-oriented culture	Pressure of number achievement, performance-based bonuses, short-term achievement
	Hierarchy and control	Managerial dominance in decisions, limited criticism space
	Norma informal	The culture of "the origin of the satisfied leader", loyalty to the boss
Blind Spot Etis	Ethical fading	Unaware of the moral dimension of action
	Bounded ethicality	Not considering moral values due to pressure or bias of the system
	Normalization of deviation	Deviant practices that become routine
Organizational Silence	Fear of speaking	Fear of the consequences of disclosing the violation
	No discussion room	There is no forum or time to talk about ethics
Moral Justification	Collective rationalization	Mutual justification for unethical behavior
	Redefining integrity	Adjusting the meaning of integrity for organizational convenience
Solutions and Expectations	The need for contextual ethics training	Hope there is training adapted to the reality of work

Table 1 presents the results of a thematic analysis on ethical blind spots within organizational culture. This matrix outlines the main themes, sub-themes, and empirical indicators that reflect how certain cultural patterns—such as target orientation, hierarchical control, and informal norms—contribute to ethical fading, bounded ethicality, and organizational silence. It also highlights moral justification mechanisms

and proposed solutions, including ethics training and cultural audits, as critical steps toward addressing deeply embedded ethical vulnerabilities in organizational settings.

Organizational Culture That Encourages Ethical "Blind Spots"

Interview and field observations reveal that an organizational culture focused heavily on financial targets and short-term performance triggers ethical blind spots in managerial accounting. The three companies studied shared a culture emphasizing numerical results, pressure to report positive outcomes, and incentives tied to quantitative achievements. In such settings, financial figures are seen not just as performance indicators but as symbols of managerial legitimacy that must not "fail" in the eyes of leadership. This leads managerial accountants to act as "narrative managers," adjusting numbers to align with expectations. Although informants admitted such actions could be unethical, structural pressure and leadership demands make these manipulations feel like silent obligations. Inaccuracies are often viewed as loyalty rather than misconduct. As Informant A (Controller) noted, figures are sometimes "tidied up" to avoid negative perceptions during monthly meetings. This reflects how performance-driven cultures can justify unethical behavior as strategic compliance. In high power-distance contexts like Indonesia, subordinates are less likely to challenge superiors, reinforcing this pattern. Ethical blind spots thus emerge not from individual flaws but from systemic cultural distortions that prioritize appearance over integrity. Over time, this erodes ethical judgment and fosters environments where moral disengagement becomes normalized.

Normalization of Deviance and Collective Rationalization

Ethical blind spots in managerial accounting do not only arise from structural pressures or result-oriented organizational cultures but also develop gradually through collective rationalization mechanisms that institutionalize deviant behavior as part of "operational routine." Interview data indicate that practices such as number adjustments, delaying expense recognition, or reallocating costs are not seen as violations but as adaptive strategies considered reasonable for maintaining financial performance stability in the eyes of management. In other words, there is a transformation of the meaning of manipulative actions—from something normatively unethical to "technical wisdom" or even "professional intelligence". Informant B, a Managerial Accountant, stated that the right is not considered lying, but rather the timing and presentation of numbers that are commonly done by many people.

This statement highlights how individuals justify unethical actions by aligning them with group norms, leading to the collective acceptance of deviance. When such behaviors go unpunished and are subtly approved by leaders or peers, they become normalized and integrated into daily work practices. Small violations no longer trigger ethical concerns and are instead seen as necessary or harmless parts of professional life. Common justifications like "everyone does it" or "it's for the good of the organization" help reinforce these actions as acceptable. This normalization occurs not only through personal reasoning but also through shared organizational narratives that reframe manipulation as loyalty or contribution, allowing individuals to detach their behavior from moral responsibility.

In organizational cultures that emphasize harmony and avoid conflict, such as in many Indonesian companies, challenging unethical practices is often discouraged. Individuals who speak out risk being labeled uncooperative. As rationalizations become normalized, they are woven into daily operations and informal governance, making them difficult to dismantle. Ethical fading, in this context, is not always unconscious—it can be intentional. Managerial accountants may recognize the ethical implications of their actions but justify them through organizational cues, incentives, or peer approval. Over time, these behaviors stop triggering moral concern. Ethical blind spots formed this way reflect not personal flaws but deeply rooted cultural norms, requiring structural reform that goes beyond education to challenge the collective narratives enabling deviance.

Organizational Silence and the Inhibition of Ethical Voice

This study also found that one of the key factors reinforcing the presence of ethical blind spots in managerial accounting practices is organizational silence. Organizational silence refers to a condition where members of an organization are reluctant to voice opinions, criticisms, or objections to practices deemed deviant, primarily due to social pressure, rigid hierarchical structures, or fear of negative consequences. Informant C (Accounting Supervisor) if too vocal, someone will be considered a troublemaker. Even though sometimes they just want to give a reminder so that nothing is missed.

The barrier to raising ethical concerns in some organizations is cultural rather than technical. In environments where loyalty to superiors is seen as the highest virtue, speaking out about potential wrongdoing is often discouraged or viewed negatively. This leads to the suppression of ethical dialogue and reinforces unchecked authority. Even when unethical behavior is noticed, it often goes unreported due to the absence of supportive mechanisms and fear of being labeled a troublemaker. Employees prefer to conform socially rather than risk professional or social consequences. Ironically, the stronger the culture of loyalty, the more ethical blind spots emerge, as silence and compliance take precedence over moral accountability.

Furthermore, in many Indonesian companies with hierarchical and conflict-avoidant cultures, organizational silence becomes deeply ingrained. Subordinates' input is often viewed as disobedience rather than valuable feedback, rendering ethical voice ineffective. A "please the boss" mindset overrides principles like transparency and accountability, institutionalizing silence and allowing ethical violations to persist. This has serious implications for managerial accounting. Accountants, pressured by professional loyalty and organizational culture, may suppress doubts, adjust financial reports, and ignore unethical practices. Over time, this behavior weakens the ethical integrity of the organization and leads to a financial information system prone to distortion and manipulation.

Thus, organizational silence is not merely the absence of voice but an active representation of organizational failure to create safe spaces for ethical oversight. To address this, it is insufficient to merely establish formal reporting systems like whistleblowing—which are often underutilized due to low trust. More importantly, there must be a cultivation of a work culture that encourages openness, moral courage, and two-way dialogue at all organizational levels.

Redefinition of Ethical Values in an Organizational Context

One of the most interesting and worrying findings in this study is the existence of systemic tendencies in which moral concepts such as "integrity" and "professionalism" undergo contextual reinterpretation in the organizational environment. Based on interviews with informants, it appears that these two terms, which should be principled, have undergone a shift in meaning and are given pragmatic content by the expectations of superiors, internal power dynamics, and organizational operational needs. Integrity is no longer interpreted as a commitment to truth and accuracy, but rather as the ability to maintain internal harmony and loyalty to the command structure. Professionalism is no longer a reflection of ethical standards and objectivity, but is synonymous with flexibility and loyalty to the interests of the institution.

"The important thing is to be loyal and be able to maintain the good name of the team. When it comes to right and wrong, sometimes it can be negotiated as long as it doesn't interfere with the system." (Informant D, Financial Manager)

This statement reflects that formal ethical framework are often subordinated by the socio-cultural realities of the organization. In this context, individuals tend to avoid moral judgments based on universal principles and replace them with pragmatic calculations: whether an action will embarrass the team, interfere with the interests of the leadership, or disrupt the "smooth running of the system". As a result, ethical judgments become relative and dependent on position, power relations, and internal political dynamics. This phenomenon leads to cultural cognition, a concept introduced by Kahan (2015), which

explains how moral beliefs and perceptions of "truth" are shaped by the dominant values in a particular social group, rather than by objective moral logic.

In organizational cultures that prioritize loyalty, harmony, and stability, moral values are reshaped by internal consensus rather than objective principles. Integrity is often redefined as conformity to group interests, making ethical courage appear disruptive. Faced with dilemmas, managerial accountants tend to choose politically safe options, even if morally unclear. This leads to ethical blind spots not just from ignorance, but from altered perceptions of right and wrong shaped by the organization's social norms. Ethical values are adjusted to align with managerial expectations, turning questionable actions into acceptable adaptations. Over time, this creates a pseudo-ethical environment where moral language remains, but its true meaning is lost.

Furthermore, in many organizations, moral values are reinterpreted through internal consensus rather than objective ethical principles. Integrity becomes defined by loyalty and conformity to group interests, while ethical courage is seen as disruptive. This leads individuals, particularly managerial accountants, to make morally ambiguous decisions that are politically safe and socially acceptable. Over time, questionable actions are normalized, turning into adaptive behaviors supported by internal narratives. This process creates ethical blind spots, not from ignorance, but from value distortions shaped by organizational norms. The phenomenon is reinforced by moral licensing, where individuals justify unethical behavior based on past contributions or symbolic roles, such as "working hard for the team." As a result, moral transgressions go undetected, free from guilt or self-correction. Addressing this issue requires more than ethical training—it demands a cultural shift through regular values audits that critically assess how integrity, accountability, and professionalism are defined and practiced. Without this, ethics risk becoming symbolic tools that legitimize systemic misconduct. Although many ethical blind spots were identified, almost all informants stated that change is still possible, particularly through real-world work context-based ethics training and organizational culture audits. They expect the training to be no longer normative, but to address real dilemmas and how to manage them ethically. This shows that to overcome ethical blind spots, organizations not only need to improve reporting or compliance systems, but also transform organizational culture, emphasizing transparency, psychological safety, and ethical voice empowerment at all levels.

DISCUSSION

This study concludes that ethical blind spots in managerial accounting are not simply the result of individual mistakes or moral failures, but are rooted in the interplay of structural pressures, cultural rationalizations, and inadequate ethical oversight. These findings echo previous research by Sims (2003) and Burchell (2020) that highlights how an overemphasis on target achievement often marginalizes ethical considerations. However, this study goes further by showing that these blind spots are institutionalized through shared narratives that redefine loyalty and professionalism in ways that undermine moral autonomy. Building on the work of Ashforth and Anand (2003), this study supports the idea that normalization of deviance occurs when minor violations become routine and go unpunished. Unlike previous research that often emphasizes regulatory or external controls such as those presented by Payne et al. (2020) and Cowton (2021), this study highlights how informal organizational cultures and hierarchical structures facilitate the silencing of persistent ethical concerns. This echoes the findings of Joseph and Shetty (2022), who describe how hierarchical and authoritarian leadership stifles ethical voice. Furthermore, as Detert and Edmondson (2011) have argued, organizational silence—when reinforced by fear and lack of psychological safety—significantly increases ethical risk. Our findings confirm that this silence is not passive, but socially constructed and maintained by collective fear of reputational or career-related consequences.

Compared to Bazerman and Gino's (2012) behavioral ethics framework, this study reinforces the view that moral disengagement is often context-driven and reinforced by

the organizational system itself. This phenomenon is exacerbated in cultures with high power distance, such as Indonesia, where dissent is discouraged, and ethical issues are viewed as distractions rather than constructive input. This extends Bandura's (2014) theory of moral reasoning by illustrating how moral reasoning is manipulated through collective reframing, transforming potentially unethical actions into perceived contributions to organizational success. In this regard, our study contributes by conceptualizing ethical blind spots not as a failure to know what is right, but as a failure to act on that knowledge due to cultural reinterpretation and peer reinforcement.

Practically, this study offers significant implications for organizational ethics management. Consistent with Anyamesem-Poku and Parmar (2024), psychological safety must be institutionalized as part of an organization's ethics infrastructure. This requires a shift from a punitive approach to a reflective approach that emphasizes dialogue, trust, and collective responsibility. While previous recommendations have often focused on compliance measures and ethics training, as Payne et al. (2020) and Gallagher et al. (2023) both argue, our findings advocate for more contextually grounded interventions: embedding ethics into performance metrics, reconfiguring incentives, and promoting narrative change around what constitutes "professional success."

In addition, drawing on Adler's (2022) emphasis on credibility and trustworthiness in qualitative inquiry, this study underscores the importance of creating internal mechanisms that ensure transparency and shared accountability. Ethics audits, values-based performance appraisals, and participatory forums for ethical reflection can shift ethics from symbolic rhetoric to active practice. As supported by Braun and Clarke's (2024) thematic approach, this structural reinforcement must be informed by a context-specific interpretation of moral values that acknowledges employees' lived experiences.

This study contributes to the growing discourse on accounting ethics by framing ethical blind spots as systemic and culturally embedded phenomena rather than isolated lapses. It calls for a transformation of organizational consciousness—moving from a rigid performance paradigm to a culture that supports ethical courage, narrative transparency, and collective moral reasoning. In line with insights from Ermawati and Suhardianto (2024), such a transformation is key to fostering ethical resilience and sustainability in managerial accounting practices.

CONCLUSION

This study finds that ethical blind spots in managerial accounting are not merely individual moral failings but are systemic outcomes shaped by organizational structures, performance pressures, and cultural rationalizations. In work environments where achieving targets is prioritized over ethical reflection, minor deviations become normalized and are gradually accepted as legitimate practices. Even professionals with good intentions may be absorbed into a culture that subtly redefines integrity as loyalty to authority rather than adherence to ethical standards. The study identifies three primary mechanisms sustaining ethical blind spots: ethical fading, organizational silence, and cognitive distortion through cultural consensus.

The practical implication of this finding is the urgent need for transformational change in organizational ethics management. Addressing ethical vulnerabilities requires more than strengthening internal control systems; it necessitates embedding ethical awareness into daily routines. This includes implementing organizational culture audits focused on values such as integrity, transparency, and accountability, reformulating incentive structures that reward ethical behavior, and developing ethics training rooted in real-world dilemmas faced by managerial accountants.

Theoretically, this research contributes to a deeper understanding of how organizational culture interacts with behavioral ethics. It confirms and extends prior work on ethical fading and moral disengagement by demonstrating that blind spots are not passive omissions, but active reinterpretations shaped by group norms and leadership models. This supports the view that ethics must be treated as a dynamic, context-sensitive process rather than a fixed individual trait.

However, this study has limitations in scope and sample size, focusing primarily on mid-sized Indonesian companies. Future research could explore cross-cultural comparisons or sectoral variations to generalize findings more broadly. Longitudinal studies are also recommended to examine how ethical perceptions evolve over time in response to organizational reforms or crises.

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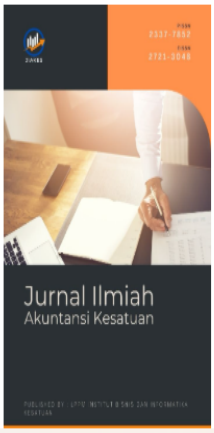

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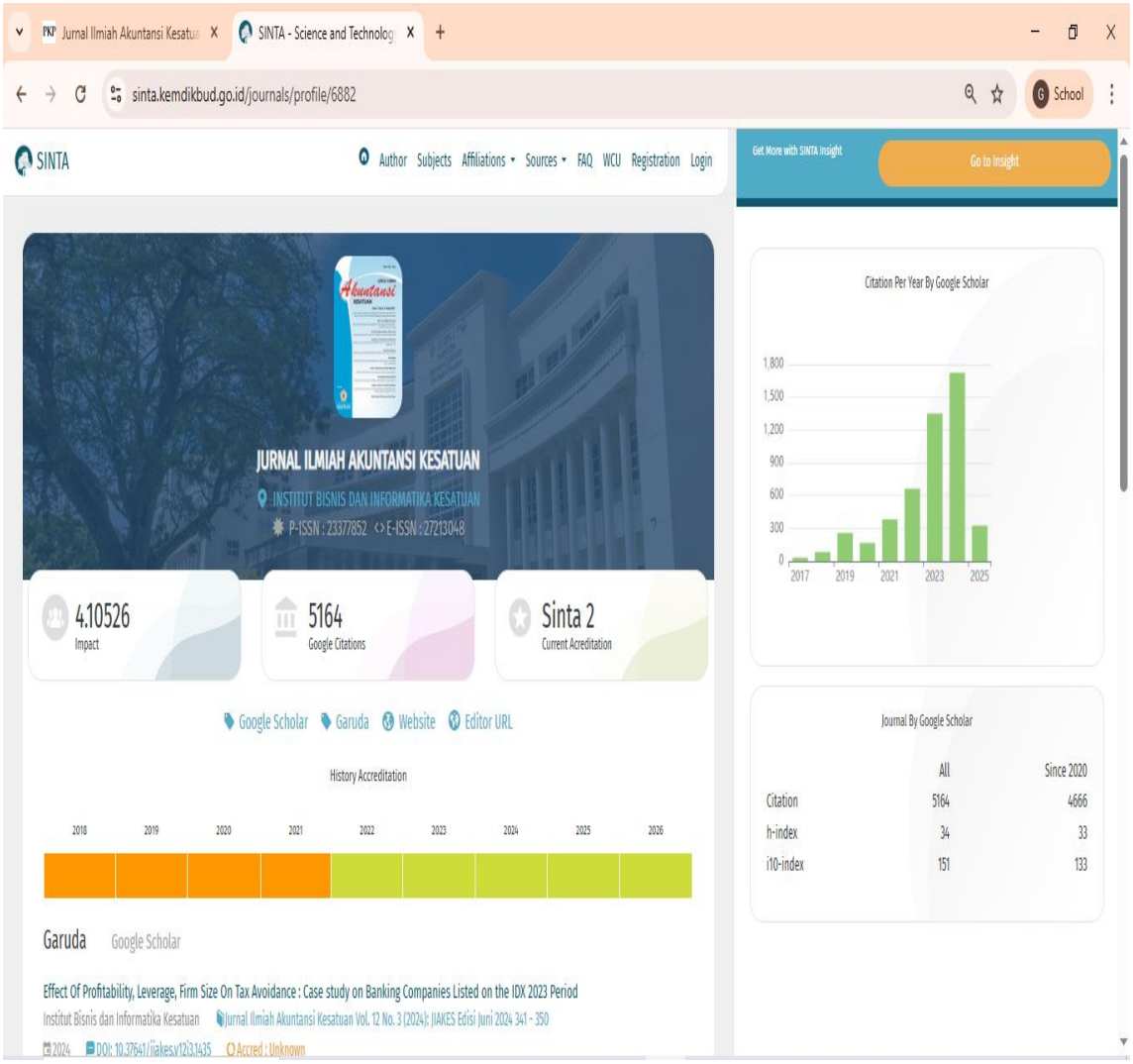

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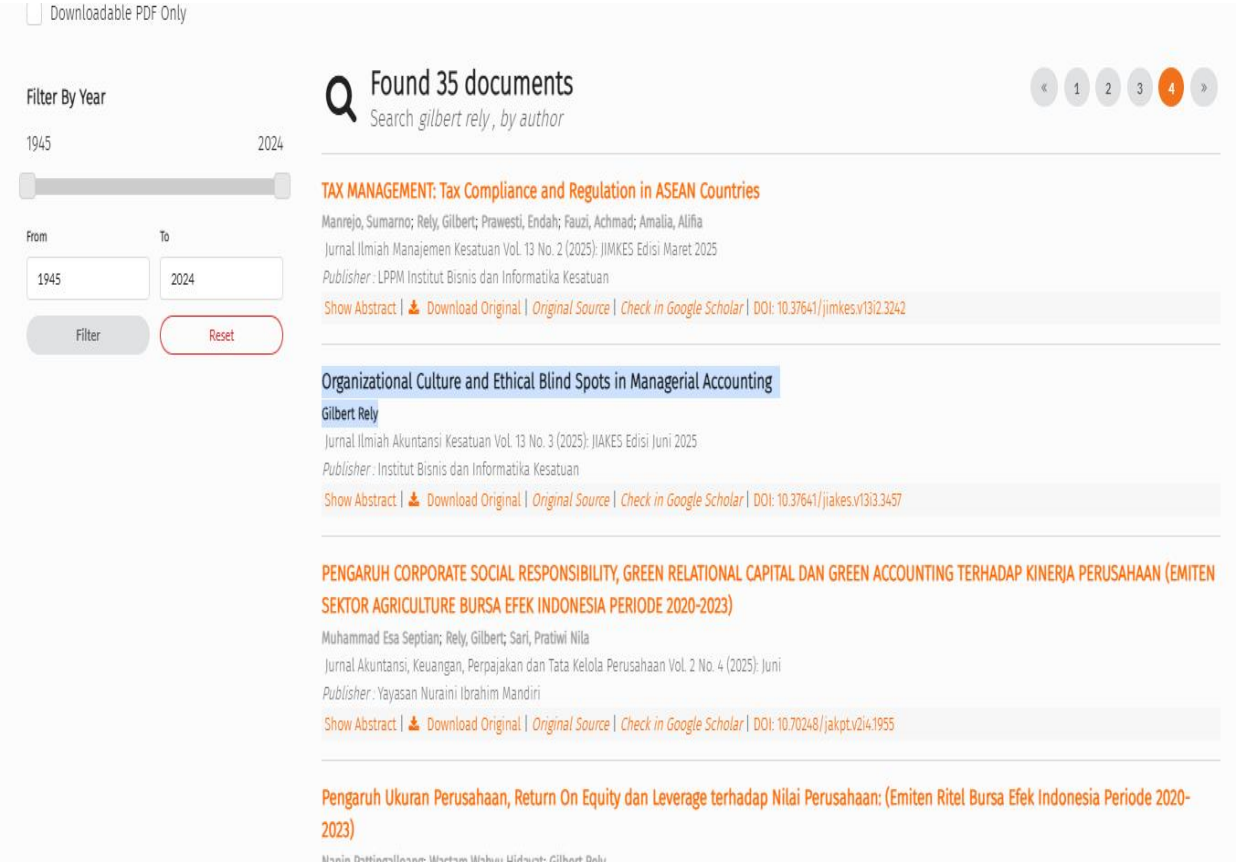

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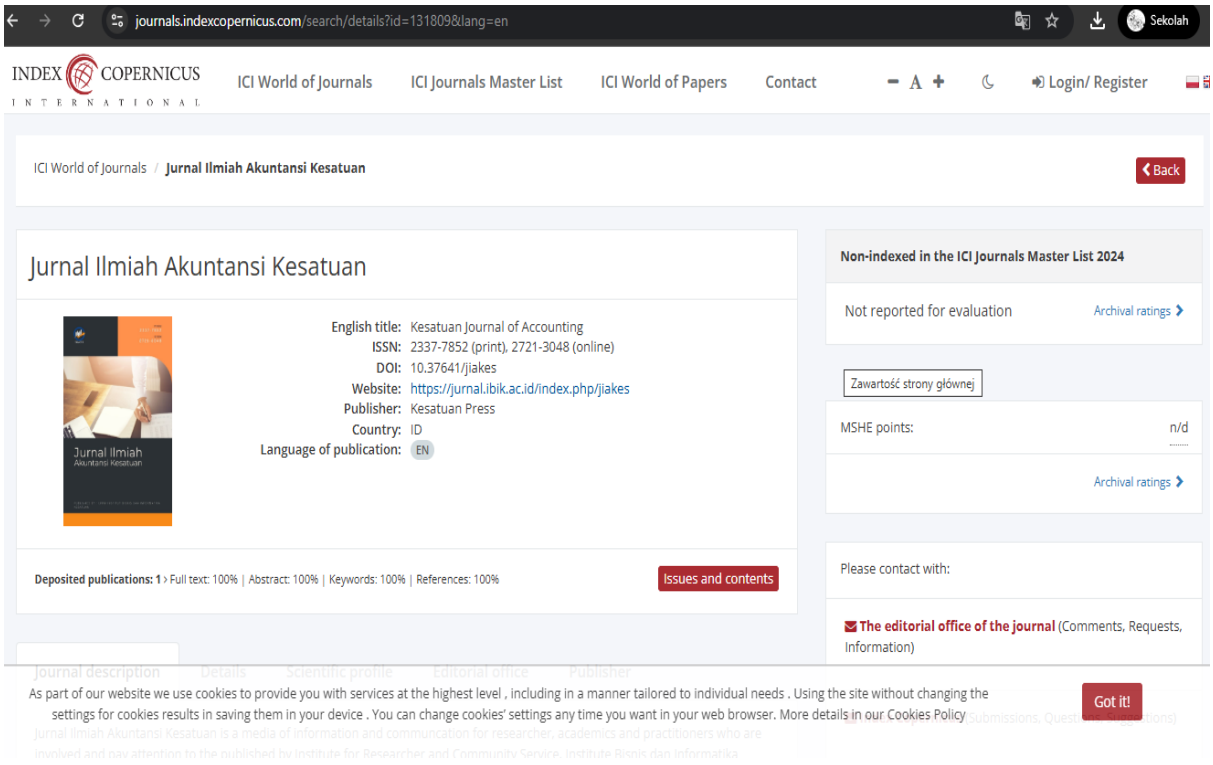

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ABSTRACT

In recent years, ethical concerns in managerial accounting have become more prominent, especially in light of corporate scandals. While traditional ethics frameworks emphasize individual responsibility and legal compliance, they often overlook how organizational culture shapes ethical decision-making. One crucial but often neglected factor is the presence of ethical blind spots—moral oversights influenced by cognitive biases and cultural norms within organizations. This study explores how such blind spots emerge and persist in managerial accounting, using a qualitative multiple-case approach. Interviews with managerial accountants and financial controllers from three mid-sized manufacturing firms revealed patterns of ethical reasoning shaped by internal culture. Findings suggest that organizations focused heavily on performance targets and rule compliance—while discouraging ethical dialogue—are especially prone to ethical blind spots. Concepts like ethical fading and organizational silence explain how unethical behavior can become normalized over time, even among well-meaning professionals. These moral lapses are not merely personal shortcomings but reflect deeper cultural dynamics. Addressing them requires more than strict rules; it involves cultivating a culture that promotes ethical reflection, open communication, and psychological safety. The study highlights the need for ethical culture assessments and calls for ethics training to be embedded in accounting education to foster long-term integrity and resilience within organizations.

Keywords: *Ethical Blind Spots, Managerial Accounting, Organizational Culture, Ethics in Accounting, Moral Disengagement.*

ABSTRAK

Dalam beberapa tahun terakhir, isu etika dalam akuntansi manajerial semakin mendapat perhatian, terutama setelah berbagai skandal korporat besar. Kerangka etika tradisional umumnya menekankan tanggung jawab individu dan kepatuhan hukum, namun sering mengabaikan pengaruh budaya organisasi terhadap pengambilan keputusan etis. Salah satu faktor penting yang sering diabaikan adalah ethical blind spots—yaitu area kelalaian moral yang dipengaruhi oleh bias kognitif dan norma budaya dalam organisasi. Studi ini meneliti bagaimana blind spot etis muncul dan bertahan dalam praktik akuntansi manajerial melalui pendekatan studi kasus kualitatif. Wawancara dengan akuntan manajerial dan pengendali keuangan dari tiga perusahaan manufaktur menengah menunjukkan pola penalaran etis yang dibentuk oleh budaya internal. Temuan menunjukkan bahwa organisasi yang sangat berfokus pada target kinerja dan kepatuhan aturan—namun tidak mendorong diskusi etis—lebih rentan terhadap blind spot etis. Konsep seperti ethical fading dan organizational silence menjelaskan bagaimana perilaku tidak etis dapat menjadi kebiasaan, bahkan bagi profesional yang bermaksud baik. Kegagalan moral ini bukan semata

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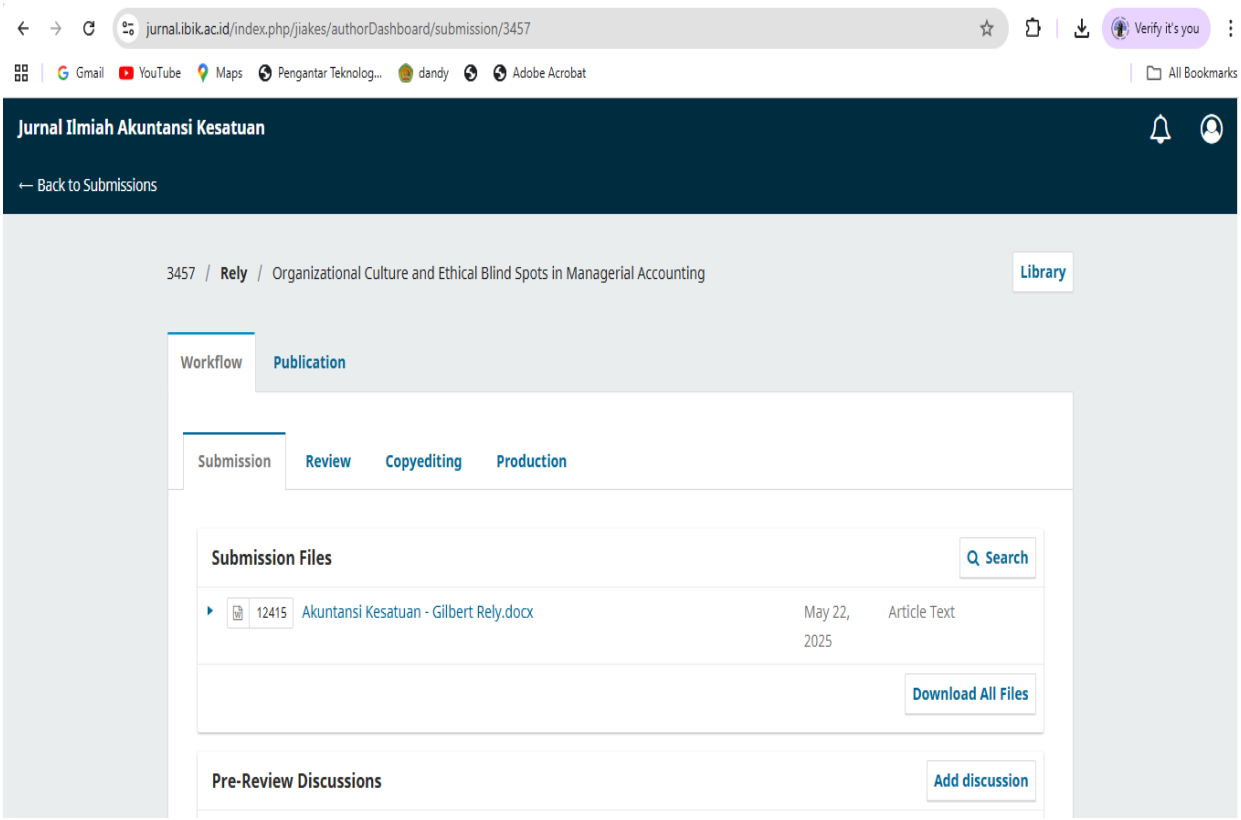

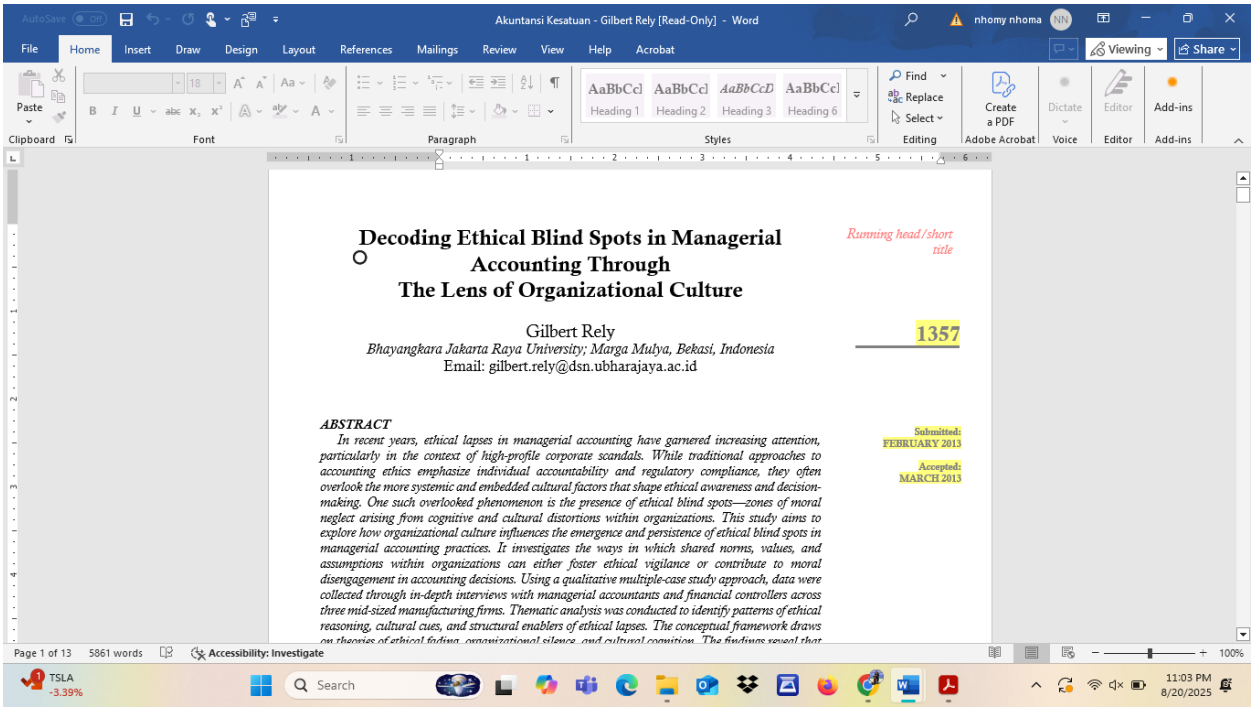

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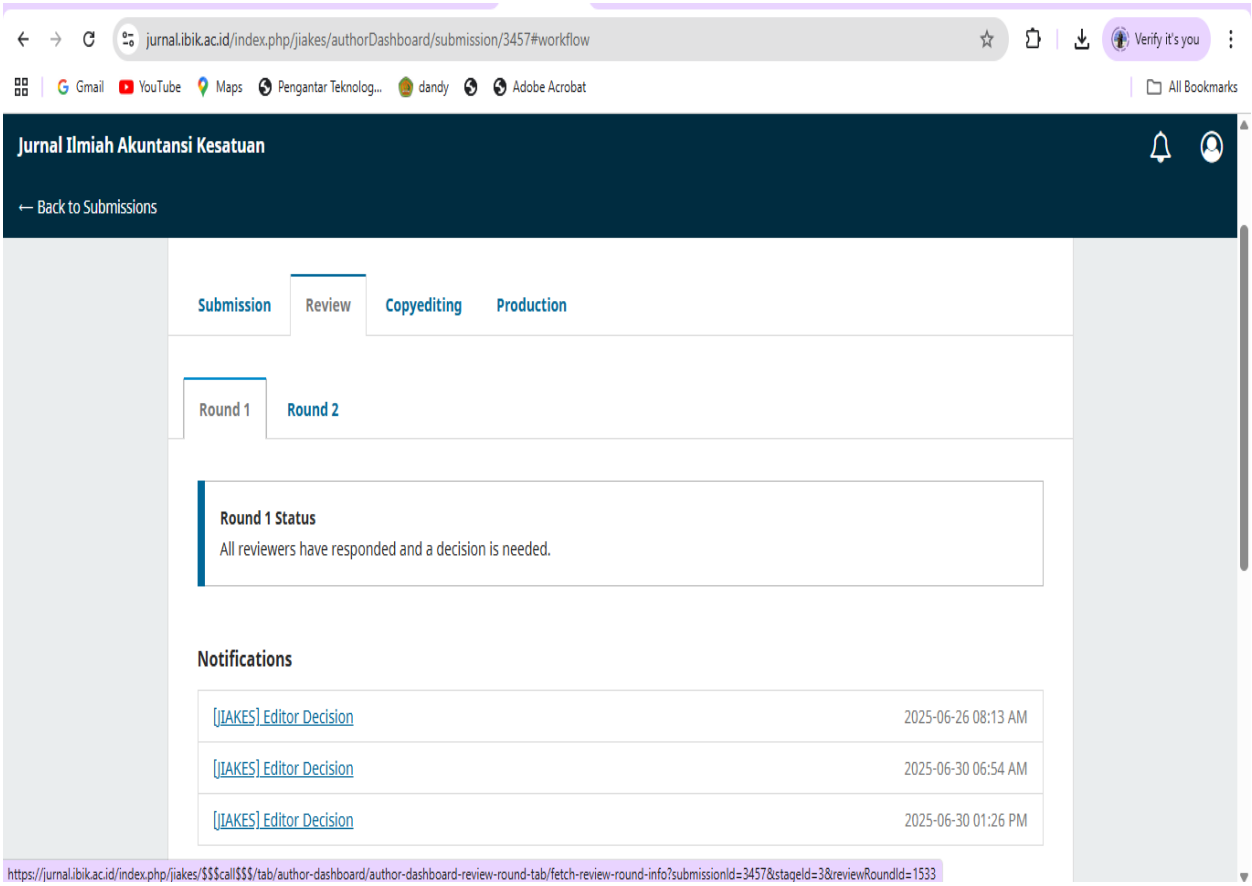

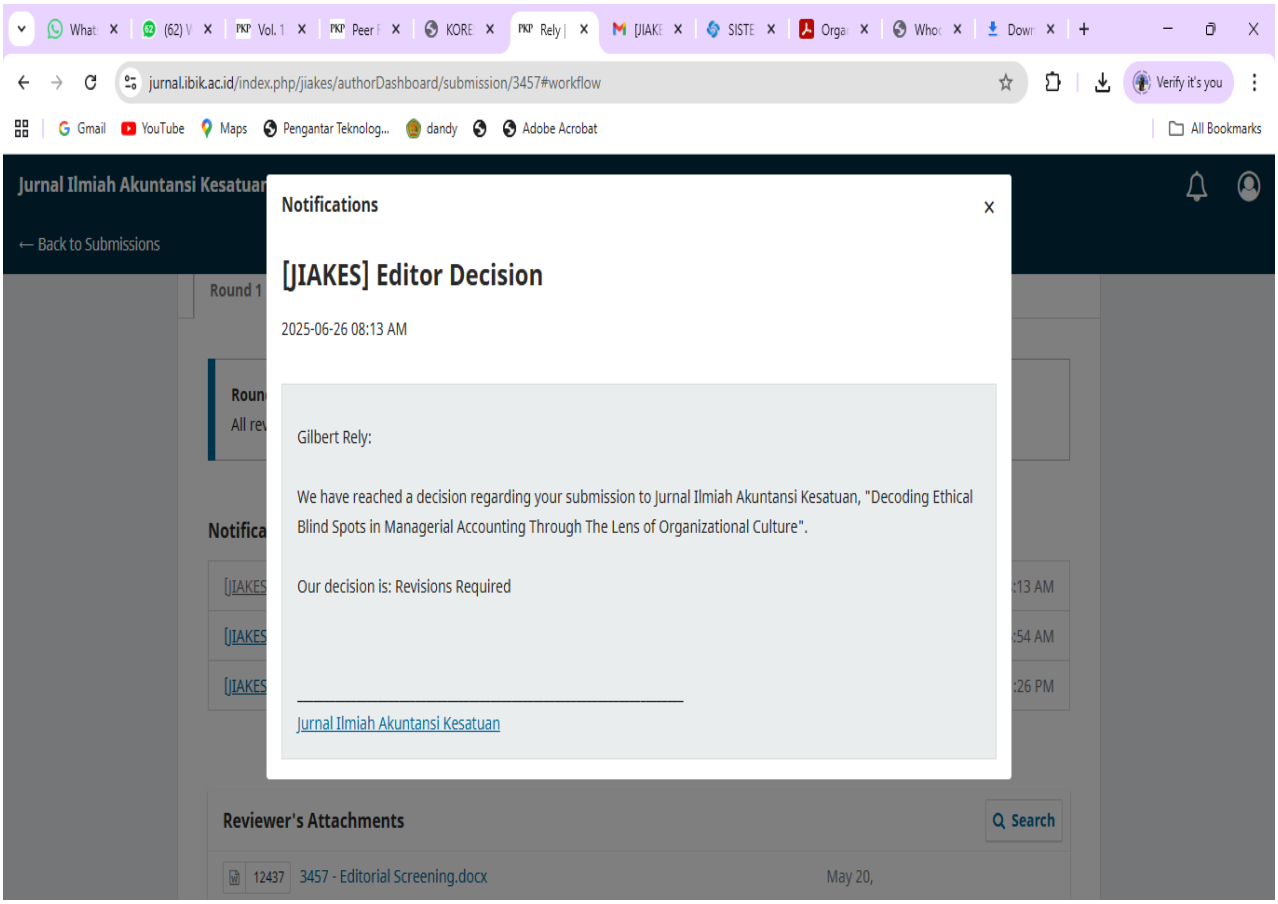
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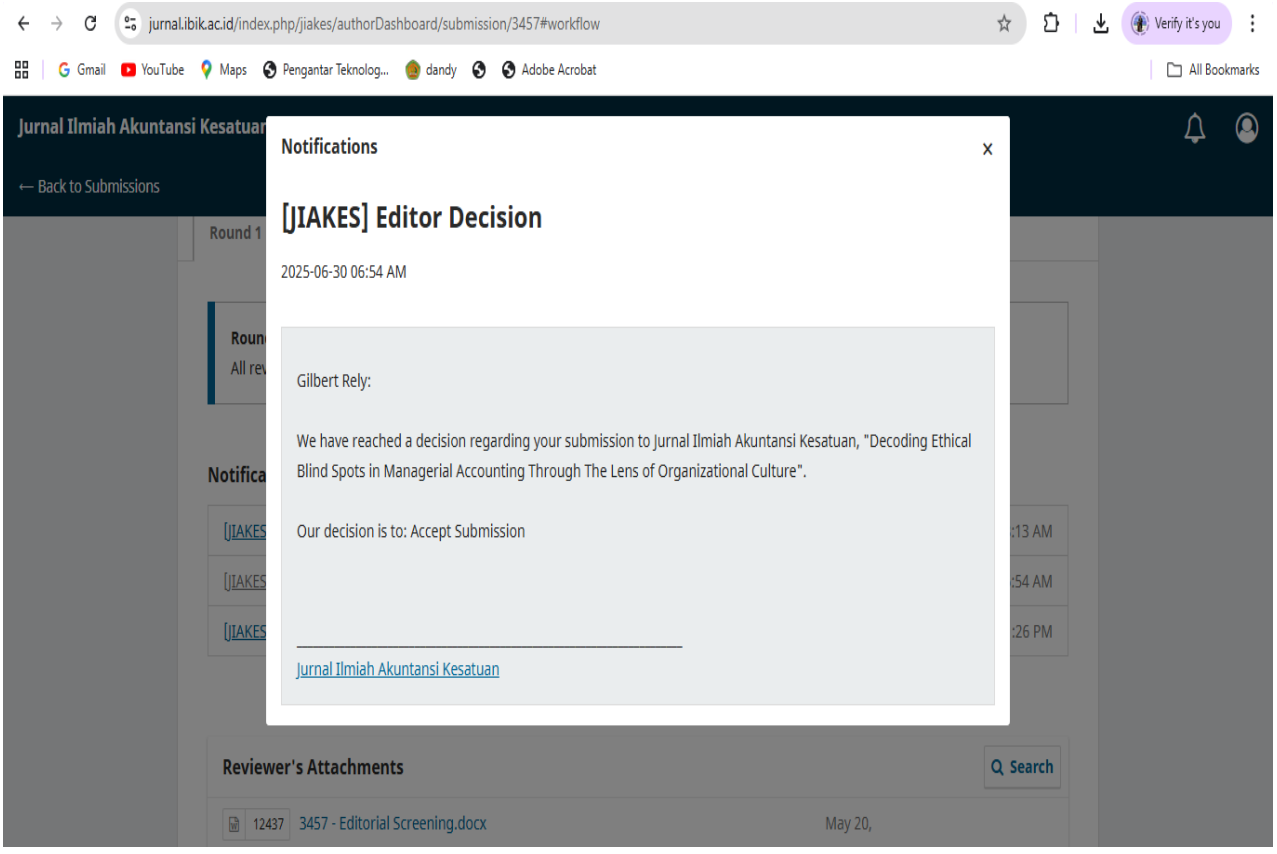
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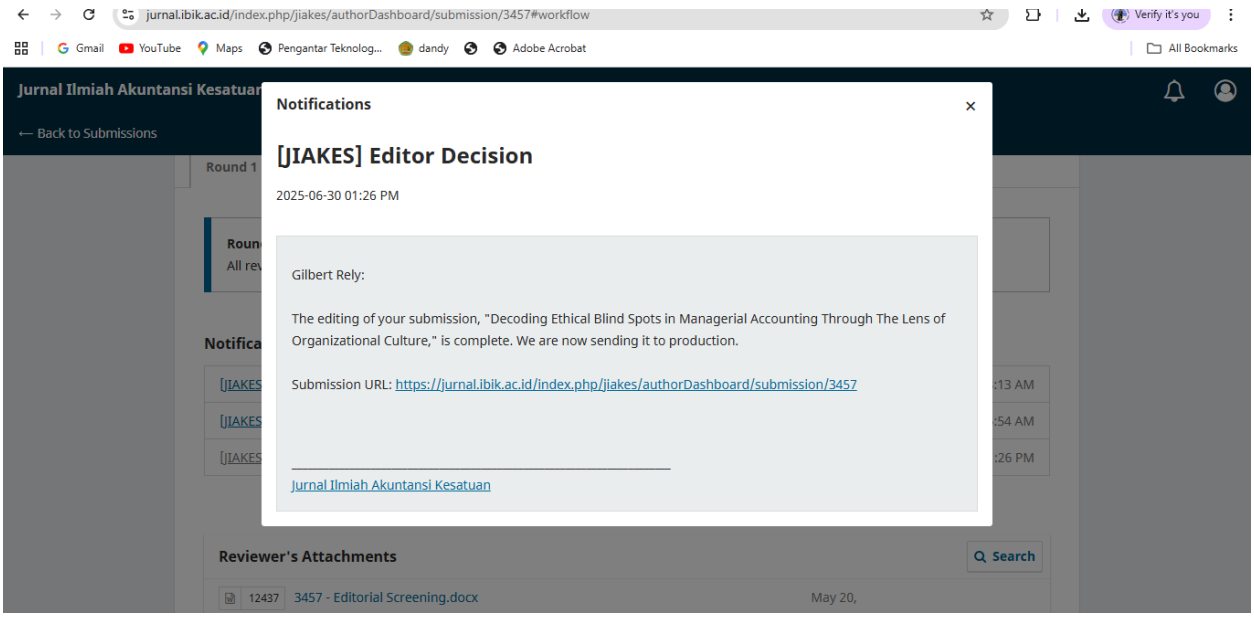

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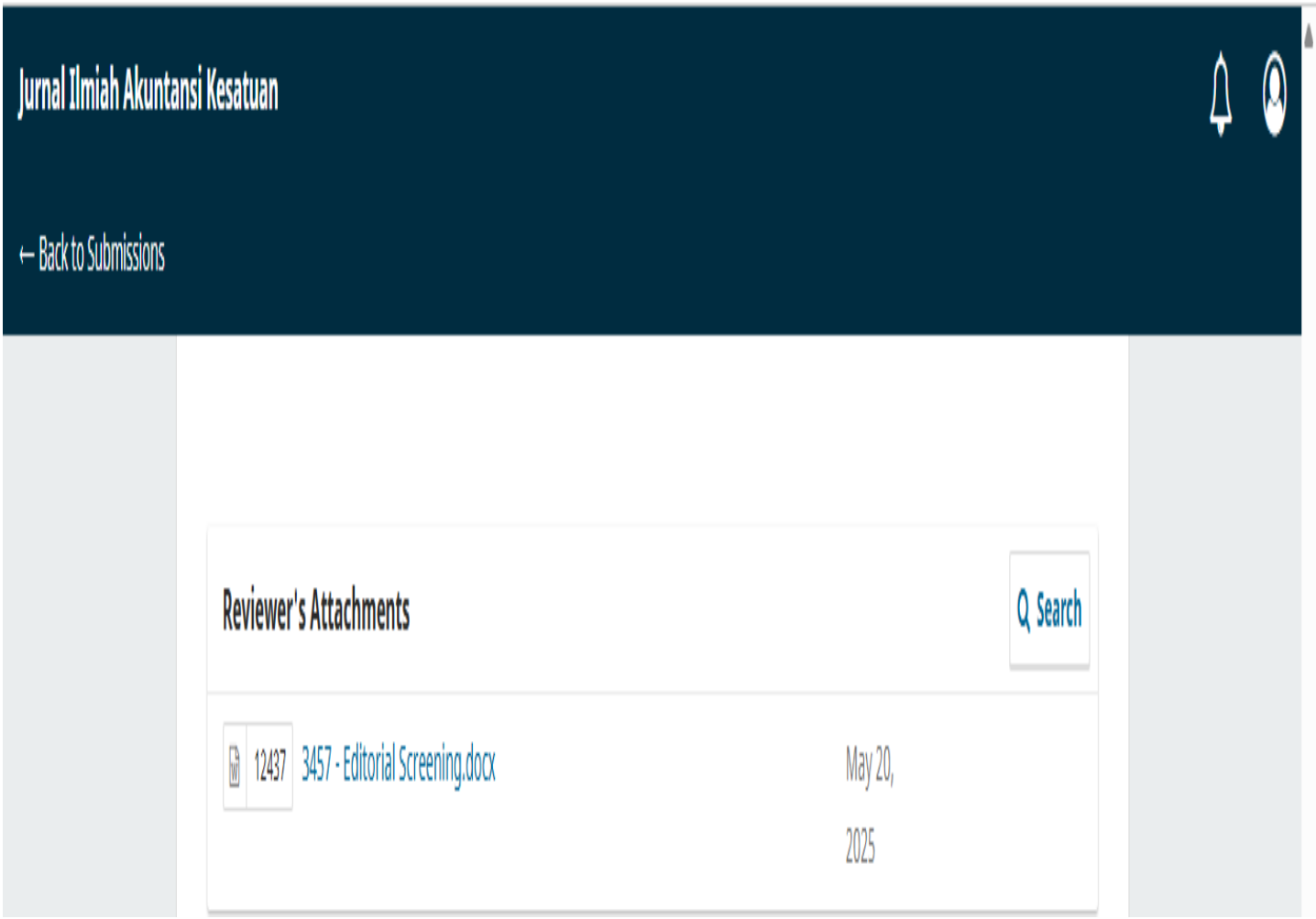

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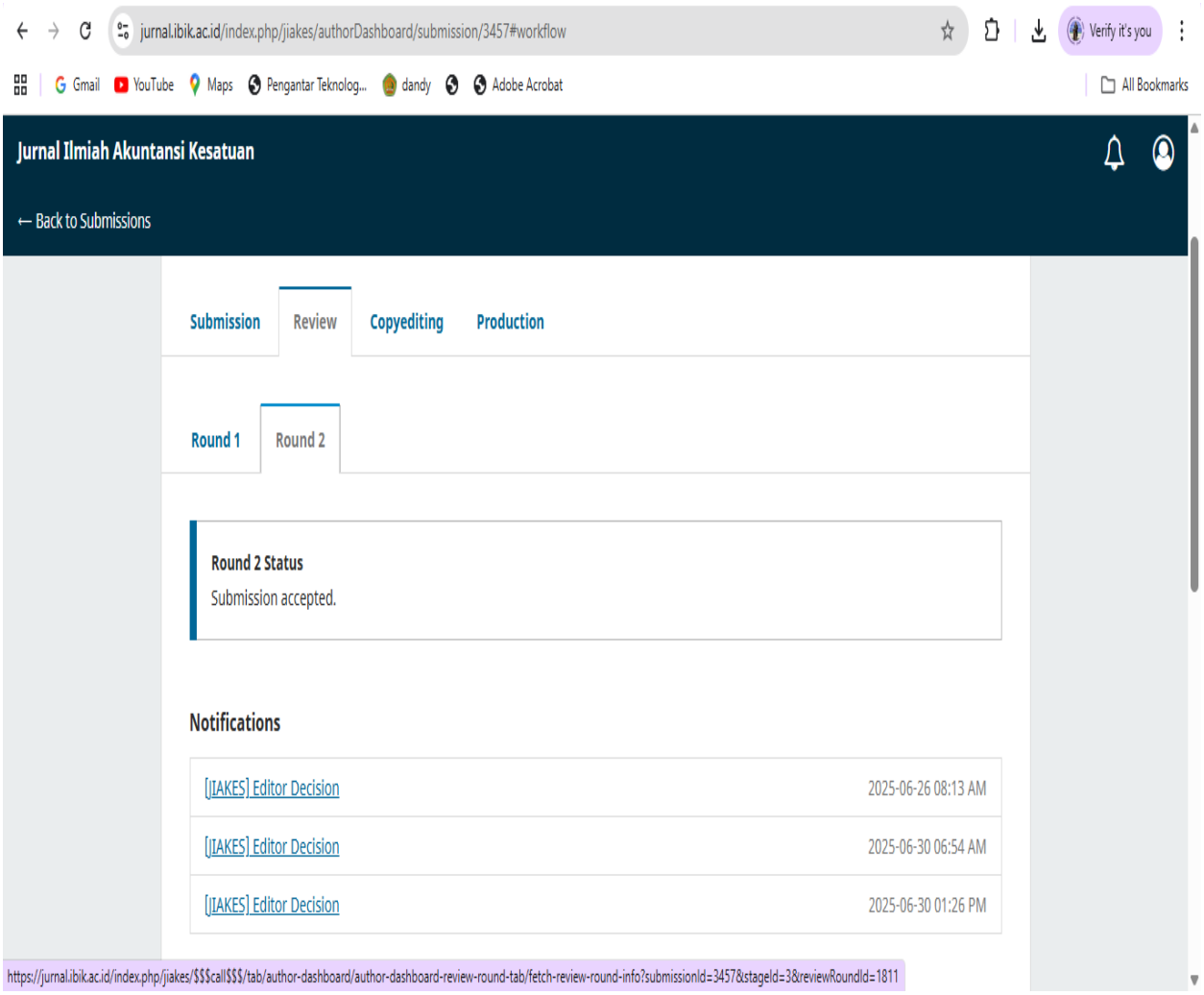

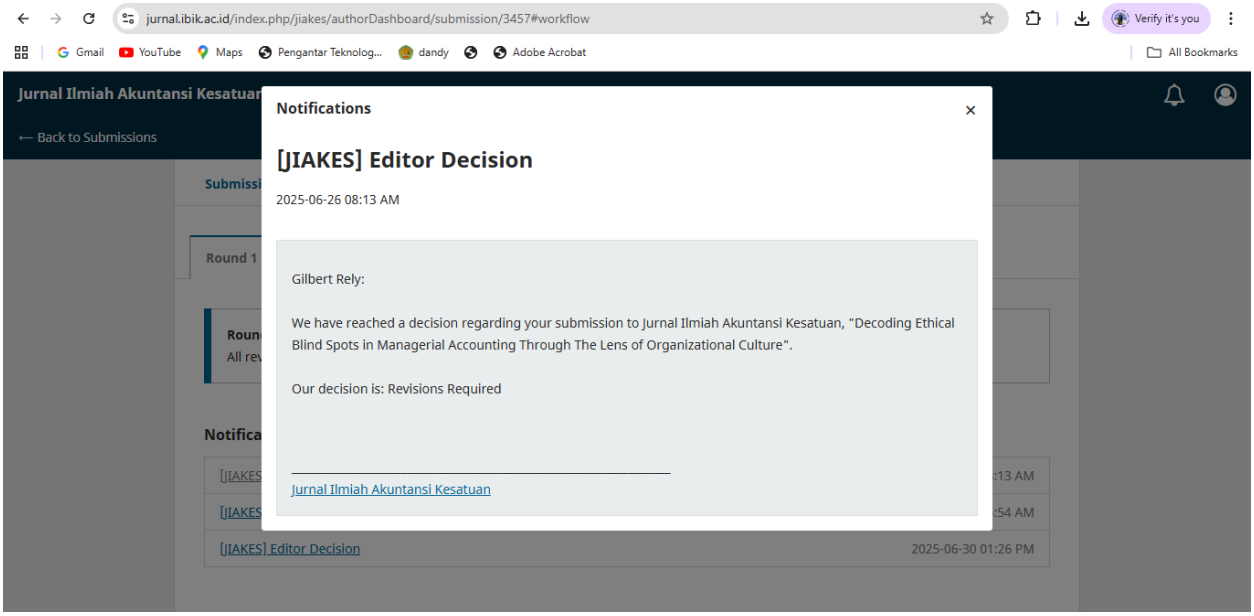

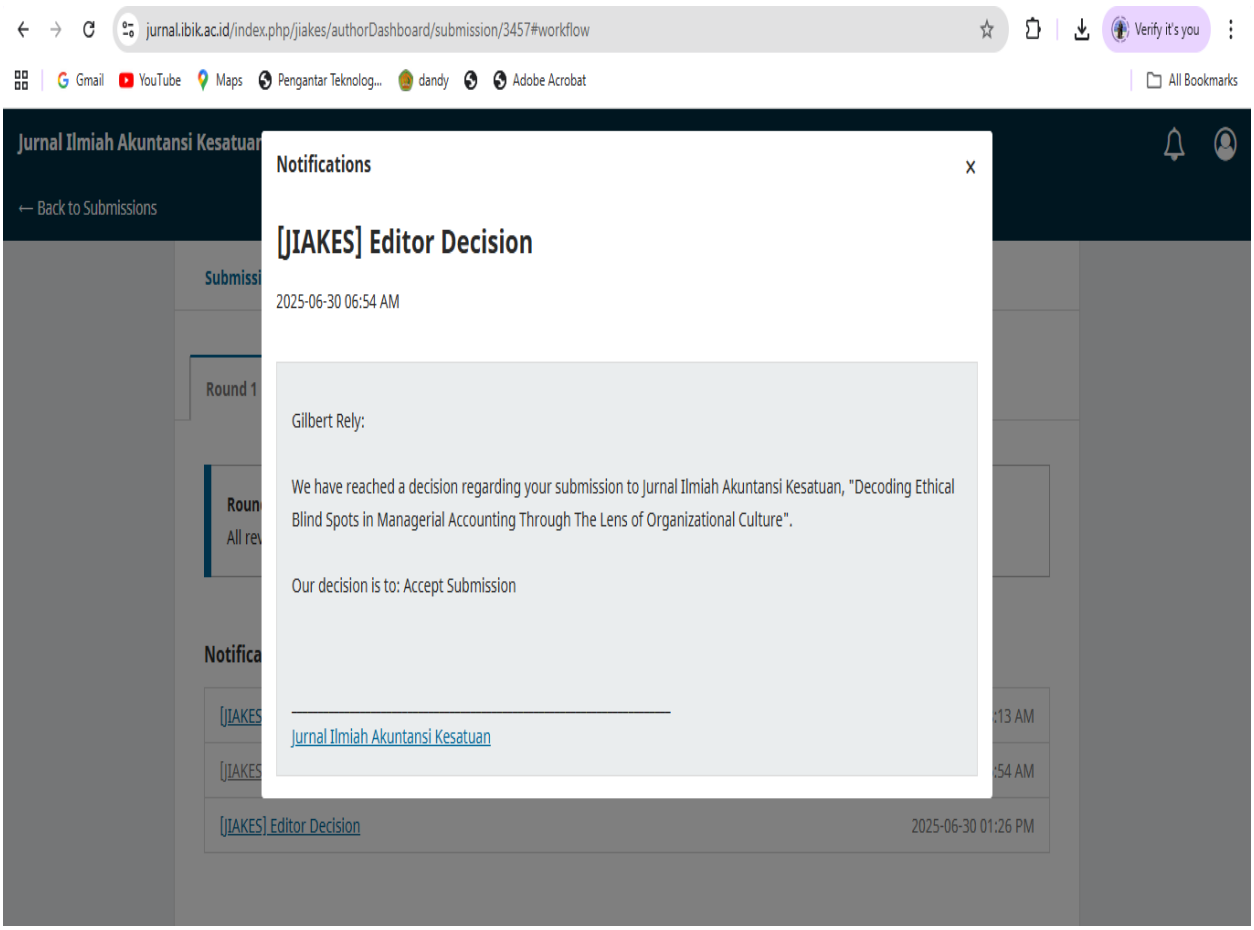
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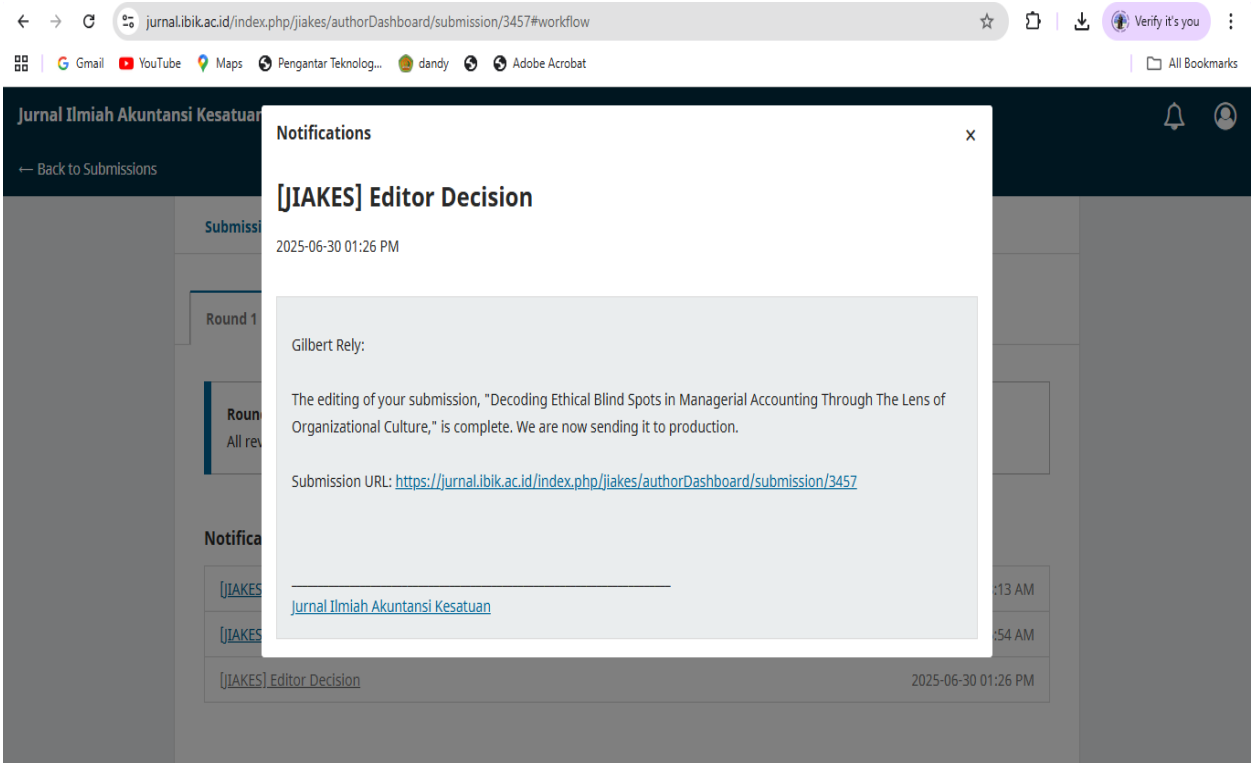
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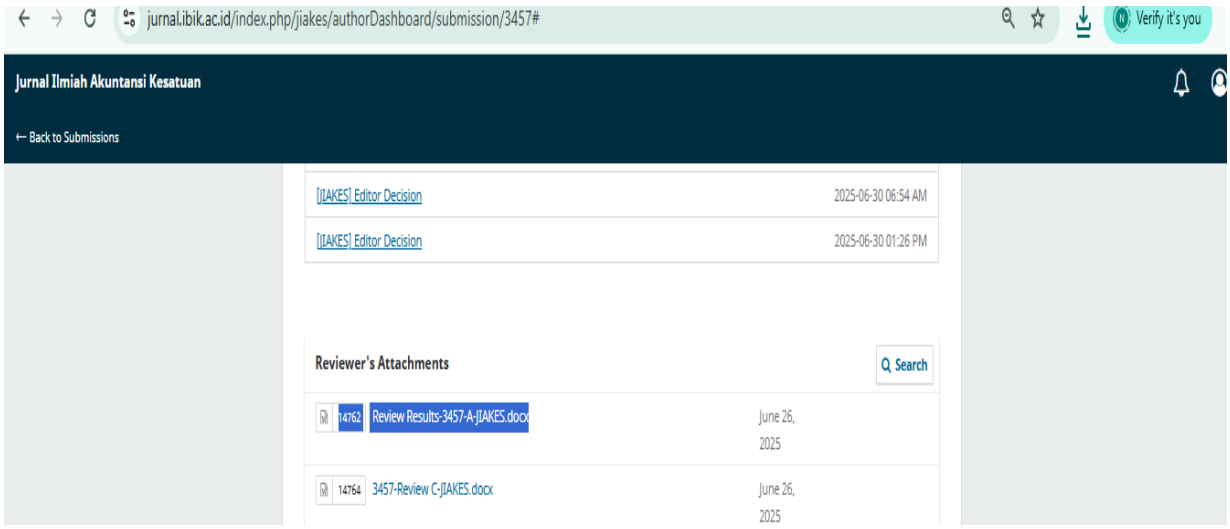

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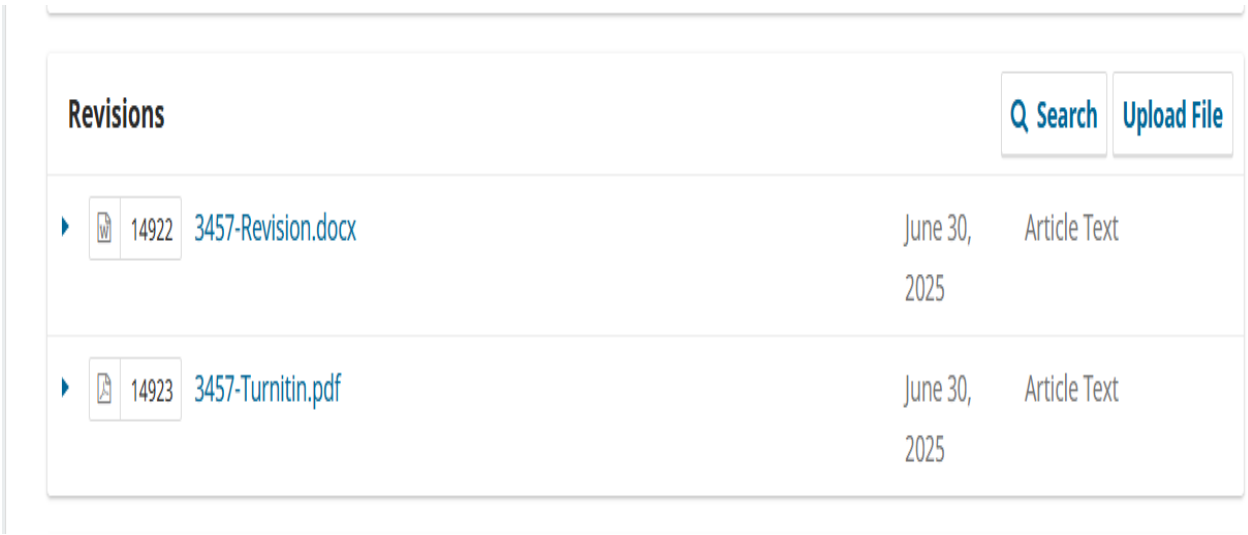

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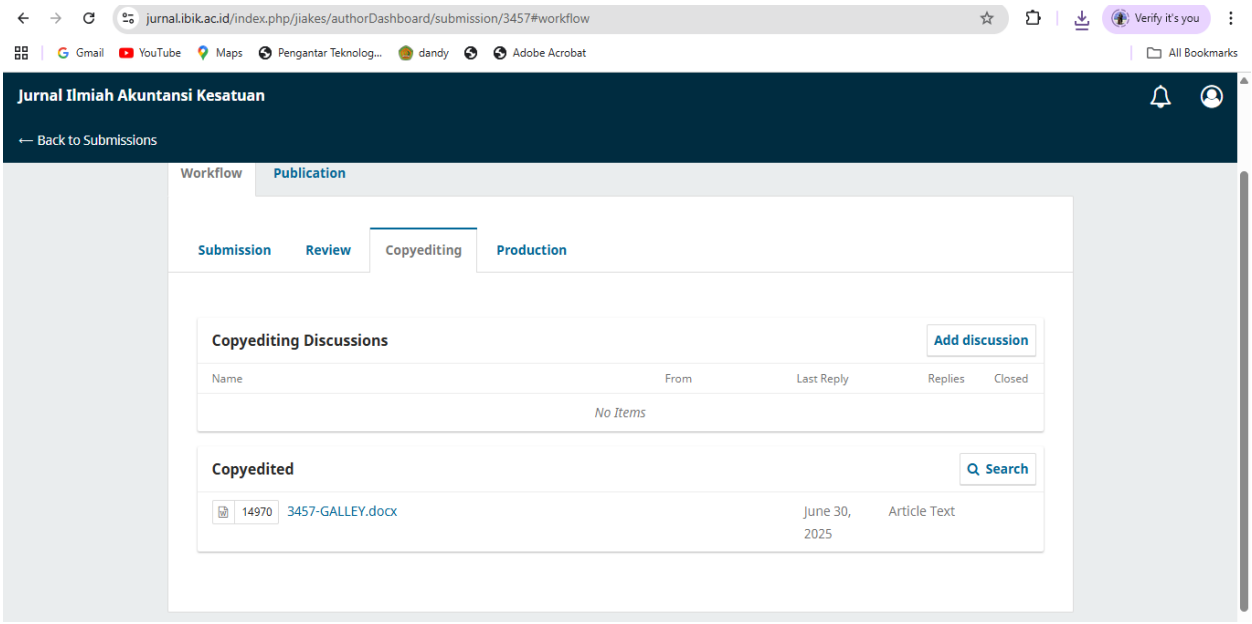

7. Penerbitan LoA

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P-ISSN: 2337-7852 E-ISSN: 2721-3048

Letter of Paper Acceptance

Date: June 24, 2025 | **No:** 25060035-JIAKES

Dear **Gilbert Rely,**

I would like to confirm that your paper entitled ***"Organizational Culture and Ethical Blind Spots in Managerial Accounting"*** has undergone blind peer review and has been accepted for publication in the *Jurnal Ilmiah Akuntansi Kesatuan (JIAKES)* (e-ISSN: 2721-169X; p-ISSN: 2337-7860), Vol. 13, No. 3, June 2025.

On behalf of the Editorial Board and publisher, thank you very much for your submission to our journal.

Sincerely,

Editorial Team
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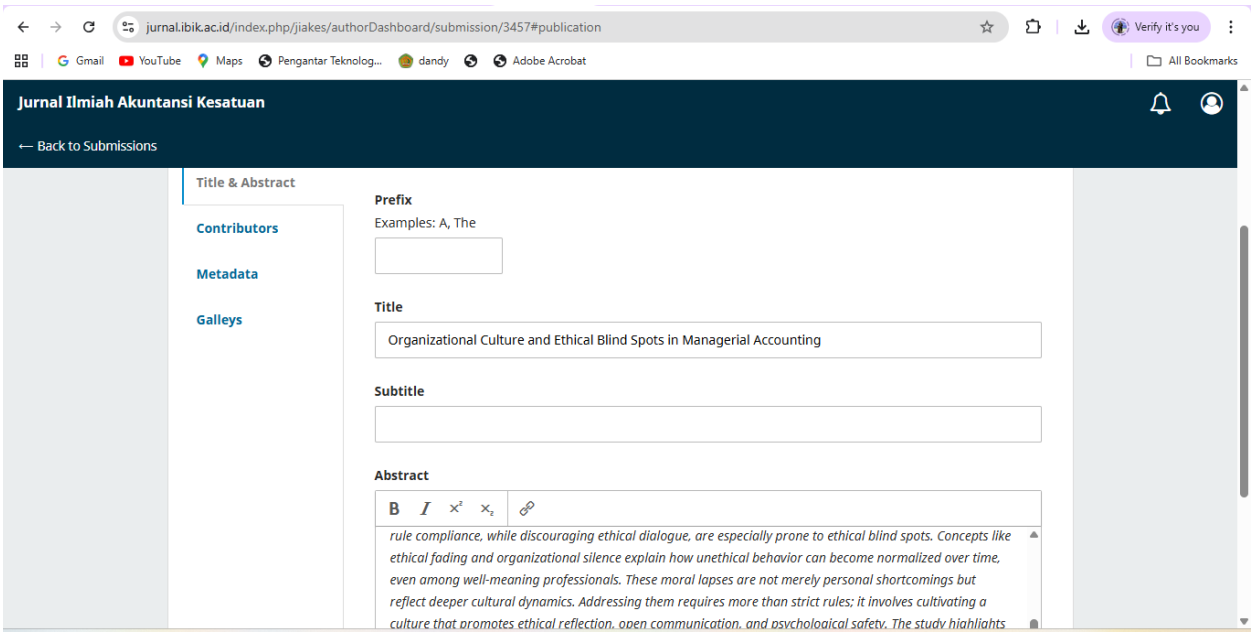

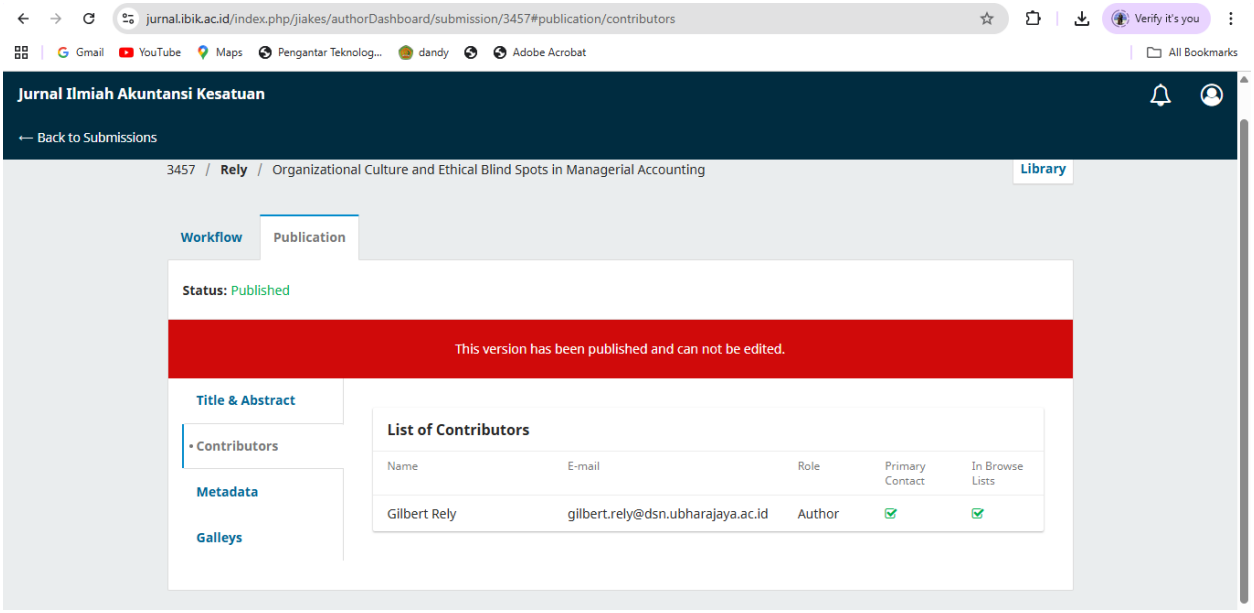

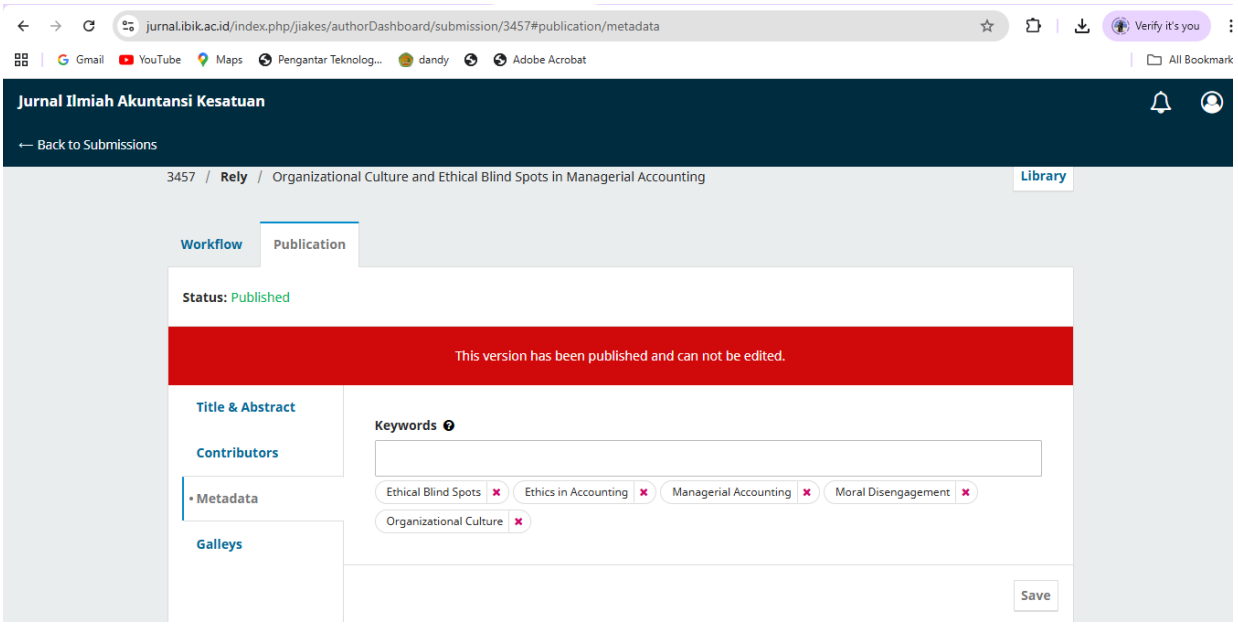
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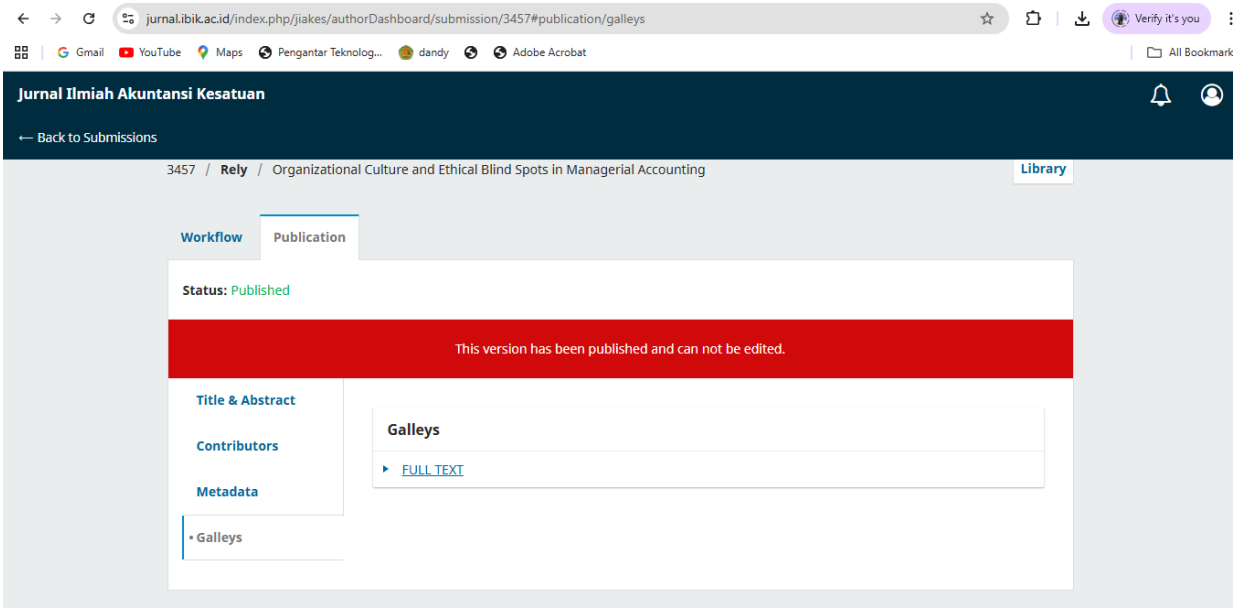
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Organizational Culture and Ethical Blind Spots in Managerial Accounting

Organizational Culture and Ethical Blind Spots

Gilbert Rely
Universitas Bhayangkara Jakarta Raya; Bekasi, Indonesia
E-Mail: gilbert.rely@dsn.ubharajaya.ac.id

579

ABSTRACT

In recent years, ethical concerns in managerial accounting have become more prominent, especially in light of corporate scandals. While traditional ethics frameworks emphasize individual responsibility and legal compliance, they often overlook how organizational culture shapes ethical decision-making. One crucial but often neglected factor is the presence of ethical blind spots, moral oversights influenced by cognitive biases and cultural norms within organizations. This study explores how such blind spots emerge and persist in managerial accounting, using a qualitative multiple-case approach. Interviews with managerial accountants and financial controllers from three mid-sized manufacturing firms revealed patterns of ethical reasoning shaped by internal culture. Findings suggest that organizations focused heavily on performance targets and rule compliance, while discouraging ethical dialogue, are especially prone to ethical blind spots. Concepts like ethical fading and organizational silence explain how unethical behavior can become normalized over time, even among well-meaning professionals. These moral lapses are not merely personal shortcomings but reflect deeper cultural dynamics. Addressing them requires more than strict rules; it involves cultivating a culture that promotes ethical reflection, open communication, and psychological safety. The study highlights the need for ethical culture assessments and calls for ethics training to be embedded in accounting education to foster long-term integrity and resilience within organizations.

Submitted: MARCH 2025
Accepted: JUNE 2025

Keywords: *Ethical Blind Spots, Ethics in Accounting, Managerial Accounting, Moral*

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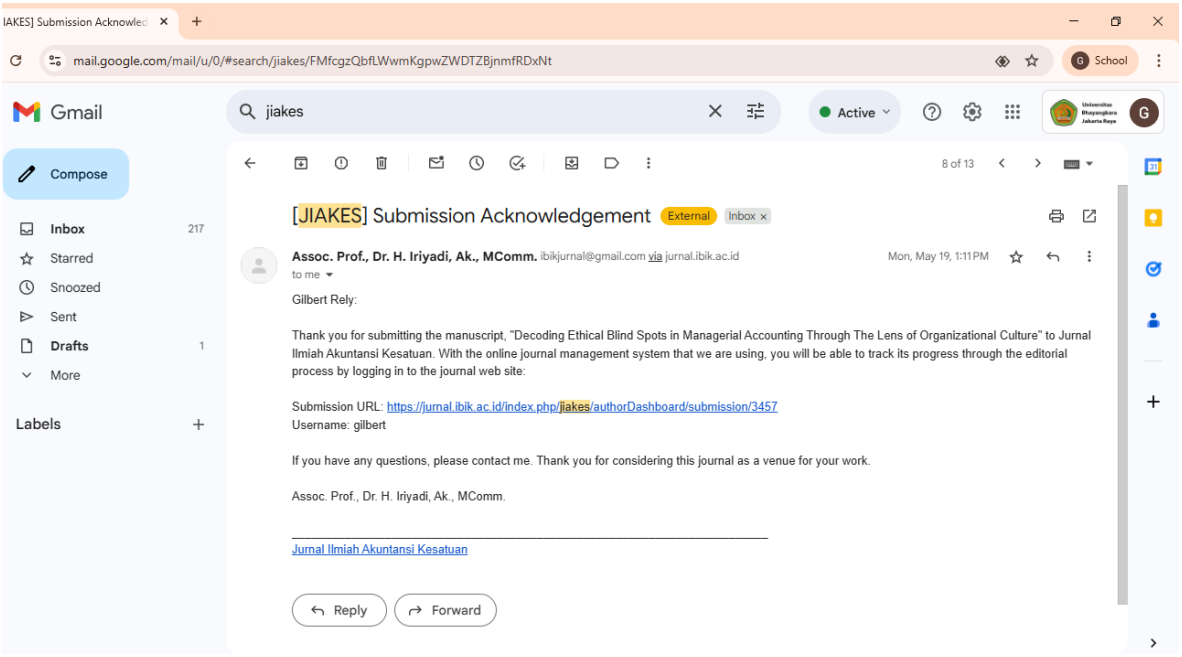

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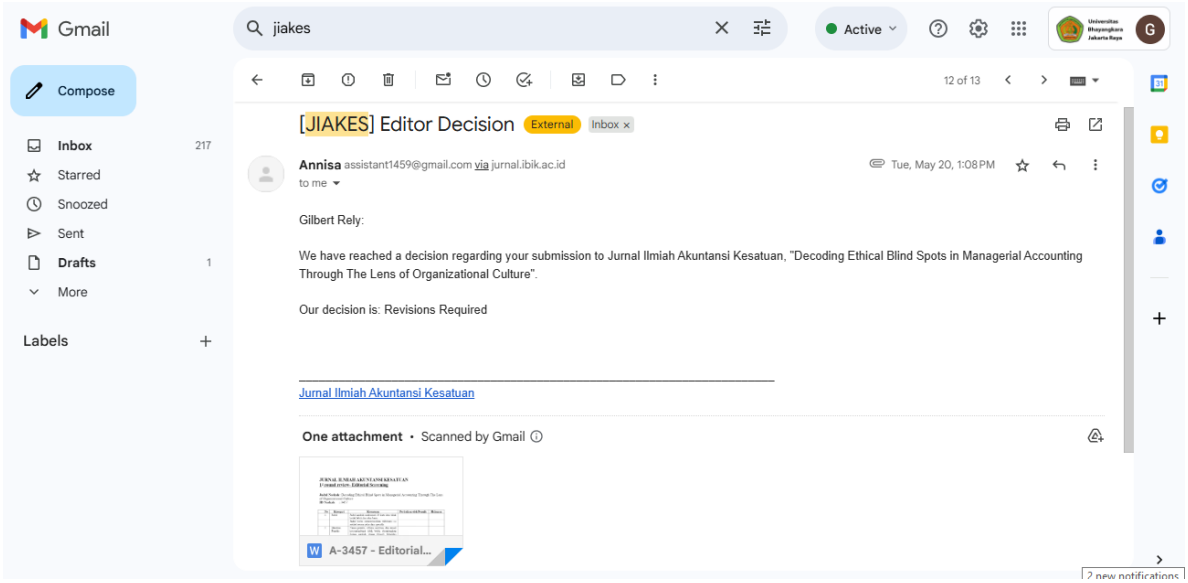

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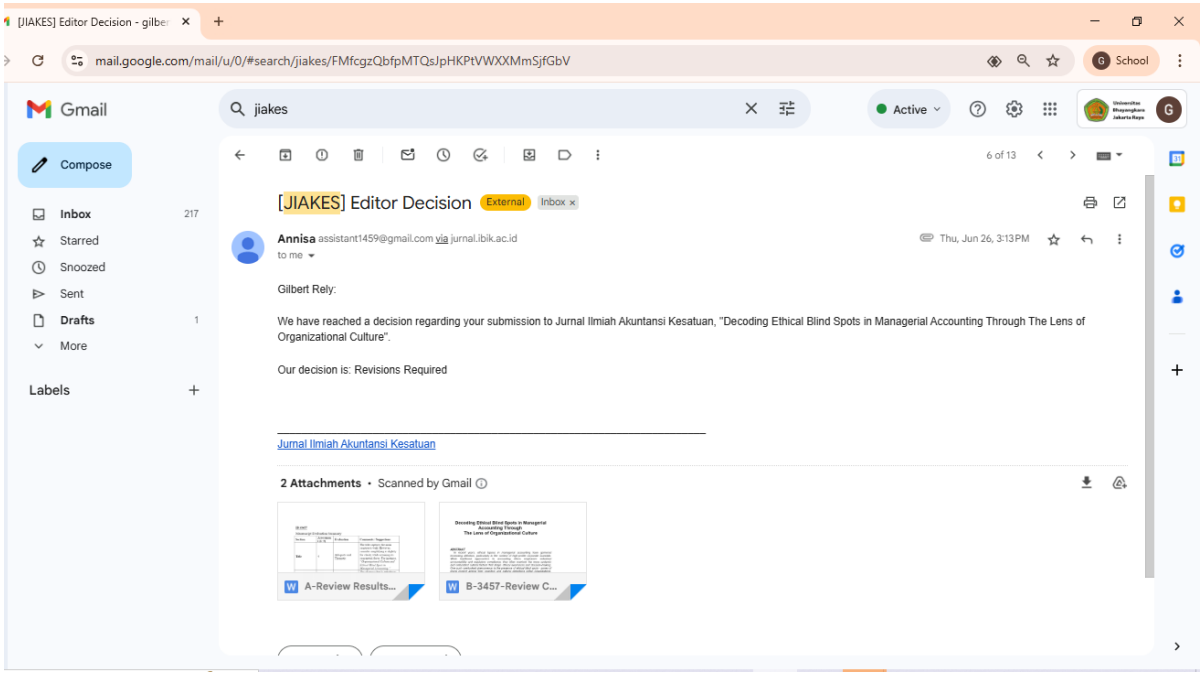

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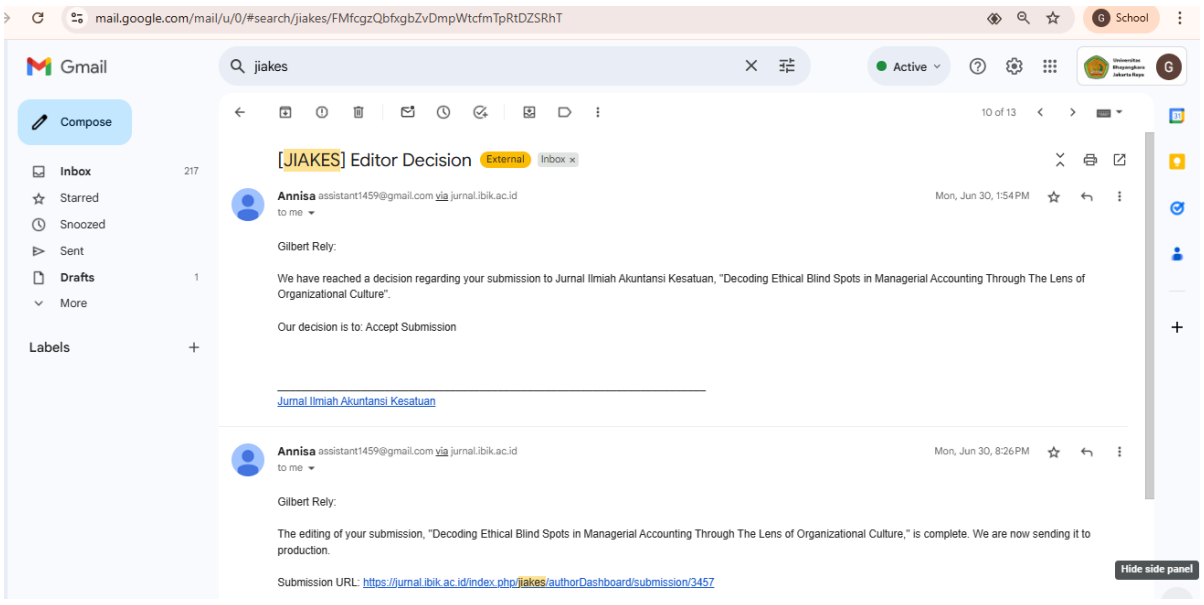

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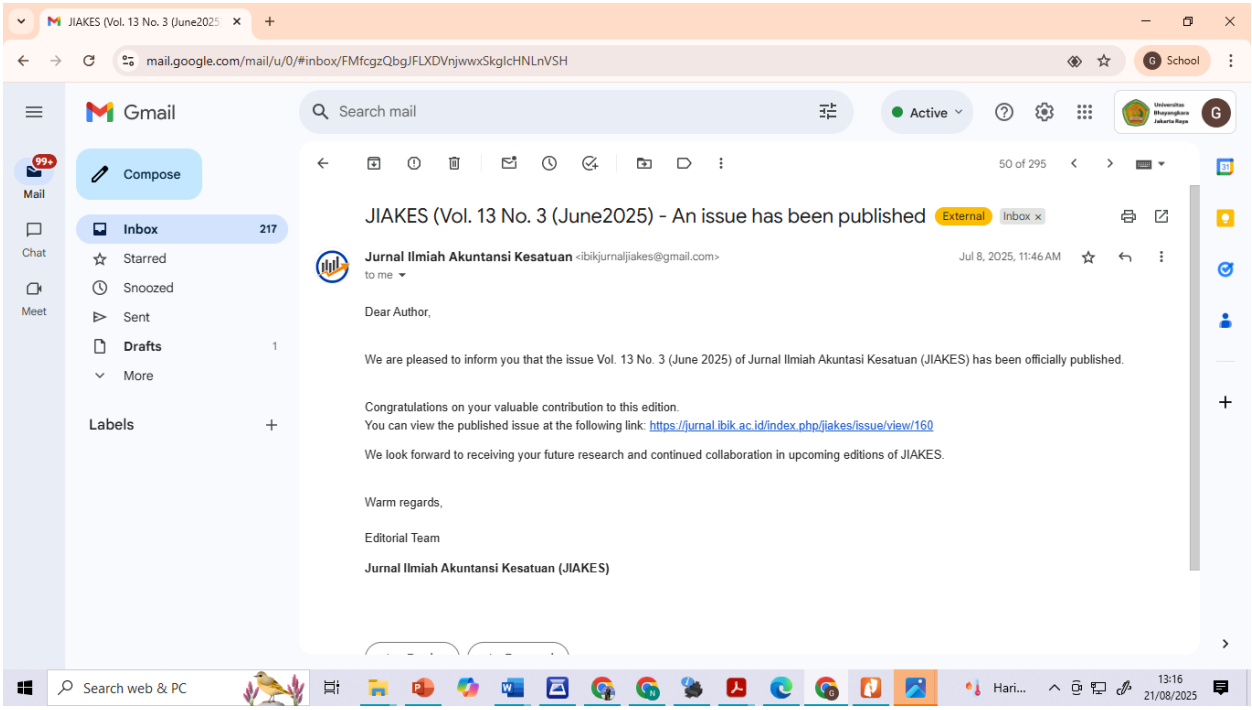

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Organizational Culture and Ethical Blind Spots in Managerial Accounting

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Decoding Ethical Blind Spots in Managerial Accounting Through The Lens of Organizational Culture

Gilbert Rely
Bhayangkara Jakarta Raya University; Marga Mulya, Bekasi, Indonesia
Email: gilbert.rely@dsn.ubharajaya.ac.id

Submitted:
FEBRUARY 2013

Accepted:
MARCH 2013

ABSTRACT

In recent years, ethical lapses in managerial accounting have garnered increasing attention, particularly in the context of high-profile corporate scandals. While traditional approaches to accounting ethics emphasize individual accountability and regulatory compliance, they often overlook the more systemic and embedded cultural factors that shape ethical awareness and decision-making. One such overlooked phenomenon is the presence of ethical blind spots—zones of moral neglect arising from cognitive and cultural distortions within organizations. This study aims to explore how organizational culture influences the emergence and persistence of ethical blind spots in managerial accounting practices. It investigates the ways in which shared norms, values, and assumptions within organizations can either foster ethical vigilance or contribute to moral disengagement in accounting decisions. Using a qualitative multiple-case study approach, data were collected through in-depth interviews with managerial accountants and financial controllers across three mid-sized manufacturing firms. Thematic analysis was conducted to identify patterns of ethical reasoning, cultural cues, and structural enablers of ethical lapses. The conceptual framework draws on theories of ethical fading, organizational silence, and cultural cognition. The findings reveal that organizational cultures that overemphasize performance outcomes and compliance metrics—while deprioritizing open dialogue and critical ethical reflection—are particularly prone to fostering ethical blind spots. The normalization of deviance and moral rationalization were found to be prominent mechanisms through which unethical behavior became culturally accepted, even among well-intentioned professionals. Ethical blind spots in managerial accounting are not merely individual failings but are deeply embedded in the cultural fabric of organizations. Addressing these issues requires more than technical fixes; it demands cultural transformation that promotes ethical mindfulness, transparency, and psychologically safe environments for ethical dissent. This study highlights the critical need for integrating ethical culture audits into managerial control systems and ethics training in accounting education.

***Keywords**: Ethical Blind Spots, Managerial Accounting, Organizational Culture, Ethics In Accounting, Moral Disengagement.*

ABSTRAK

Dalam beberapa tahun terakhir, pelanggaran etika dalam akuntansi manajerial semakin mendapat sorotan, khususnya dalam konteks skandal korporasi berskala besar. Pendekatan konvensional terhadap etika akuntansi umumnya menekankan pada tanggung jawab individu dan kepatuhan terhadap regulasi, namun seringkali mengabaikan faktor budaya organisasi yang sistemik dan melekat, yang turut membentuk kesadaran serta pengambilan keputusan etis. Salah satu fenomena yang sering terlewatkan adalah blind spot etis, area pengabaian moral yang muncul akibat distorsi kognitif dan budaya dalam organisasi. Penelitian ini bertujuan untuk mengungkap bagaimana budaya organisasi memengaruhi muncul dan bertahannya blind spot etis dalam praktik akuntansi manajerial. Studi ini mengeksplorasi bagaimana norma, nilai, dan asumsi bersama dalam organisasi dapat mendorong kewaspadaan etis, atau sebaliknya, mendukung pelepasan tanggung jawab moral dalam proses pengambilan keputusan akuntansi. Penelitian ini menggunakan pendekatan studi kasus kualitatif multipel, dengan pengumpulan data melalui

wawancara mendalam terhadap akuntan manajerial dan pengendali keuangan di tiga perusahaan manufaktur berskala menengah. Analisis tematik digunakan untuk mengidentifikasi pola penalaran etis, isyarat budaya, dan faktor struktural yang memungkinkan terjadinya pelanggaran etika. Kerangka konseptual didasarkan pada teori ethical fading, organizational silence, dan cultural cognition. Hasil penelitian menunjukkan bahwa budaya organisasi yang terlalu menekankan pada pencapaian kinerja dan indikator kepatuhan—tanpa ruang untuk dialog terbuka dan refleksi etis kritis—rentan menciptakan blind spot etis. Normalisasi penyimpangan dan rasionalisasi moral menjadi mekanisme dominan yang membuat perilaku tidak etis diterima secara budaya, bahkan oleh profesional yang secara individu berniat baik. Blind spot etis dalam akuntansi manajerial bukan sekadar kegagalan individu, melainkan fenomena yang tertanam dalam konstruksi budaya organisasi. Upaya penanggulangannya membutuhkan lebih dari sekadar solusi teknis; diperlukan transformasi budaya yang menumbuhkan kesadaran etis, transparansi, dan lingkungan kerja yang aman secara psikologis bagi munculnya dissenting voice etis. Penelitian ini menekankan pentingnya integrasi audit budaya etika dalam sistem kontrol manajerial dan pendidikan etika dalam kurikulum akuntansi.

***Kata Kunci**: Blind Spot Etis, Akuntansi Manajerial, Budaya Organisasi, Etika Akuntansi, Pelepasan Tanggung Jawab Moral.*

INTRODUCTION

Managerial accounting plays a vital role in supporting strategic and operational decision-making within organizations. However, over the past decade, several cases involving cost manipulation, financial risk concealment, and internal budget misappropriation have highlighted critical ethical weaknesses in managerial accounting practices (Kirana & Novita, 2021). High-profile corporate scandals such as Enron, Toshiba, and, in the Indonesian context, Jiwasraya and Asabri, have demonstrated that although accounting systems are technically designed to promote transparency and accountability, ethical integrity often remains a neglected dimension (Cowton, 2021; Ministry BUMN, 2021).

Traditional approaches to accounting ethics typically emphasize compliance with professional codes of conduct, external regulation, and individual responsibility. While these elements are important, they fall short in explaining why individuals who understand ethical principles and legal boundaries still engage in unethical behavior. This phenomenon leads to the concept of ethical blind spots areas in decision-making where moral considerations become blurred or completely overlooked, often due to social and cultural influences within the organization (Payne et al., 2020; Bazerman & Gino, 2012).

Ethical blind spots do not occur in a vacuum; they emerge within the context of organizational culture, which shapes how accounting professionals think, behave, and interpret ethical situations. Organizational cultures that prioritize performance, efficiency, and loyalty to superiors without providing space for critical dialogue or ethical reflection significantly contribute to the collective justification of deviant practices. In such environments, small transgressions are likely to be normalized and may evolve into systemic misconduct (Van Rooij & Fine, 2018; Seshoka, 2021).

Recent research has shown that organizational culture plays a crucial role in shaping ethical awareness and ethical decision-making in accounting. Cultures that promote openness, dialogue, and moral courage commonly referred to as ethical voice have been proven to help prevent ethical violations. In contrast, cultures that rely on rigid hierarchies and results-driven pressure, without ethical deliberation, tend to reinforce moral disengagement (Treviño et al., 2014; Lewis, 2021; Victoria, 2025).

This gap indicates a need for a new perspective that views ethical violations not merely as individual failings but as the result of complex interactions between individuals and organizational culture. This becomes especially relevant in managerial accounting, where practitioners serve as key actors in bridging financial information, business strategy, and day-to-day operations. Their responsibilities extend beyond data presentation to include the construction and framing of narratives that influence managerial decisions (Collier, 2015).

Nevertheless, empirical literature on ethical blind spots in managerial accounting remains limited particularly within the context of organizational culture in the Indonesian private sector. Most studies focus on normative ethics or post-scandal analyses, leaving a gap in our understanding of the internal mechanisms that create and sustain moral insensitivity in organizations. This study seeks to fill that gap by qualitatively analyzing how organizational culture fosters the emergence and persistence of ethical blind spots, specifically in the managerial accounting practices of mid-sized manufacturing firms.

Using a multiple-case study approach and in-depth interviews, this research explores not only how organizational norms and values shape accountants' ethical perceptions, but also how power structures, internal communication, and performance pressure generate ethical gray zones in decision-making. The study is grounded in a conceptual framework that integrates the theories of ethical fading, organizational silence, and cultural cognition, offering a deeper understanding of how unethical behavior becomes internalized and collectively accepted.

By deepening our understanding of how organizational culture influences ethical blind spots, this study aims to contribute both theoretically and practically to improving ethical governance in organizations. The findings are expected to serve as a foundation for developing more context-sensitive ethics training, conducting cultural ethics audits, and formulating internal policies that are more responsive to the moral dynamics of managerial accounting environments.

LITERATURE REVIEW

Ethics in Managerial Accounting

Managerial accounting functions not only as a tool for internal recording and reporting but also as a critical instrument in decision-making processes that significantly influence the strategic direction of an organization. In their role, managerial accountants have access to and authority over sensitive data, cost allocations, and the interpretation of financial information, all of which can shape the perceptions of management and other stakeholders. Therefore, integrity and ethical sensitivity are fundamental pillars of this practice (Gallagher et al., 2023). However, ethical approaches in managerial accounting are often limited to formal compliance with regulations and professional standards, without addressing deeper and more contextual moral dimensions (Heywood et al., 2017).

Ethical Blind Spot Concept

The term ethical blind spots refers to an individual's failure to recognize that a situation contains ethical dimensions. This phenomenon typically occurs not due to malicious intent, but because of cognitive and social processes that obscure the moral aspects of a decision (Bandura, 2014). Bazerman & Gino, (2012) explain that ethical blind spots arise from mechanisms such as motivated reasoning, bounded ethicality, and ethical fading, in which individuals do not consciously consider the moral consequences of their actions. In the context of managerial accounting, ethical blind spots can occur when the focus on achieving financial targets overrides integrity and transparency.

Organizational Culture and Ethical Formation

Organizational culture is a system of shared values, norms, and beliefs that influences how members of an organization think and behave. A culture that emphasizes outcomes (outcome-oriented culture) often creates pressure to meet targets at the expense of ethical standards. In such contexts, deviant behavior can become normalized, especially when there are no consequences or when leaders set similar examples (Ashforth & Anand, 2003). An organizational culture that is permissive toward ethical compromises tends to facilitate the release of moral responsibility, or moral disengagement, thereby creating space for the emergence of ethical blind spots (Jones et al., 2024).

Mechanism for Normalization of Ethical Violations

Normalization of deviance is the process by which unethical actions, initially seen as violations, gradually become accepted practices because they occur frequently without consequences. Within organizations, this process is reinforced by organizational silence, a culture of silence that discourages employees from reporting misconduct due to fear of managerial retaliation, reputational risk, or social exclusion (Sherer, 2022). This dynamic allows ethical violations to become embedded within the system, making ethical blind spots increasingly difficult to detect.

Ethical Voice and the Role of Accountants

An individual's ability to express moral concerns within an organization, known as ethical voice, plays a crucial role in preventing the emergence of ethical blind spots. Unfortunately, in many organizations, there is no psychologically safe space for raising ethical considerations, either due to structural barriers or a repressive organizational culture (Trevino & Nelson, 2021). In the field of managerial accounting, where pressure from superiors and demands for performance are particularly high, ethical voice is often suppressed by functional loyalty to the organization.

Literature Limitations and Research Gaps

Although numerous studies have addressed ethics in accounting, research that deeply examines the connection between ethical blind spots and the construction of organizational culture remains limited, particularly in the context of managerial accounting within the mid-sized business sector. Most existing studies focus on public accounting or external regulation, and few have explored how internal organizational values, norms, and power dynamics shape, or even conceal, systemic ethical violations.

METHODS

Research Design

This study employs a qualitative approach with a multiple-case study design to gain an in-depth understanding of how organizational culture shapes and influences the formation of ethical blind spots in managerial accounting practices. The case study design was chosen because it allows the researcher to explore complex phenomena within real-life contexts, particularly those related to organizational dynamics and the subjective experiences of accountants (Stake, 2013; Cousins et al., 2014).

Location and Research Subject

This study was conducted in three mid-sized manufacturing companies in Indonesia that have formal managerial accounting systems and hierarchical organizational structures. The companies were selected purposively, taking into account the diversity of organizational cultures, industry characteristics, and willingness to participate in the research. The primary informants were managerial accountants, financial controllers, and, in some cases, unit managers who were directly involved in decision-making based on accounting data.

Data Collection Techniques

Data were collected using three main techniques:

1) In-depth interviews with 12 key informants across three organizations, using a semi-structured interview guide. The interviews focused on ethical experiences in work practice, perceptions of organizational values, managerial pressures, and internal communication dynamics.
2) Non-participatory observation of the work environment and informal interactions to capture expressions of cultural values, communication patterns, and attitudes toward ethical issues.
3) Internal documentation, such as codes of ethics, financial reporting policies, and internal audit reports, was used for data triangulation.

Data Analysis Techniques

The analysis was conducted using a thematic analysis approach (Braun & Clarke, 2024), which allows for the exploration of meaningful patterns from interview transcripts and documents. The analysis process consisted of:

1) Transcription and familiarization with the data
2) Open coding of meaningful units related to ethics and organizational culture
3) Identification of main themes such as ethical fading, organizational silence, moral rationalization, and cultural reinforcement
4) Thematic interpretation based on the established theoretical framework

To enhance validity, source and method triangulation were conducted, along with member checking with some informants to ensure the accuracy of interpretations.

Validity and Reliability

To ensure credibility, the principles of trustworthiness in qualitative research were applied (Adler, 2022), including:

1) Credibility: through data triangulation and participant confirmation
2) Transferability: providing rich contextual descriptions so that findings can be understood in similar contexts

Dependability and Confirmability: maintaining an audit trail and critical reflection by the researcher on potential biases

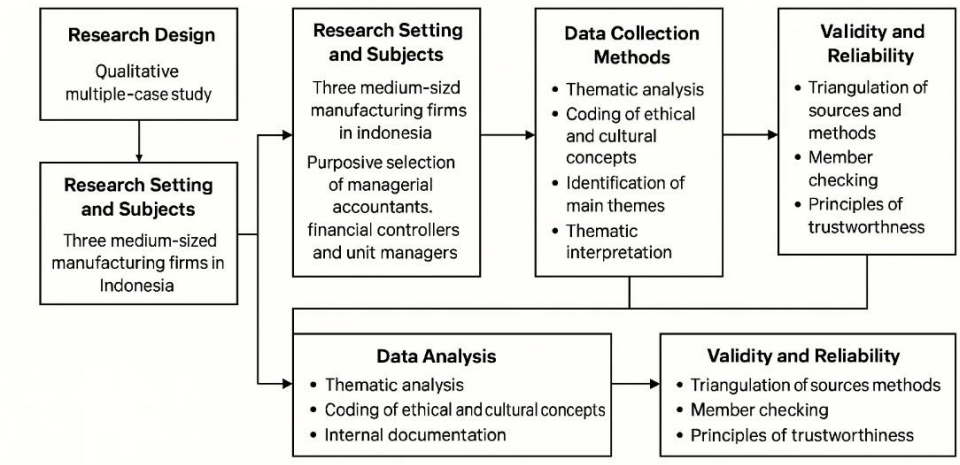

Figure 1. Research Methodology Flowchart

RESULTS

Tabel 1. Thematic Analysis Matrix on Ethical Blind Spots within Organizational Culture

Main Theme	Sub-Theme	Indicator Empiris
1. Organizational Culture	a. Target-oriented culture	Pressure of number achievement, performance-based bonuses, short-term achievement
	b. Hierarchy and control	Managerial dominance in decisions, limited criticism space
	c. Norma informal	The culture of "the origin of the satisfied leader", loyalty to the boss
2. Blind Spot Etis	a. Ethical fading	Unaware of the moral dimension of action
	b. Bounded ethicality	Not considering moral values due to pressure or bias of the system
	c. Normalization of deviation	Deviant practices that become routine
3. Organizational Silence	a. Fear of speaking	Fear of the consequences of disclosing the violation
	b. No discussion room	There is no forum or time to talk about ethics
4. Moral Justification	a. Collective rationalization	Mutual justification for unethical behavior
	b. Redefining integrity	Adjusting the meaning of integrity for organizational convenience
5. Solutions and Expectations	a. The need for contextual ethics training	Hope there is training adapted to the reality of work
	b. Organizational culture audit	Evaluation of hidden or unethical values

Organizational Culture That Encourages Ethical "Blind Spots"

Interview and field observation results reveal that an organizational culture heavily oriented toward achieving financial targets and short-term performance is the primary trigger for the emergence of ethical blind spots in managerial accounting practices. The three companies studied exhibited a consistent cultural pattern: a strong focus on numerical outputs, pressure to report positive unit performance, and an incentive system based on quantitative achievements. In this context, financial figures are no longer merely reflections of performance but have become managerial legitimacy symbols that must not "fail" in the eyes of top management and stakeholders. This creates a condition where managerial accountants serve not only as data reporters but also as "narrative managers" through the manipulation of numbers.

Several informants mentioned that, although they technically recognize that report adjustments could be unethical, structural pressures and leadership expectations render these practices "silent obligations." In many cases, data inaccuracies or minor manipulations of performance reports are regarded as loyal contributions to the team and

organization. This indicates a distortion in ethical perception, where collective success is defined by the ability to maintain the company's positive image, even at the expense of accuracy and transparency.

"Good numbers are important, especially for monthly meetings. Sometimes, if they don't align, we have to 'tidy up'. Otherwise, the team is seen as underperforming." (Informant A, Controller)

This statement illustrates how performance culture pressures create internal justifications for deviant behavior. In this case, "tidying up the numbers" is not viewed as a violation but rather as a strategic adaptation to unrealistic organizational expectations. Such situations align with the concept of ethical fading (Tenbrunsel & Messick, 2004), where the ethical dimension of a decision becomes obscured by external pressures and pragmatic goals.

These findings also support Treviño et al., (2014), who argue that organizational cultures that excessively emphasize performance, without balancing moral values and ethical reflection mechanisms, tend to foster work climates that facilitate moral disengagement. In such climates, individuals begin to dissociate their actions from moral consequences and evaluate success through the lens of compliance with managerial targets rather than professional ethical principles.

Furthermore, in the Indonesian cultural context, which tends to have a high power distance, orders or expectations from superiors are rarely openly questioned. This reinforces the tendency of managerial accountants to follow technically questionable instructions that are socially considered "safe" because they align with the authority structure's interests. Under these conditions, ethical blind spots grow not due to ignorance but because of a systemic and internalized shift in ethical perception embedded in organizational culture.

This phenomenon reflects that managerial accounting is vulnerable not only to individual biases but also to cultural distortion, a deviation in values caused by the dominance of organizational norms that obscure professional moral standards. Therefore, ethical blind spots should be understood as a collective product of cultural systems that fail to provide space for critical reflection, transparency, and ethical judgment.

Normalization of Deviance and Collective Rationalization

Ethical blind spots in managerial accounting do not only arise from structural pressures or result-oriented organizational cultures but also develop gradually through collective rationalization mechanisms that institutionalize deviant behavior as part of "operational routine." Interview data indicate that practices such as number adjustments, delaying expense recognition, or reallocating costs are not seen as violations but as adaptive strategies considered reasonable for maintaining financial performance stability in the eyes of management. In other words, there is a transformation in the meaning of manipulative actions—from something normatively unethical to "technical wisdom" or even "professional cleverness."

"In my opinion, it's not lying, just managing the timing and presentation of numbers. Everyone does it." (Informant B, Managerial Accountant)

This statement reflects the presence of collective moral justification, a process in which individuals legitimize deviant actions by referring to the social norms prevailing within their group or organization. When such actions are repeated without sanctions and are tacitly accepted by supervisors and peers, a process of normalization of deviance

(Ashforth & Anand, 2003) emerges. In this condition, minor deviations no longer trigger moral alarms but are regarded as part of routine professional demands.

This rationalization is often supported by collective narratives such as: "everyone does it," "to maintain organizational stability," or "as long as it doesn't harm anyone directly." These illustrate how rationalization operates not only at the individual level but also systemically, through internal organizational discourse framing manipulative practices as loyalty or contribution. This process aligns with moral disengagement theory (Ogunfowora et al., 2022), whereby individuals disconnect their actions from their moral consequences through specific cognitive mechanisms.

Furthermore, within organizational cultures that tend to avoid conflict and prioritize relational harmony—as is common in many Indonesian companies—such rationalizations are difficult to challenge openly. Individuals who question these practices are often seen as uncooperative or "unrealistic in business." Consequently, a system rife with rationalization becomes increasingly resistant to intervention, having become embedded in the collective culture and informal organizational governance.

This phenomenon also demonstrates that ethical fading is not always passive but can be active and strategic. In many cases, managerial accountants are aware that their actions may be technically unethical, but social reframing, whether through superiors, colleagues, or organizational incentive systems, obscures moral considerations. Over time, such practices cease to cause moral dissonance and instead become a "neutral zone" where cognitive and emotional conflict no longer arises.

Therefore, ethical blind spots formed through collective rationalization are not merely personal failures but reflections of cultural constructions that soften deviance and weaken internal moral controls. In this context, ethical organizational reform requires more than normative education, it must involve dismantling the narratives and collective justificatory structures that have long disguised unethical practices as professional norms.

Organizational Silence and the Inhibition of Ethical Voice

This study also found that one of the key factors reinforcing the presence of ethical blind spots in managerial accounting practices is organizational silence. Organizational silence refers to a condition where members of an organization are reluctant to voice opinions, criticisms, or objections to practices deemed deviant, primarily due to social pressure, rigid hierarchical structures, or fear of negative consequences. In the three organizations studied, most informants stated that although they recognized ethical discrepancies in reporting or decision-making practices, they chose to remain silent because they felt there was no safe space to speak up.

"If you are too vocal, you're seen as troublesome. But sometimes we just want to remind so things don't get overlooked." (Informant C, Accounting Supervisor)

This statement reflects that the barrier to expressing ethical concerns is not technical but deeply cultural. In work environments where loyalty to superiors is regarded as the highest form of integrity, the courage to expose potential deviations is constructed as counterproductive or even subversive. This results in the closure of ethical channels within the organization and strengthens the dominance of unaccountable power structures. Consequently, unethical actions, even if observed by some individuals, continue unchecked due to the absence of internal mechanisms that encourage or protect the reporting process.

This condition is reinforced by findings from Detert & Edmondson, (2011), who state that organizational silence directly contributes to increased organizational ethical risk due

to the lack of healthy feedback systems and failure to create psychological safety. In such environments, employees tend to conform socially rather than face stigma as "troublemakers," even if what is at stake is potential moral or professional violations. This creates a paradox: the higher the loyalty, the greater the likelihood that deviations are tolerated, and the stronger the ethical blind spots become in decision-making.

Furthermore, in the context of work culture in many Indonesian companies that tend to be hierarchical and avoid direct confrontation (conflict avoidance), this silence phenomenon has deeper dimensions. When subordinates' voices are not seen as contributions to decision quality but rather as forms of disobedience, ethical voice as an internal social control mechanism becomes paralyzed. The culture of "as long as the boss is happy" becomes dominant, replacing principles of transparency and accountability within the organization. This causes ethical violations not only to remain hidden but also to be institutionalized within a structure of collective silence.

The impact of organizational silence on managerial accounting is significant. Accountants and controllers, who should act as guardians of the accuracy and integrity of financial information are trapped in a dilemma between professional loyalty and organizational social pressure. Many ultimately choose to adjust report narratives, suppress personal doubts, and allow deviant patterns to continue without intervention. Over time, this erodes the ethical foundation of the organization and creates an information system that is not only biased but also vulnerable to greater manipulation.

Thus, organizational silence is not merely the absence of voice but an active representation of organizational failure to create safe spaces for ethical oversight. To address this, it is insufficient to merely establish formal reporting systems like whistleblowing—which are often underutilized due to low trust. More importantly, there must be a cultivation of a work culture that encourages openness, moral courage, and two-way dialogue at all organizational levels.

Redefinition of Ethical Values in an Organizational Context

One of the most interesting and worrying findings in this study is the existence of systemic tendencies in which moral concepts such as "integrity" and "professionalism" undergo contextual reinterpretation in the organizational environment. Based on interviews with informants, it appears that these two terms, which should be principled, have undergone a shift in meaning and are given pragmatic content in accordance with the expectations of superiors, internal power dynamics, and organizational operational needs. Integrity is no longer interpreted as a commitment to truth and accuracy, but rather as the ability to maintain internal harmony and loyalty to the command structure. Professionalism is no longer a reflection of ethical standards and objectivity, but is synonymous with flexibility and loyalty to the interests of the institution.

"The important thing is to be loyal and be able to maintain the good name of the team. When it comes to right and wrong, sometimes it can be negotiated as long as it doesn't interfere with the system." (Informant D, Financial Manager)

This statement reflects that formal ethical frameworks are often subordinated by the socio-cultural realities of the organization. In this context, individuals tend to avoid moral judgments based on universal principles and replace them with pragmatic calculations: whether an action will embarrass the team, interfere with the interests of the leadership, or disrupt the "smooth running of the system". As a result, ethical judgments become relative and dependent on position, power relations, and internal political dynamics. This phenomenon leads to cultural cognition, a concept introduced by Kahan, (2015), which explains how moral beliefs and perceptions of "truth" are shaped by the dominant values in a particular social group, rather than by objective moral logic.

Within this framework, moral values no longer stand alone as a guide to action, but are shaped and controlled by informal consensus that develops within the organization. An organizational culture that emphasizes loyalty, harmony, and institutional stability, indirectly encourages staff to interpret integrity as conformity to the collective interest, rather than the courage to uphold principles even at the risk of creating friction. Thus, when ethical dilemmas arise, managerial accountants or financial managers prefer a politically safe, albeit morally ambiguous, "middle ground."

This shows that ethical blind spots do not only occur due to ignorance or external pressures, but also due to conceptual transformations of moral values in the social ecosystem of organizations. Even ethical values can be "adjusted" so that they do not conflict with the direction of management. This creates a condition in which the offense no longer appears as a offense, but as a legitimate form of adaptation. Over time, this gave rise to a pseudo-ethical structure, in which language and moral symbols were still used, but lost their substantial meaning.

Furthermore, this reinterpretation of moral values reinforces the cycle of undetected ethical transgression. Because individuals feel that they remain "integrity" according to the internal version of the organization, there is no guilt, moral dissonance, or desire to correct behavior. This phenomenon is similar to moral licensing, in which unethical actions are justified by a role or moral identity that has been symbolically established. For example, because they feel they have "worked hard for the team," someone feels justified in making adjustments to reports that shouldn't have been made.

Thus, flexible reinterpretation of organizational moral values becomes the ideological basis for the occurrence of ethical blind spots. To meet these challenges, organizations need to do more than just strengthen normative ethics training. A culture of values audit is needed, a critical evaluation of how values such as integrity, accountability, and professionalism are understood, taught, and institutionalized in everyday practice. Without these efforts, moral values will continue to be symbols that are easily manipulated to support a system that is actually ethically problematic.

Expectations for Cultural Transformation and Contextual Ethics

Although many ethical blind spots were identified, almost all informants stated that change is still possible, particularly through real-world work context-based ethics training and organizational culture audits. They expect the training to be no longer normative, but to address real dilemmas and how to manage them ethically.

This shows that to overcome ethical blind spots, organizations not only need to improve reporting or compliance systems, but also transform organizational culture, emphasizing transparency, psychological safety, and ethical voice empowerment at all levels.

DISCUSSION

From the results of this study, it can be concluded that ethical blind spots in managerial accounting practice are not solely individual mistakes or personal moral failures, but are the product of a complex interaction between organizational structural pressures, cultural rationalization processes, and weak ethical supervision and empowerment systems in the work environment. Ethical blind spots thrive in an organizational ecosystem that places the achievement of targets as the ultimate value and treats loyalty to superiors as the highest form of professionalism, while moral considerations and integrity are marginalized or reduced to a symbol of formality (Sims, 2003).

This study shows that an organizational culture that is permissive to deviation and manipulation of data in order to maintain short-term performance has created conditions

where minor deviations become normal and are no longer seen as ethical violations. When this kind of behavior continues to repeat itself without any sanctions or correction, it becomes part of a collectively accepted work culture. In addition, the space to voice ethical voices is very limited due to the culture of organizational silence which is reinforced by rigid hierarchical structures, fear of career consequences, and a lack of psychologically safe dialogue spaces.

More deeply, this study found that ethical values such as integrity and professionalism have undergone contextual redefinition in organizations. When moral values are attached to loyalty, structural loyalty, and adherence to informal norms, the moral dimension of accounting decision-making is easily shifted or even lost altogether. In such conditions, ethical blind spots are not "momentary blindness", but rather a state of consciousness formed by a value system that has been socially and culturally distorted.

The implications of these findings are significant. Efforts to address ethical issues in managerial accounting are not enough through technocratic approaches such as strengthening internal controls or the application of administrative sanctions. Instead, a transformative approach is needed that targets the root of the problem, namely organizational culture and power dynamics that shape ethical perceptions and behaviors. These transformations include:

1) A change in organizational culture that places ethical values as part of performance, not as a normative complement.
2) Reformulation of the incentive system, so that success is measured not only by quantitative achievement, but also by process and adherence to moral principles.
3) The integration of contextual ethics training, which not only teaches the code of ethics normatively, but equips employees with reflective skills, moral courage, and the ability to face ethical dilemmas in the real context of the organization.

Finally, the study also makes a conceptual contribution to the understanding of organizational ethics, highlighting that ethical blind spots are not failure to see, but failure to choose to see because systems and cultures do not allow space for it. Therefore, the improvement of ethics in organizations must begin with a change in collective consciousness, the dismantling of rationalized narratives, as well as the creation of structures that allow moral courage to develop without fear or stigma.

CONCLUSION

This study concludes that ethical blind spots in managerial accounting are not just individual issues, but a phenomenon embedded in organizational structure and culture. The pressure on performance achievement without space for ethical reflection has created an environment that allows for the normalization of deviance and moral rationalization. In this context, ethical violations become behavior that is collectively justified and accepted as part of the dynamics of the organization, even by individuals who personally have good intentions.

Organizational culture that ignores the importance of transparency, open dialogue, and moral courage has been proven to strengthen the occurrence of ethical blind spots through ethical fading mechanisms, organizational silence, and cultural cognition. Therefore, overcoming this phenomenon requires a transformational approach, including improving work culture values, reforming the supervisory system, and strengthening contextual ethics education. The integration of ethical culture audits into the managerial control system as well as the preparation of a real-world practice-based ethics curriculum is a strategic step to build sustainable ethical awareness in the managerial accounting environment.

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JURNAL ILMIAH AKUNTANSI KESATUAN
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Judul Naskah: Decoding Ethical Blind Spots in Managerial Accounting Through The Lens of Organizational Culture
ID Naskah : 3457

No	Kategori	Ketentuan	Perbaikan oleh Penulis	Halaman
1.	Judul	Judul naskah maksimal 20 kata dan tidak boleh lebih dari dua baris.		
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2.	Identitas Penulis	Nama penulis, afiliasi institusi, dan email korespondensi tidak boleh dicantumkan dalam naskah utama (blind). Identitas hanya dimasukkan melalui metadata submission di OJS.		
		Jika naskah masih mencantumkan identitas penulis, mohon dihapus terlebih dahulu untuk menjaga prinsip blind review.		
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		Panjang maksimal 200 kata disertai 4-6 keywords		
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		Minimalisir penggunaan subheading yang berlebihan. Pastikan bahwa setiap subheading disertai dengan pembahasan yang memadai dan proporsional.		
5.	Tabel dan Gambar	Tabel dan gambar harus diberi nomor urut (Table 1, Figure 1, etc.), serta dilengkapi judul dalam Inggris.		
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		Gunakan standar internasional untuk penulisan angka (koma untuk ribuan, dan titik untuk desimal)		
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Decoding Ethical Blind Spots in Managerial Accounting Through The Lens of Organizational Culture

ABSTRACT

In recent years, ethical lapses in managerial accounting have garnered increasing attention, particularly in the context of high-profile corporate scandals. While traditional approaches to accounting ethics emphasize individual accountability and regulatory compliance, they often overlook the more systemic and embedded cultural factors that shape ethical awareness and decision-making. One such overlooked phenomenon is the presence of ethical blind spots—zones of moral neglect arising from cognitive and cultural distortions within organizations. This study aims to explore how organizational culture influences the emergence and persistence of ethical blind spots in managerial accounting practices. It investigates the ways in which shared norms, values, and assumptions within organizations can either foster ethical vigilance or contribute to moral disengagement in accounting decisions. Using a qualitative multiple-case study approach, data were collected through in-depth interviews with managerial accountants and financial controllers across three mid-sized manufacturing firms. Thematic analysis was conducted to identify patterns of ethical reasoning, cultural cues, and structural enablers of ethical lapses. The conceptual framework draws on theories of ethical fading, organizational silence, and cultural cognition. The findings reveal that organizational cultures that overemphasize performance outcomes and compliance metrics—while deprioritizing open dialogue and critical ethical reflection—are particularly prone to fostering ethical blind spots. The normalization of deviance and moral rationalization were found to be prominent mechanisms through which unethical behavior became culturally accepted, even among well-intentioned professionals. Ethical blind spots in managerial accounting are not merely individual failings but are deeply embedded in the cultural fabric of organizations. Addressing these issues requires more than technical fixes; it demands cultural transformation that promotes ethical mindfulness, transparency, and psychologically safe environments for ethical dissent. This study highlights the critical need for integrating ethical culture audits into managerial control systems and ethics training in accounting education.

***Keywords**: Ethical Blind Spots, Managerial Accounting, Organizational Culture, Ethics In Accounting, Moral Disengagement.*

INTRODUCTION

Managerial accounting plays a vital role in supporting strategic and operational decision-making within organizations. However, over the past decade, several cases involving cost manipulation, financial risk concealment, and internal budget misappropriation have highlighted critical ethical weaknesses in managerial accounting practices (Kirana & Novita, 2021). High-profile corporate scandals such as Enron, Toshiba, and, in the Indonesian context, Jiwasraya and Asabri, have demonstrated that although accounting systems are technically designed to promote transparency and accountability, ethical integrity often remains a neglected dimension (Cowton, 2021; Ministry BUMN, 2021).

Traditional approaches to accounting ethics typically emphasize compliance with professional codes of conduct, external regulation, and individual responsibility. While these elements are important, they fall short in explaining why individuals who understand ethical principles and legal boundaries still engage in unethical behavior. This phenomenon leads to the concept of ethical blind spots areas in decision-making where

moral considerations become blurred or completely overlooked, often due to social and cultural influences within the organization (Payne et al., 2020; Bazerman & Gino, 2012).

Ethical blind spots do not occur in a vacuum; they emerge within the context of organizational culture, which shapes how accounting professionals think, behave, and interpret ethical situations. Organizational cultures that prioritize performance, efficiency, and loyalty to superiors without providing space for critical dialogue or ethical reflection significantly contribute to the collective justification of deviant practices. In such environments, small transgressions are likely to be normalized and may evolve into systemic misconduct (Van Rooij & Fine, 2018; Seshoka, 2021).

Recent research has shown that organizational culture plays a crucial role in shaping ethical awareness and ethical decision-making in accounting. Cultures that promote openness, dialogue, and moral courage commonly referred to as ethical voice have been proven to help prevent ethical violations. In contrast, cultures that rely on rigid hierarchies and results-driven pressure, without ethical deliberation, tend to reinforce moral disengagement (Treviño et al., 2014; Lewis, 2021; Victoria, 2025).

This gap indicates a need for a new perspective that views ethical violations not merely as individual failings but as the result of complex interactions between individuals and organizational culture. This becomes especially relevant in managerial accounting, where practitioners serve as key actors in bridging financial information, business strategy, and day-to-day operations. Their responsibilities extend beyond data presentation to include the construction and framing of narratives that influence managerial decisions (Collier, 2015).

Nevertheless, empirical literature on ethical blind spots in managerial accounting remains limited particularly within the context of organizational culture in the Indonesian private sector. Most studies focus on normative ethics or post-scandal analyses, leaving a gap in our understanding of the internal mechanisms that create and sustain moral insensitivity in organizations. This study seeks to fill that gap by qualitatively analyzing how organizational culture fosters the emergence and persistence of ethical blind spots, specifically in the managerial accounting practices of mid-sized manufacturing firms.

Using a multiple-case study approach and in-depth interviews, this research explores not only how organizational norms and values shape accountants' ethical perceptions, but also how power structures, internal communication, and performance pressure generate ethical gray zones in decision-making. The study is grounded in a conceptual framework that integrates the theories of ethical fading, organizational silence, and cultural cognition, offering a deeper understanding of how unethical behavior becomes internalized and collectively accepted.

By deepening our understanding of how organizational culture influences ethical blind spots, this study aims to contribute both theoretically and practically to improving ethical governance in organizations. The findings are expected to serve as a foundation for developing more context-sensitive ethics training, conducting cultural ethics audits, and formulating internal policies that are more responsive to the moral dynamics of managerial accounting environments.

LITERATURE REVIEW

Ethics in Managerial Accounting

Managerial accounting functions not only as a tool for internal recording and reporting but also as a critical instrument in decision-making processes that significantly influence the strategic direction of an organization. In their role, managerial accountants have

access to and authority over sensitive data, cost allocations, and the interpretation of financial information, all of which can shape the perceptions of management and other stakeholders. Therefore, integrity and ethical sensitivity are fundamental pillars of this practice (Gallagher et al., 2023). However, ethical approaches in managerial accounting are often limited to formal compliance with regulations and professional standards, without addressing deeper and more contextual moral dimensions (Heywood et al., 2017).

Ethical Blind Spot Concept

The term ethical blind spots refers to an individual's failure to recognize that a situation contains ethical dimensions. This phenomenon typically occurs not due to malicious intent, but because of cognitive and social processes that obscure the moral aspects of a decision (Bandura, 2014). Bazerman & Gino, (2012) explain that ethical blind spots arise from mechanisms such as motivated reasoning, bounded ethicality, and ethical fading, in which individuals do not consciously consider the moral consequences of their actions. In the context of managerial accounting, ethical blind spots can occur when the focus on achieving financial targets overrides integrity and transparency.

Organizational Culture and Ethical Formation

Organizational culture is a system of shared values, norms, and beliefs that influences how members of an organization think and behave. A culture that emphasizes outcomes (outcome-oriented culture) often creates pressure to meet targets at the expense of ethical standards. In such contexts, deviant behavior can become normalized, especially when there are no consequences or when leaders set similar examples (Ashforth & Anand, 2003). An organizational culture that is permissive toward ethical compromises tends to facilitate the release of moral responsibility, or moral disengagement, thereby creating space for the emergence of ethical blind spots (Jones et al., 2024).

Mechanism for Normalization of Ethical Violations

Normalization of deviance is the process by which unethical actions, initially seen as violations, gradually become accepted practices because they occur frequently without consequences. Within organizations, this process is reinforced by organizational silence, a culture of silence that discourages employees from reporting misconduct due to fear of managerial retaliation, reputational risk, or social exclusion (Sherer, 2022). This dynamic allows ethical violations to become embedded within the system, making ethical blind spots increasingly difficult to detect.

Ethical Voice and the Role of Accountants

An individual's ability to express moral concerns within an organization, known as ethical voice, plays a crucial role in preventing the emergence of ethical blind spots. Unfortunately, in many organizations, there is no psychologically safe space for raising ethical considerations, either due to structural barriers or a repressive organizational culture (Trevino & Nelson, 2021). In the field of managerial accounting, where pressure from superiors and demands for performance are particularly high, ethical voice is often suppressed by functional loyalty to the organization.

Literature Limitations and Research Gaps

Although numerous studies have addressed ethics in accounting, research that deeply examines the connection between ethical blind spots and the construction of organizational culture remains limited, particularly in the context of managerial accounting within the mid-sized business sector. Most existing studies focus on public accounting or external regulation, and few have explored how internal organizational values, norms, and power dynamics shape, or even conceal, systemic ethical violations.

METHODS

Research Design

This study employs a qualitative approach with a multiple-case study design to gain an in-depth understanding of how organizational culture shapes and influences the formation of ethical blind spots in managerial accounting practices. The case study design was chosen because it allows the researcher to explore complex phenomena within real-life contexts, particularly those related to organizational dynamics and the subjective experiences of accountants (Stake, 2013; Cousins et al., 2014).

Location and Research Subject

This study was conducted in three mid-sized manufacturing companies in Indonesia that have formal managerial accounting systems and hierarchical organizational structures. The companies were selected purposively, taking into account the diversity of organizational cultures, industry characteristics, and willingness to participate in the research. The primary informants were managerial accountants, financial controllers, and, in some cases, unit managers who were directly involved in decision-making based on accounting data.

Data Collection Techniques

Data were collected using three main techniques:

1) In-depth interviews with 12 key informants across three organizations, using a semi-structured interview guide. The interviews focused on ethical experiences in work practice, perceptions of organizational values, managerial pressures, and internal communication dynamics.
2) Non-participatory observation of the work environment and informal interactions to capture expressions of cultural values, communication patterns, and attitudes toward ethical issues.
3) Internal documentation, such as codes of ethics, financial reporting policies, and internal audit reports, was used for data triangulation.

Data Analysis Techniques

The analysis was conducted using a thematic analysis approach (Braun & Clarke, 2024), which allows for the exploration of meaningful patterns from interview transcripts and documents. The analysis process consisted of:

1) Transcription and familiarization with the data
2) Open coding of meaningful units related to ethics and organizational culture
3) Identification of main themes such as ethical fading, organizational silence, moral rationalization, and cultural reinforcement
4) Thematic interpretation based on the established theoretical framework

To enhance validity, source and method triangulation were conducted, along with member checking with some informants to ensure the accuracy of interpretations.

Validity and Reliability

To ensure credibility, the principles of trustworthiness in qualitative research were applied (Adler, 2022), including:

1) Credibility: through data triangulation and participant confirmation
2) Transferability: providing rich contextual descriptions so that findings can be understood in similar contexts

Dependability and Confirmability: maintaining an audit trail and critical reflection by the researcher on potential biases

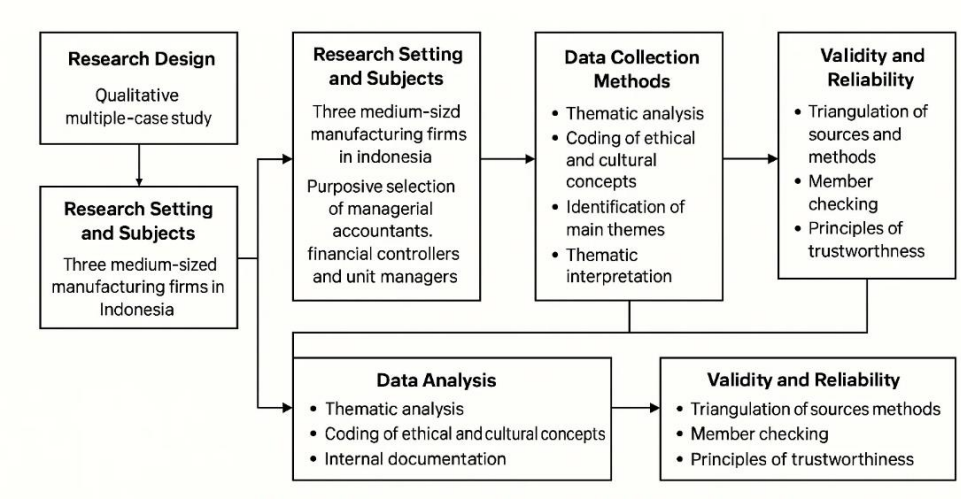

Figure 1. Research Methodology Flowchart

RESULTS

Tabel 1. Thematic Analysis Matrix on Ethical Blind Spots within Organizational Culture

Main Theme	Sub-Theme	Indicator Empiris
1. Organizational Culture	a. Target-oriented culture	Pressure of number achievement, performance-based bonuses, short-term achievement
	b. Hierarchy and control	Managerial dominance in decisions, limited criticism space
	c. Norma informal	The culture of "the origin of the satisfied leader", loyalty to the boss
2. Blind Spot Etis	a. Ethical fading	Unaware of the moral dimension of action
	b. Bounded ethicality	Not considering moral values due to pressure or bias of the system
	c. Normalization of deviation	Deviant practices that become routine
3. Organizational Silence	a. Fear of speaking	Fear of the consequences of disclosing the violation
	b. No discussion room	There is no forum or time to talk about ethics
4. Moral Justification	a. Collective rationalization	Mutual justification for unethical behavior
	b. Redefining integrity	Adjusting the meaning of integrity for organizational convenience
5. Solutions and Expectations	a. The need for contextual ethics training	Hope there is training adapted to the reality of work

Main Theme	Sub-Theme	Indicator Empiris
	b. Organizational culture audit	Evaluation of hidden or unethical values

Organizational Culture That Encourages Ethical "Blind Spots"

Interview and field observation results reveal that an organizational culture heavily oriented toward achieving financial targets and short-term performance is the primary trigger for the emergence of ethical blind spots in managerial accounting practices. The three companies studied exhibited a consistent cultural pattern: a strong focus on numerical outputs, pressure to report positive unit performance, and an incentive system based on quantitative achievements. In this context, financial figures are no longer merely reflections of performance but have become managerial legitimacy symbols that must not "fail" in the eyes of top management and stakeholders. This creates a condition where managerial accountants serve not only as data reporters but also as "narrative managers" through the manipulation of numbers.

Several informants mentioned that, although they technically recognize that report adjustments could be unethical, structural pressures and leadership expectations render these practices "silent obligations." In many cases, data inaccuracies or minor manipulations of performance reports are regarded as loyal contributions to the team and organization. This indicates a distortion in ethical perception, where collective success is defined by the ability to maintain the company's positive image, even at the expense of accuracy and transparency.

"Good numbers are important, especially for monthly meetings. Sometimes, if they don't align, we have to 'tidy up'. Otherwise, the team is seen as underperforming." (Informant A, Controller)

This statement illustrates how performance culture pressures create internal justifications for deviant behavior. In this case, "tidying up the numbers" is not viewed as a violation but rather as a strategic adaptation to unrealistic organizational expectations. Such situations align with the concept of ethical fading (Tenbrunsel & Messick, 2004), where the ethical dimension of a decision becomes obscured by external pressures and pragmatic goals.

These findings also support Treviño et al., (2014), who argue that organizational cultures that excessively emphasize performance, without balancing moral values and ethical reflection mechanisms, tend to foster work climates that facilitate moral disengagement. In such climates, individuals begin to dissociate their actions from moral consequences and evaluate success through the lens of compliance with managerial targets rather than professional ethical principles.

Furthermore, in the Indonesian cultural context, which tends to have a high power distance, orders or expectations from superiors are rarely openly questioned. This reinforces the tendency of managerial accountants to follow technically questionable instructions that are socially considered "safe" because they align with the authority structure's interests. Under these conditions, ethical blind spots grow not due to ignorance but because of a systemic and internalized shift in ethical perception embedded in organizational culture.

This phenomenon reflects that managerial accounting is vulnerable not only to individual biases but also to cultural distortion, a deviation in values caused by the dominance of organizational norms that obscure professional moral standards. Therefore,

ethical blind spots should be understood as a collective product of cultural systems that fail to provide space for critical reflection, transparency, and ethical judgment.

Normalization of Deviance and Collective Rationalization

Ethical blind spots in managerial accounting do not only arise from structural pressures or result-oriented organizational cultures but also develop gradually through collective rationalization mechanisms that institutionalize deviant behavior as part of "operational routine." Interview data indicate that practices such as number adjustments, delaying expense recognition, or reallocating costs are not seen as violations but as adaptive strategies considered reasonable for maintaining financial performance stability in the eyes of management. In other words, there is a transformation in the meaning of manipulative actions—from something normatively unethical to "technical wisdom" or even "professional cleverness."

"In my opinion, it's not lying, just managing the timing and presentation of numbers. Everyone does it." (Informant B, Managerial Accountant)

This statement reflects the presence of collective moral justification, a process in which individuals legitimize deviant actions by referring to the social norms prevailing within their group or organization. When such actions are repeated without sanctions and are tacitly accepted by supervisors and peers, a process of normalization of deviance (Ashforth & Anand, 2003) emerges. In this condition, minor deviations no longer trigger moral alarms but are regarded as part of routine professional demands.

This rationalization is often supported by collective narratives such as: "everyone does it," "to maintain organizational stability," or "as long as it doesn't harm anyone directly." These illustrate how rationalization operates not only at the individual level but also systemically, through internal organizational discourse framing manipulative practices as loyalty or contribution. This process aligns with moral disengagement theory (Ogunfowora et al., 2022), whereby individuals disconnect their actions from their moral consequences through specific cognitive mechanisms.

Furthermore, within organizational cultures that tend to avoid conflict and prioritize relational harmony—as is common in many Indonesian companies—such rationalizations are difficult to challenge openly. Individuals who question these practices are often seen as uncooperative or "unrealistic in business." Consequently, a system rife with rationalization becomes increasingly resistant to intervention, having become embedded in the collective culture and informal organizational governance.

This phenomenon also demonstrates that ethical fading is not always passive but can be active and strategic. In many cases, managerial accountants are aware that their actions may be technically unethical, but social reframing, whether through superiors, colleagues, or organizational incentive systems, obscures moral considerations. Over time, such practices cease to cause moral dissonance and instead become a "neutral zone" where cognitive and emotional conflict no longer arises.

Therefore, ethical blind spots formed through collective rationalization are not merely personal failures but reflections of cultural constructions that soften deviance and weaken internal moral controls. In this context, ethical organizational reform requires more than normative education, it must involve dismantling the narratives and collective justificatory structures that have long disguised unethical practices as professional norms.

Organizational Silence and the Inhibition of Ethical Voice

This study also found that one of the key factors reinforcing the presence of ethical blind spots in managerial accounting practices is organizational silence. Organizational

silence refers to a condition where members of an organization are reluctant to voice opinions, criticisms, or objections to practices deemed deviant, primarily due to social pressure, rigid hierarchical structures, or fear of negative consequences. In the three organizations studied, most informants stated that although they recognized ethical discrepancies in reporting or decision-making practices, they chose to remain silent because they felt there was no safe space to speak up.

"If you are too vocal, you're seen as troublesome. But sometimes we just want to remind so things don't get overlooked." (Informant C, Accounting Supervisor)

This statement reflects that the barrier to expressing ethical concerns is not technical but deeply cultural. In work environments where loyalty to superiors is regarded as the highest form of integrity, the courage to expose potential deviations is constructed as counterproductive or even subversive. This results in the closure of ethical channels within the organization and strengthens the dominance of unaccountable power structures. Consequently, unethical actions, even if observed by some individuals, continue unchecked due to the absence of internal mechanisms that encourage or protect the reporting process.

This condition is reinforced by findings from Detert & Edmondson, (2011), who state that organizational silence directly contributes to increased organizational ethical risk due to the lack of healthy feedback systems and failure to create psychological safety. In such environments, employees tend to conform socially rather than face stigma as "troublemakers," even if what is at stake is potential moral or professional violations. This creates a paradox: the higher the loyalty, the greater the likelihood that deviations are tolerated, and the stronger the ethical blind spots become in decision-making.

Furthermore, in the context of work culture in many Indonesian companies that tend to be hierarchical and avoid direct confrontation (conflict avoidance), this silence phenomenon has deeper dimensions. When subordinates' voices are not seen as contributions to decision quality but rather as forms of disobedience, ethical voice as an internal social control mechanism becomes paralyzed. The culture of "as long as the boss is happy" becomes dominant, replacing principles of transparency and accountability within the organization. This causes ethical violations not only to remain hidden but also to be institutionalized within a structure of collective silence.

The impact of organizational silence on managerial accounting is significant. Accountants and controllers, who should act as guardians of the accuracy and integrity of financial information are trapped in a dilemma between professional loyalty and organizational social pressure. Many ultimately choose to adjust report narratives, suppress personal doubts, and allow deviant patterns to continue without intervention. Over time, this erodes the ethical foundation of the organization and creates an information system that is not only biased but also vulnerable to greater manipulation.

Thus, organizational silence is not merely the absence of voice but an active representation of organizational failure to create safe spaces for ethical oversight. To address this, it is insufficient to merely establish formal reporting systems like whistleblowing—which are often underutilized due to low trust. More importantly, there must be a cultivation of a work culture that encourages openness, moral courage, and two-way dialogue at all organizational levels.

Redefinition of Ethical Values in an Organizational Context

One of the most interesting and worrying findings in this study is the existence of systemic tendencies in which moral concepts such as "integrity" and "professionalism" undergo contextual reinterpretation in the organizational environment. Based on

interviews with informants, it appears that these two terms, which should be principled, have undergone a shift in meaning and are given pragmatic content in accordance with the expectations of superiors, internal power dynamics, and organizational operational needs. Integrity is no longer interpreted as a commitment to truth and accuracy, but rather as the ability to maintain internal harmony and loyalty to the command structure. Professionalism is no longer a reflection of ethical standards and objectivity, but is synonymous with flexibility and loyalty to the interests of the institution.

"The important thing is to be loyal and be able to maintain the good name of the team. When it comes to right and wrong, sometimes it can be negotiated as long as it doesn't interfere with the system." (Informant D, Financial Manager)

This statement reflects that formal ethical frameworks are often subordinated by the socio-cultural realities of the organization. In this context, individuals tend to avoid moral judgments based on universal principles and replace them with pragmatic calculations: whether an action will embarrass the team, interfere with the interests of the leadership, or disrupt the "smooth running of the system". As a result, ethical judgments become relative and dependent on position, power relations, and internal political dynamics. This phenomenon leads to cultural cognition, a concept introduced by Kahan, (2015), which explains how moral beliefs and perceptions of "truth" are shaped by the dominant values in a particular social group, rather than by objective moral logic.

Within this framework, moral values no longer stand alone as a guide to action, but are shaped and controlled by informal consensus that develops within the organization. An organizational culture that emphasizes loyalty, harmony, and institutional stability, indirectly encourages staff to interpret integrity as conformity to the collective interest, rather than the courage to uphold principles even at the risk of creating friction. Thus, when ethical dilemmas arise, managerial accountants or financial managers prefer a politically safe, albeit morally ambiguous, "middle ground."

This shows that ethical blind spots do not only occur due to ignorance or external pressures, but also due to conceptual transformations of moral values in the social ecosystem of organizations. Even ethical values can be "adjusted" so that they do not conflict with the direction of management. This creates a condition in which the offense no longer appears as a offense, but as a legitimate form of adaptation. Over time, this gave rise to a pseudo-ethical structure, in which language and moral symbols were still used, but lost their substantial meaning.

Furthermore, this reinterpretation of moral values reinforces the cycle of undetected ethical transgression. Because individuals feel that they remain "integrity" according to the internal version of the organization, there is no guilt, moral dissonance, or desire to correct behavior. This phenomenon is similar to moral licensing, in which unethical actions are justified by a role or moral identity that has been symbolically established. For example, because they feel they have "worked hard for the team," someone feels justified in making adjustments to reports that shouldn't have been made.

Thus, flexible reinterpretation of organizational moral values becomes the ideological basis for the occurrence of ethical blind spots. To meet these challenges, organizations need to do more than just strengthen normative ethics training. A culture of values audit is needed, a critical evaluation of how values such as integrity, accountability, and professionalism are understood, taught, and institutionalized in everyday practice. Without these efforts, moral values will continue to be symbols that are easily manipulated to support a system that is actually ethically problematic.

Expectations for Cultural Transformation and Contextual Ethics

Although many ethical blind spots were identified, almost all informants stated that change is still possible, particularly through real-world work context-based ethics training and organizational culture audits. They expect the training to be no longer normative, but to address real dilemmas and how to manage them ethically.

This shows that to overcome ethical blind spots, organizations not only need to improve reporting or compliance systems, but also transform organizational culture, emphasizing transparency, psychological safety, and ethical voice empowerment at all levels.

DISCUSSION

From the results of this study, it can be concluded that ethical blind spots in managerial accounting practice are not solely individual mistakes or personal moral failures, but are the product of a complex interaction between organizational structural pressures, cultural rationalization processes, and weak ethical supervision and empowerment systems in the work environment. Ethical blind spots thrive in an organizational ecosystem that places the achievement of targets as the ultimate value and treats loyalty to superiors as the highest form of professionalism, while moral considerations and integrity are marginalized or reduced to a symbol of formality (Sims, 2003).

This study shows that an organizational culture that is permissive to deviation and manipulation of data in order to maintain short-term performance has created conditions where minor deviations become normal and are no longer seen as ethical violations. When this kind of behavior continues to repeat itself without any sanctions or correction, it becomes part of a collectively accepted work culture. In addition, the space to voice ethical voices is very limited due to the culture of organizational silence which is reinforced by rigid hierarchical structures, fear of career consequences, and a lack of psychologically safe dialogue spaces.

More deeply, this study found that ethical values such as integrity and professionalism have undergone contextual redefinition in organizations. When moral values are attached to loyalty, structural loyalty, and adherence to informal norms, the moral dimension of accounting decision-making is easily shifted or even lost altogether. In such conditions, ethical blind spots are not "momentary blindness", but rather a state of consciousness formed by a value system that has been socially and culturally distorted.

The implications of these findings are significant. Efforts to address ethical issues in managerial accounting are not enough through technocratic approaches such as strengthening internal controls or the application of administrative sanctions. Instead, a transformative approach is needed that targets the root of the problem, namely organizational culture and power dynamics that shape ethical perceptions and behaviors. These transformations include:

1) A change in organizational culture that places ethical values as part of performance, not as a normative complement.
2) Reformulation of the incentive system, so that success is measured not only by quantitative achievement, but also by process and adherence to moral principles.
3) The integration of contextual ethics training, which not only teaches the code of ethics normatively, but equips employees with reflective skills, moral courage, and the ability to face ethical dilemmas in the real context of the organization.

Finally, the study also makes a conceptual contribution to the understanding of organizational ethics, highlighting that ethical blind spots are not failure to see, but failure to choose to see because systems and cultures do not allow space for it. Therefore, the improvement of ethics in organizations must begin with a change in collective

consciousness, the dismantling of rationalized narratives, as well as the creation of structures that allow moral courage to develop without fear or stigma.

CONCLUSION

This study concludes that ethical blind spots in managerial accounting are not just individual issues, but a phenomenon embedded in organizational structure and culture. The pressure on performance achievement without space for ethical reflection has created an environment that allows for the normalization of deviance and moral rationalization. In this context, ethical violations become behavior that is collectively justified and accepted as part of the dynamics of the organization, even by individuals who personally have good intentions.

Organizational culture that ignores the importance of transparency, open dialogue, and moral courage has been proven to strengthen the occurrence of ethical blind spots through ethical fading mechanisms, organizational silence, and cultural cognition. Therefore, overcoming this phenomenon requires a transformational approach, including improving work culture values, reforming the supervisory system, and strengthening contextual ethics education. The integration of ethical culture audits into the managerial control system as well as the preparation of a real-world practice-based ethics curriculum is a strategic step to build sustainable ethical awareness in the managerial accounting environment.

Acknowledgement

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Manuscript Evaluation Summary

Section	Assessment (1–5)	Evaluation	Comments / Suggestions
Title	4	Adequate and Thematic	The title captures the main constructs well. However, consider simplifying it slightly for clarity while retaining its conceptual focus. For instance, *"Organizational Culture and Ethical Blind Spots in Managerial Accounting."*
Abstract	4	Well-Structured	The abstract clearly introduces the background, purpose, method, findings, and implications. To enhance clarity, consider using explicit subheadings (e.g., Background, Method, Findings, Conclusion). Also, emphasize the qualitative nature and the role of organizational culture more explicitly.
Keywords	3	Thematic but Could Be Sharper	Keywords are mostly relevant. Consider refining and expanding with terms such as *"Qualitative Accounting Ethics," "Cultural Cognition," "Ethical Fading," and "Accounting Moral Dilemmas"* to improve indexing and searchability.
Introduction	4	Strong Conceptual Framing	The introduction presents a solid rationale and theoretical grounding. However, improve by more clearly articulating the **research gap** between individual ethical focus and organizational culture. Strengthen the argument with references to recent accounting ethics or organizational behavior studies.
Literature Review	3	Implied but Needs Structuring	While theoretical concepts are well integrated (e.g., ethical fading, organizational silence), the paper lacks a formally

			structured literature review section. Reorganize this into a standalone section to trace prior research clearly and support the novelty and relevance of the current investigation.
Methodology	4	Clear and Rigorous	The methodology is well described and appropriate for the research question. Good use of case study triangulation and thematic analysis. To enhance rigor, briefly elaborate on case selection rationale and ethical clearance. The trustworthiness principles are commendable. Consider including a table summarizing data sources.
Findings	4	Rich and Thematic	Findings are presented clearly and reflect a deep understanding of cultural patterns. For further improvement, explicitly connect quotes or themes to each theoretical construct. Including a table of major themes and their frequency or manifestations across cases would enhance clarity.
Discussion	3	Conceptual but Needs Expansion	The discussion could be more sharply distinguished from findings. Deepen comparisons with prior research on ethics in accounting or organizational culture. Reflect on how findings challenge or confirm earlier work. Strengthen links to practical application in organizational settings.
Conclusion	4	Strong and Reflective	The conclusion effectively summarizes key insights and policy implications. To enhance clarity, divide into **Key Insights**, **Implications**, and **Future Directions**. Emphasize the actionable recommendations such as ethics audits and curriculum reform more systematically.
References	3	Thematic but Needs Enrichment	The references are generally relevant but could benefit from

			broader inclusion of recent empirical and conceptual studies from journals in organizational behavior, business ethics, or accounting. Ensure that foundational theories are supported with strong primary sources and recent citations (last 5 years).
Language & Style	4	Formal and Fluent	The language is academic and mostly free from errors. A few sentences could be tightened for clarity and flow. Terminology is appropriate and consistent. Consider proofreading for punctuation and minor formatting adjustments, especially in citations.
Overall Evaluation	4	Solid and Original	This is a well-crafted and thoughtful qualitative study that addresses a timely and underexplored issue in managerial accounting. The integration of organizational culture and ethical frameworks is compelling. To further elevate the paper, consider restructuring the literature review and enhancing the discussion section.

Decoding Ethical Blind Spots in Managerial Accounting Through The Lens of Organizational Culture

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ABSTRACT

In recent years, ethical lapses in managerial accounting have garnered increasing attention, particularly in the context of high-profile corporate scandals. While traditional approaches to accounting ethics emphasize individual accountability and regulatory compliance, they often overlook the more systemic and embedded cultural factors that shape ethical awareness and decision-making. One such overlooked phenomenon is the presence of ethical blind spots—zones of moral neglect arising from cognitive and cultural distortions within organizations. This study aims to explore how organizational culture influences the emergence and persistence of ethical blind spots in managerial accounting practices. It investigates the ways in which shared norms, values, and assumptions within organizations can either foster ethical vigilance or contribute to moral disengagement in accounting decisions. Using a qualitative multiple-case study approach, data were collected through in-depth interviews with managerial accountants and financial controllers across three mid-sized manufacturing firms. Thematic analysis was conducted to identify patterns of ethical reasoning, cultural cues, and structural enablers of ethical lapses. The conceptual framework draws on theories of ethical fading, organizational silence, and cultural cognition. The findings reveal that organizational cultures that overemphasize performance outcomes and compliance metrics—while deprioritizing open dialogue and critical ethical reflection—are particularly prone to fostering ethical blind spots. The normalization of deviance and moral rationalization were found to be prominent mechanisms through which unethical behavior became culturally accepted, even among well-intentioned professionals. Ethical blind spots in managerial accounting are not merely individual failings but are deeply embedded in the cultural fabric of organizations. Addressing these issues requires more than technical fixes; it demands cultural transformation that promotes ethical mindfulness, transparency, and psychologically safe environments for ethical dissent. This study highlights the critical need for integrating ethical culture audits into managerial control systems and ethics training in accounting education.

***Keywords**: Ethical Blind Spots, Managerial Accounting, Organizational Culture, Ethics In Accounting, Moral Disengagement.*

Commented [H52]: Abstracts must be presented in two languages: Indonesian and English

Maximum length 200 words accompanied by 4-6 keywords

INTRODUCTION

Commented [H53]: Articles must consist of the following sections:
- **Introduction**
- **Literature Review and Hypothesis Development**
- **Research Method**
- **Results**
- **Discussion**
- **Conclusions and Suggestions**

Managerial accounting plays a vital role in supporting strategic and operational decision-making within organizations. However, over the past decade, several cases involving cost manipulation, financial risk concealment, and internal budget misappropriation have highlighted critical ethical weaknesses in managerial accounting practices (Kirana & Novita, 2021). High-profile corporate scandals such as Enron, Toshiba, and, in the Indonesian context, Jiwasraya and Asabri, have demonstrated that although accounting systems are technically designed to promote transparency and accountability, ethical integrity often remains a neglected dimension (Cowton, 2021; Ministry BUMN, 2021).

Traditional approaches to accounting ethics typically emphasize compliance with professional codes of conduct, external regulation, and individual responsibility. While these elements are important, they fall short in explaining why individuals who understand ethical principles and legal boundaries still engage in unethical behavior. This phenomenon leads to the concept of ethical blind spots areas in decision-making where

moral considerations become blurred or completely overlooked, often due to social and cultural influences within the organization (Payne et al., 2020; Bazerman & Gino, 2012).

Ethical blind spots do not occur in a vacuum; they emerge within the context of organizational culture, which shapes how accounting professionals think, behave, and interpret ethical situations. Organizational cultures that prioritize performance, efficiency, and loyalty to superiors without providing space for critical dialogue or ethical reflection significantly contribute to the collective justification of deviant practices. In such environments, small transgressions are likely to be normalized and may evolve into systemic misconduct (Van Rooij & Fine, 2018; Seshoka, 2021).

Recent research has shown that organizational culture plays a crucial role in shaping ethical awareness and ethical decision-making in accounting. Cultures that promote openness, dialogue, and moral courage commonly referred to as ethical voice have been proven to help prevent ethical violations. In contrast, cultures that rely on rigid hierarchies and results-driven pressure, without ethical deliberation, tend to reinforce moral disengagement (Treviño et al., 2014; Lewis, 2021; Victoria, 2025).

This gap indicates a need for a new perspective that views ethical violations not merely as individual failings but as the result of complex interactions between individuals and organizational culture. This becomes especially relevant in managerial accounting, where practitioners serve as key actors in bridging financial information, business strategy, and day-to-day operations. Their responsibilities extend beyond data presentation to include the construction and framing of narratives that influence managerial decisions (Collier, 2015).

Nevertheless, empirical literature on ethical blind spots in managerial accounting remains limited particularly within the context of organizational culture in the Indonesian private sector. Most studies focus on normative ethics or post-scandal analyses, leaving a gap in our understanding of the internal mechanisms that create and sustain moral insensitivity in organizations. This study seeks to fill that gap by qualitatively analyzing how organizational culture fosters the emergence and persistence of ethical blind spots, specifically in the managerial accounting practices of mid-sized manufacturing firms.

Using a multiple-case study approach and in-depth interviews, this research explores not only how organizational norms and values shape accountants' ethical perceptions, but also how power structures, internal communication, and performance pressure generate ethical gray zones in decision-making. The study is grounded in a conceptual framework that integrates the theories of ethical fading, organizational silence, and cultural cognition, offering a deeper understanding of how unethical behavior becomes internalized and collectively accepted.

By deepening our understanding of how organizational culture influences ethical blind spots, this study aims to contribute both theoretically and practically to improving ethical governance in organizations. The findings are expected to serve as a foundation for developing more context-sensitive ethics training, conducting cultural ethics audits, and formulating internal policies that are more responsive to the moral dynamics of managerial accounting environments.

LITERATURE REVIEW

Ethics in Managerial Accounting

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Managerial accounting functions not only as a tool for internal recording but also as a critical instrument in decision-making processes that significantly influence the strategic direction of an organization. In their role, managerial accountants have

access to and authority over sensitive data, cost allocations, and the interpretation of financial information, all of which can shape the perceptions of management and other stakeholders. Therefore, integrity and ethical sensitivity are fundamental pillars of this practice (Gallagher et al., 2023). However, ethical approaches in managerial accounting are often limited to formal compliance with regulations and professional standards, without addressing deeper and more contextual moral dimensions (Heywood et al., 2017).

Ethical Blind Spot Concept

The term ethical blind spots refers to an individual's failure to recognize that a situation contains ethical dimensions. This phenomenon typically occurs not due to malicious intent, but because of cognitive and social processes that obscure the moral aspects of a decision (Bandura, 2014). Bazerman & Gino, (2012) explain that ethical blind spots arise from mechanisms such as motivated reasoning, bounded ethicality, and ethical fading, in which individuals do not consciously consider the moral consequences of their actions. In the context of managerial accounting, ethical blind spots can occur when the focus on achieving financial targets overrides integrity and transparency.

Organizational Culture and Ethical Formation

Organizational culture is a system of shared values, norms, and beliefs that influences how members of an organization think and behave. A culture that emphasizes outcomes (outcome-oriented culture) often creates pressure to meet targets at the expense of ethical standards. In such contexts, deviant behavior can become normalized, especially when there are no consequences or when leaders set similar examples (Ashforth & Anand, 2003). An organizational culture that is permissive toward ethical compromises tends to facilitate the release of moral responsibility, or moral disengagement, thereby creating space for the emergence of ethical blind spots (Jones et al., 2024).

Mechanism for Normalization of Ethical Violations

Normalization of deviance is the process by which unethical actions, initially seen as violations, gradually become accepted practices because they occur frequently without consequences. Within organizations, this process is reinforced by organizational silence, a culture of silence that discourages employees from reporting misconduct due to fear of managerial retaliation, reputational risk, or social exclusion (Sherer, 2022). This dynamic allows ethical violations to become embedded within the system, making ethical blind spots increasingly difficult to detect.

Ethical Voice and the Role of Accountants

An individual's ability to express moral concerns within an organization, known as ethical voice, plays a crucial role in preventing the emergence of ethical blind spots. Unfortunately, in many organizations, there is no psychologically safe space for raising ethical considerations, either due to structural barriers or a repressive organizational culture (Trevino & Nelson, 2021). In the field of managerial accounting, where pressure from superiors and demands for performance are particularly high, ethical voice is often suppressed by functional loyalty to the organization.

Literature Limitations and Research Gaps

Although numerous studies have addressed ethics in accounting, research that deeply examines the connection between ethical blind spots and the construction of organizational culture remains limited, particularly in the context of managerial accounting within the mid-sized business sector. Most existing studies focus on public accounting or external regulation, and few have explored how internal organizational values, norms, and power dynamics shape, or even conceal, systemic ethical violations.

METHODS

Research Design

This study employs a qualitative approach with a multiple-case study design to gain an in-depth understanding of how organizational culture shapes and influences the formation of ethical blind spots in managerial accounting practices. The case study design was chosen because it allows the researcher to explore complex phenomena within real-life contexts, particularly those related to organizational dynamics and the subjective experiences of accountants (Stake, 2013; Cousins et al., 2014).

Location and Research Subject

This study was conducted in three mid-sized manufacturing companies in Indonesia that have formal managerial accounting systems and hierarchical organizational structures. The companies were selected purposively, taking into account the diversity of organizational cultures, industry characteristics, and willingness to participate in the research. The primary informants were managerial accountants, financial controllers, and, in some cases, unit managers who were directly involved in decision-making based on accounting data.

Data Collection Techniques

Data were collected using three main techniques:

1) In-depth interviews with 12 key informants across three organizations, using a semi-structured interview guide. The interviews focused on ethical experiences in work practice, perceptions of organizational values, managerial pressures, and internal communication dynamics.
2) Non-participatory observation of the work environment and informal interactions to capture expressions of cultural values, communication patterns, and attitudes toward ethical issues.
3) Internal documentation, such as codes of ethics, financial reporting policies, and internal audit reports, was used for data triangulation.

Data Analysis Techniques

The analysis was conducted using a thematic analysis approach (Braun & Clarke, 2024), which allows for the exploration of meaningful patterns from interview transcripts and documents. The analysis process consisted of:

1) Transcription and familiarization with the data
2) Open coding of meaningful units related to ethics and organizational culture
3) Identification of main themes such as ethical fading, organizational silence, moral rationalization, and cultural reinforcement
4) Thematic interpretation based on the established theoretical framework

To enhance validity, source and method triangulation were conducted, along with member checking with some informants to ensure the accuracy of interpretations.

Validity and Reliability

To ensure credibility, the principles of trustworthiness in qualitative research were applied (Adler, 2022), including:

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1) Credibility: through data triangulation and participant confirmation
2) Transferability: providing rich contextual descriptions so that findings can be understood in similar contexts

Dependability and Confirmability: maintaining an audit trail and critical reflection by the researcher on potential biases

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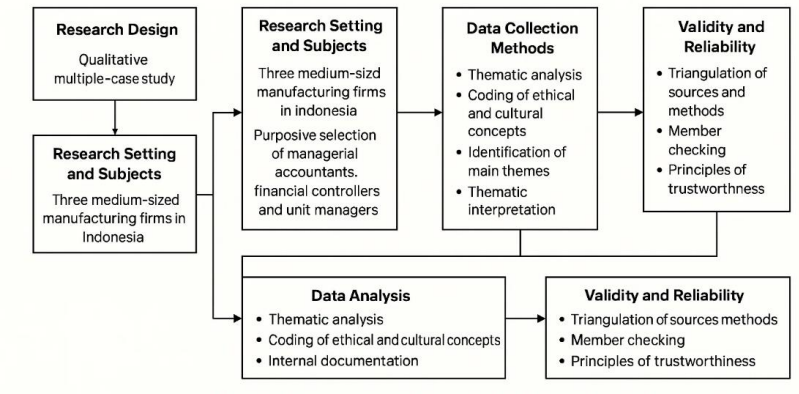

Figure 1. Research Methodology Flowchart

RESULTS

Tabel 1. Thematic Analysis Matrix on Ethical Blind Spots within Organizational Culture

Main Theme	Sub-Theme	Indicator Empiris
1. Organizational Culture	a. Target-oriented culture	Pressure of number achievement, performance-based bonuses, short-term achievement
	b. Hierarchy and control	Managerial dominance in decisions, limited criticism space
	c. Norma informal	The culture of "the origin of the satisfied leader", loyalty to the boss
2. Blind Spot Etis	a. Ethical fading	Unaware of the moral dimension of action
	b. Bounded ethicality	Not considering moral values due to pressure or bias of the system
	c. Normalization of deviation	Deviant practices that become routine
3. Organizational Silence	a. Fear of speaking	Fear of the consequences of disclosing the violation
	b. No discussion room	There is no forum or time to talk about ethics
4. Moral Justification	a. Collective rationalization	Mutual justification for unethical behavior
	b. Redefining integrity	Adjusting the meaning of integrity for organizational convenience
5. Solutions and Expectations	a. The need for contextual ethics training	Hope there is training adapted to the reality of work

Main Theme	Sub-Theme	Indicator Empiris
	b. Organizational culture audit	Evaluation of hidden or unethical values

Organizational Culture That Encourages Ethical "Blind Spots"

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Interview and field observation results reveal that an organizational c oriented toward achieving financial targets and short-term performance is the primary trigger for the emergence of ethical blind spots in managerial accounting practices. The three companies studied exhibited a consistent cultural pattern: a strong focus on numerical outputs, pressure to report positive unit performance, and an incentive system based on quantitative achievements. In this context, financial figures are no longer merely reflections of performance but have become managerial legitimacy symbols that must not "fail" in the eyes of top management and stakeholders. This creates a condition where managerial accountants serve not only as data reporters but also as "narrative managers" through the manipulation of numbers.

Several informants mentioned that, although they technically recognize that report adjustments could be unethical, structural pressures and leadership expectations render these practices "silent obligations." In many cases, data inaccuracies or minor manipulations of performance reports are regarded as loyal contributions to the team and organization. This indicates a distortion in ethical perception, where collective success is defined by the ability to maintain the company's positive image, even at the expense of accuracy and transparency.

"Good numbers are important, especially for monthly meetings. Sometimes, if they don't align, we have to 'tidy up'. Otherwise, the team is seen as underperforming." (Informant A, Controller)

This statement illustrates how performance culture pressures create internal justifications for deviant behavior. In this case, "tidying up the numbers" is not viewed as a violation but rather as a strategic adaptation to unrealistic organizational expectations. Such situations align with the concept of ethical fading (Tenbrunsel & Messick, 2004), where the ethical dimension of a decision becomes obscured by external pressures and pragmatic goals.

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These findings also support Treviño et al., (2014), who argue that cultures that excessively emphasize performance, without balancing mo ethical reflection mechanisms, tend to foster work climates that facilitate moral disengagement. In such climates, individuals begin to dissociate their actions from moral consequences and evaluate success through the lens of compliance with managerial targets rather than professional ethical principles.

Furthermore, in the Indonesian cultural context, which tends to have a high power distance, orders or expectations from superiors are rarely openly questioned. This reinforces the tendency of managerial accountants to follow technically questionable instructions that are socially considered "safe" because they align with the authority structure's interests. Under these conditions, ethical blind spots grow not due to ignorance but because of a systemic and internalized shift in ethical perception embedded in organizational culture.

This phenomenon reflects that managerial accounting is vulnerable not only to individual biases but also to cultural distortion, a deviation in values caused by the dominance of organizational norms that obscure professional moral standards. Therefore,

ethical blind spots should be understood as a collective product of cultural systems that fail to provide space for critical reflection, transparency, and ethical judgment.

Normalization of Deviance and Collective Rationalization

Ethical blind spots in managerial accounting do not only arise from structural pressures or result-oriented organizational cultures but also develop gradually through collective rationalization mechanisms that institutionalize deviant behavior as part of "operational routine." Interview data indicate that practices such as number adjustments, delaying expense recognition, or reallocating costs are not seen as violations but as adaptive strategies considered reasonable for maintaining financial performance stability in the eyes of management. In other words, there is a transformation in the meaning of manipulative actions—from something normatively unethical to "technical wisdom" or even "professional cleverness."

"In my opinion, it's not lying, just managing the timing and presentation of numbers. Everyone does it." (Informant B, Managerial Accountant)

This statement reflects the presence of collective moral justification, a process in which individuals legitimize deviant actions by referring to the social norms prevailing within their group or organization. When such actions are repeated without sanctions and are tacitly accepted by supervisors and peers, a process of normalization of deviance (Ashforth & Anand, 2003) emerges. In this condition, minor deviations no longer trigger moral alarms but are regarded as part of routine professional demands.

This rationalization is often supported by collective narratives such as: "everyone does it," "to maintain organizational stability," or "as long as it doesn't harm anyone directly." These illustrate how rationalization operates not only at the individual level but also systemically, through internal organizational discourse framing manipulative practices as loyalty or contribution. This process aligns with moral disengagement theory (Ogunfowora et al., 2022), whereby individuals disconnect their actions from their moral consequences through specific cognitive mechanisms.

Furthermore, within organizational cultures that tend to avoid conflict and prioritize relational harmony—as is common in many Indonesian companies—such rationalizations are difficult to challenge openly. Individuals who question these practices are often seen as uncooperative or "unrealistic in business." Consequently, a system rife with rationalization becomes increasingly resistant to intervention, having become embedded in the collective culture and informal organizational governance.

This phenomenon also demonstrates that ethical fading is not always passive but can be active and strategic. In many cases, managerial accountants are aware that their actions may be technically unethical, but social reframing, whether through superiors, colleagues, or organizational incentive systems, obscures moral considerations. Over time, such practices cease to cause moral dissonance and instead become a "neutral zone" where cognitive and emotional conflict no longer arises.

Therefore, ethical blind spots formed through collective rationalization are not merely personal failures but reflections of cultural constructions that soften deviance and weaken internal moral controls. In this context, ethical organizational reform requires more than normative education, it must involve dismantling the narratives and collective justificatory structures that have long disguised unethical practices as professional norms.

Organizational Silence and the Inhibition of Ethical Voice

This study also found that one of the key factors reinforcing the presence of ethical blind spots in managerial accounting practices is organizational silence. Organizational

silence refers to a condition where members of an organization are reluctant to voice opinions, criticisms, or objections to practices deemed deviant, primarily due to social pressure, rigid hierarchical structures, or fear of negative consequences. In the three organizations studied, most informants stated that although they recognized ethical discrepancies in reporting or decision-making practices, they chose to remain silent because they felt there was no safe space to speak up.

"If you are too vocal, you're seen as troublesome. But sometimes we just want to remind so things don't get overlooked." (Informant C, Accounting Supervisor)

This statement reflects that the barrier to expressing ethical concerns is not technical but deeply cultural. In work environments where loyalty to superiors is regarded as the highest form of integrity, the courage to expose potential deviations is constructed as counterproductive or even subversive. This results in the closure of ethical channels within the organization and strengthens the dominance of unaccountable power structures. Consequently, unethical actions, even if observed by some individuals, continue unchecked due to the absence of internal mechanisms that encourage or protect the reporting process.

This condition is reinforced by findings from Detert & Edmondson, (2011), who state that organizational silence directly contributes to increased organizational ethical risk due to the lack of healthy feedback systems and failure to create psychological safety. In such environments, employees tend to conform socially rather than face stigma as "troublemakers," even if what is at stake is potential moral or professional violations. This creates a paradox: the higher the loyalty, the greater the likelihood that deviations are tolerated, and the stronger the ethical blind spots become in decision-making.

Furthermore, in the context of work culture in many Indonesian companies that tend to be hierarchical and avoid direct confrontation (conflict avoidance), this silence phenomenon has deeper dimensions. When subordinates' voices are not seen as contributions to decision quality but rather as forms of disobedience, ethical voice as an internal social control mechanism becomes paralyzed. The culture of "as long as the boss is happy" becomes dominant, replacing principles of transparency and accountability within the organization. This causes ethical violations not only to remain hidden but also to be institutionalized within a structure of collective silence.

The impact of organizational silence on managerial accounting is significant. Accountants and controllers, who should act as guardians of the accuracy and integrity of financial information are trapped in a dilemma between professional loyalty and organizational social pressure. Many ultimately choose to adjust report narratives, suppress personal doubts, and allow deviant patterns to continue without intervention. Over time, this erodes the ethical foundation of the organization and creates an information system that is not only biased but also vulnerable to greater manipulation.

Thus, organizational silence is not merely the absence of voice but an active representation of organizational failure to create safe spaces for ethical oversight. To address this, it is insufficient to merely establish formal reporting systems like whistleblowing—which are often underutilized due to low trust. More importantly, there must be a cultivation of a work culture that encourages openness, moral courage, and two-way dialogue at all organizational levels.

Redefinition of Ethical Values in an Organizational Context

One of the most interesting and worrying findings in this study is the existence of systemic tendencies in which moral concepts such as "integrity" and "professionalism" undergo contextual reinterpretation in the organizational environment. Based on

interviews with informants, it appears that these two terms, which should be principled, have undergone a shift in meaning and are given pragmatic content in accordance with the expectations of superiors, internal power dynamics, and organizational operational needs. Integrity is no longer interpreted as a commitment to truth and accuracy, but rather as the ability to maintain internal harmony and loyalty to the command structure. Professionalism is no longer a reflection of ethical standards and objectivity, but is synonymous with flexibility and loyalty to the interests of the institution.

"The important thing is to be loyal and be able to maintain the good name of the team. When it comes to right and wrong, sometimes it can be negotiated as long as it doesn't interfere with the system." (Informant D, Financial Manager)

This statement reflects that formal ethical frameworks are often subordinated by the socio-cultural realities of the organization. In this context, individuals tend to avoid moral judgments based on universal principles and replace them with pragmatic calculations: whether an action will embarrass the team, interfere with the interests of the leadership, or disrupt the "smooth running of the system". As a result, ethical judgments become relative and dependent on position, power relations, and internal political dynamics. This phenomenon leads to cultural cognition, a concept introduced by Kahan, (2015), which explains how moral beliefs and perceptions of "truth" are shaped by the dominant values in a particular social group, rather than by objective moral logic.

Within this framework, moral values no longer stand alone as a guide to action, but are shaped and controlled by informal consensus that develops within the organization. An organizational culture that emphasizes loyalty, harmony, and institutional stability, indirectly encourages staff to interpret integrity as conformity to the collective interest, rather than the courage to uphold principles even at the risk of creating friction. Thus, when ethical dilemmas arise, managerial accountants or financial managers prefer a politically safe, albeit morally ambiguous, "middle ground."

This shows that ethical blind spots do not only occur due to ignorance or external pressures, but also due to conceptual transformations of moral values in the social ecosystem of organizations. Even ethical values can be "adjusted" so that they do not conflict with the direction of management. This creates a condition in which the offense no longer appears as a offense, but as a legitimate form of adaptation. Over time, this gave rise to a pseudo-ethical structure, in which language and moral symbols were still used, but lost their substantial meaning.

Furthermore, this reinterpretation of moral values reinforces the cycle of undetected ethical transgression. Because individuals feel that they remain "integrity" according to the internal version of the organization, there is no guilt, moral dissonance, or desire to correct behavior. This phenomenon is similar to moral licensing, in which unethical actions are justified by a role or moral identity that has been symbolically established. For example, because they feel they have "worked hard for the team," someone feels justified in making adjustments to reports that shouldn't have been made.

Thus, flexible reinterpretation of organizational moral values becomes the ideological basis for the occurrence of ethical blind spots. To meet these challenges, organizations need to do more than just strengthen normative ethics training. A culture of values audit is needed, a critical evaluation of how values such as integrity, accountability, and professionalism are understood, taught, and institutionalized in everyday practice. Without these efforts, moral values will continue to be symbols that are easily manipulated to support a system that is actually ethically problematic.

Expectations for Cultural Transformation and Contextual Ethics

Although many ethical blind spots were identified, almost all informants stated that change is still possible, particularly through real-world work context-based ethics training and organizational culture audits. They expect the training to be no longer normative, but to address real dilemmas and how to manage them ethically.

This shows that to overcome ethical blind spots, organizations not only need to improve reporting or compliance systems, but also transform organizational culture, emphasizing transparency, psychological safety, and ethical voice empowerment at all levels.

DISCUSSION

From the results of this study, it can be concluded that ethical blind spots in managerial accounting practice are not solely individual mistakes or personal moral failures, but are the product of a complex interaction between organizational structural pressures, cultural rationalization processes, and weak ethical supervision and empowerment systems in the work environment. Ethical blind spots thrive in an organizational ecosystem that places the achievement of targets as the ultimate value and treats loyalty to superiors as the highest form of professionalism, while moral considerations and integrity are marginalized or reduced to a symbol of formality (Sims, 2003).

This study shows that an organizational culture that is permissive to deviation and manipulation of data in order to maintain short-term performance has created conditions where minor deviations become normal and are no longer seen as ethical violations. When this kind of behavior continues to repeat itself without any sanctions or correction, it becomes part of a collectively accepted work culture. In addition, the space to voice ethical voices is very limited due to the culture of organizational silence which is reinforced by rigid hierarchical structures, fear of career consequences, and a lack of psychologically safe dialogue spaces.

More deeply, this study found that ethical values such as integrity and professionalism have undergone contextual redefinition in organizations. When moral values are attached to loyalty, structural loyalty, and adherence to informal norms, the moral dimension of accounting decision-making is easily shifted or even lost altogether. In such conditions, ethical blind spots are not "momentary blindness", but rather a state of consciousness formed by a value system that has been socially and culturally distorted.

The implications of these findings are significant. Efforts to address ethical issues in managerial accounting are not enough through technocratic approaches such as strengthening internal controls or the application of administrative sanctions. Instead, a transformative approach is needed that targets the root of the problem, namely organizational culture and power dynamics that shape ethical perceptions and behaviors. These transformations include:

1) A change in organizational culture that places ethical values as part of performance, not as a normative complement.
2) Reformulation of the incentive system, so that success is measured not only by quantitative achievement, but also by process and adherence to moral principles.
3) The integration of contextual ethics training, which not only teaches the code of ethics normatively, but equips employees with reflective skills, moral courage, and the ability to face ethical dilemmas in the real context of the organization.

Finally, the study also makes a conceptual contribution to the understanding of organizational ethics, highlighting that ethical blind spots are not failure to see, but failure to choose to see because systems and cultures do not allow space for it. Therefore, the improvement of ethics in organizations must begin with a change in collective

consciousness, the dismantling of rationalized narratives, as well as the creation of structures that allow moral courage to develop without fear or stigma.

CONCLUSION

This study concludes that ethical blind spots in managerial accounting are not just individual issues, but a phenomenon embedded in organizational structure and culture. The pressure on performance achievement without space for ethical reflection has created an environment that allows for the normalization of deviance and moral rationalization. In this context, ethical violations become behavior that is collectively justified and accepted as part of the dynamics of the organization, even by individuals who personally have good intentions.

Organizational culture that ignores the importance of transparency, open dialogue, and moral courage has been proven to strengthen the occurrence of ethical blind spots through ethical fading mechanisms, organizational silence, and cultural cognition. Therefore, overcoming this phenomenon requires a transformational approach, including improving work culture values, reforming the supervisory system, and strengthening contextual ethics education. The integration of ethical culture audits into the managerial control system as well as the preparation of a real-world practice-based ethics curriculum is a strategic step to build sustainable ethical awareness in the managerial accounting environment.

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Organizational Culture and Ethical Blind Spots in Managerial Accounting

ABSTRACT

In recent years, ethical concerns in managerial accounting have become more prominent, especially in light of corporate scandals. While traditional ethics frameworks emphasize individual responsibility and legal compliance, they often overlook how organizational culture shapes ethical decision-making. One crucial but often neglected factor is the presence of ethical blind spots—moral oversights influenced by cognitive biases and cultural norms within organizations. This study explores how such blind spots emerge and persist in managerial accounting, using a qualitative multiple-case approach. Interviews with managerial accountants and financial controllers from three mid-sized manufacturing firms revealed patterns of ethical reasoning shaped by internal culture. Findings suggest that organizations focused heavily on performance targets and rule compliance—while discouraging ethical dialogue—are especially prone to ethical blind spots. Concepts like ethical fading and organizational silence explain how unethical behavior can become normalized over time, even among well-meaning professionals. These moral lapses are not merely personal shortcomings but reflect deeper cultural dynamics. Addressing them requires more than strict rules; it involves cultivating a culture that promotes ethical reflection, open communication, and psychological safety. The study highlights the need for ethical culture assessments and calls for ethics training to be embedded in accounting education to foster long-term integrity and resilience within organizations.

***Keywords**: Ethical Blind Spots, Managerial Accounting, Organizational Culture, Ethics in Accounting, Moral Disengagement.*

ABSTRAK

Dalam beberapa tahun terakhir, isu etika dalam akuntansi manajerial semakin mendapat perhatian, terutama setelah berbagai skandal korporat besar. Kerangka etika tradisional umumnya menekankan tanggung jawab individu dan kepatuhan hukum, namun sering mengabaikan pengaruh budaya organisasi terhadap pengambilan keputusan etis. Salah satu faktor penting yang sering diabaikan adalah ethical blind spots—yaitu area kelalaian moral yang dipengaruhi oleh bias kognitif dan norma budaya dalam organisasi. Studi ini meneliti bagaimana blind spot etis muncul dan bertahan dalam praktik akuntansi manajerial melalui pendekatan studi kasus kualitatif. Wawancara dengan akuntan manajerial dan pengendali keuangan dari tiga perusahaan manufaktur menengah menunjukkan pola penalaran etis yang dibentuk oleh budaya internal. Temuan menunjukkan bahwa organisasi yang sangat berfokus pada target kinerja dan kepatuhan aturan—namun tidak mendorong diskusi etis—lebih rentan terhadap blind spot etis. Konsep seperti ethical fading dan organizational silence menjelaskan bagaimana perilaku tidak etis dapat menjadi kebiasaan, bahkan bagi profesional yang bermaksud baik. Kegagalan moral ini bukan semata

kesalahan individu, tetapi mencerminkan dinamika budaya yang lebih dalam. Oleh karena itu, perlu adanya perubahan budaya yang mendorong refleksi etis, komunikasi terbuka, dan rasa aman secara psikologis. Pendidikan etika dalam pelatihan akuntansi juga menjadi langkah penting untuk membangun ketahanan etis jangka panjang.

***Kata kunci**: Ethical Blind Spots, Akuntansi Manajerial, Budaya Organisasi, Etika dalam Akuntansi, Pelepasan Moral.*

INTRODUCTION

Managerial accounting plays a vital role in supporting strategic and operational decision-making within organizations. However, over the past decade, several cases involving cost manipulation, financial risk concealment, and internal budget misappropriation have highlighted critical ethical weaknesses in managerial accounting practices (Leeming, 2018; Kirana & Novita, 2021; DeTienne et al., 2021). High-profile corporate scandals such as Enron, Toshiba, and, in the Indonesian context, Jiwasraya and Asabri, have demonstrated that although accounting systems are technically designed to promote transparency and accountability, ethical integrity often remains a neglected dimension (Cowton, 2021). Traditional approaches to accounting ethics typically emphasize compliance with professional codes of conduct, external regulation, and individual responsibility. While these elements are important, they fall short in explaining why individuals who understand ethical principles and legal boundaries still engage in unethical behavior. This phenomenon leads to the concept of ethical blind spots areas in decision-making where moral considerations become blurred or completely overlooked, often due to social and cultural influences within the organization (Bazerman & Gino, 2012; Payne et al., 2020).

Ethical blind spots do not occur in a vacuum, they emerge within the context of organizational culture, which shapes how accounting professionals think, behave, and interpret ethical situations. Organizational cultures that prioritize performance, efficiency, and loyalty to superiors without providing space for critical dialogue or ethical reflection significantly contribute to the collective justification of deviant practices. In such environments, small transgressions are likely to be normalized and may evolve into systemic misconduct (Rooij & Fine, 2018; Seshoka, 2021; Dodgson, 2021). Recent research has shown that organizational culture plays a crucial role in shaping ethical awareness and ethical decision-making in accounting. Cultures that promote openness, dialogue, and moral courage, commonly referred to as ethical voice, have been proven to help prevent ethical violations. In contrast, cultures that rely on rigid hierarchies and results-driven pressure, without ethical deliberation, tend to reinforce moral disengagement (Treviño et al., 2014; Lewis, 2021; Victoria, 2025).

This gap indicates a need for a new perspective that views ethical violations not merely as individual failings but as the result of complex interactions between individuals and organizational culture. This becomes especially relevant in managerial accounting, where practitioners serve as key actors in bridging financial information, business strategy, and day-to-day operations. Their responsibilities extend beyond data presentation to include the construction and framing of narratives that influence managerial decisions (Collier, 2015; Duckett, 2021). Nevertheless, empirical literature on ethical blind spots in managerial accounting remains limited particularly within the context of organizational culture in the Indonesian private sector. Most studies focus on normative ethics or post-scandal analyses, leaving a gap in our understanding of the internal mechanisms that create and sustain moral insensitivity in organizations. This study seeks to fill that gap by qualitatively analyzing how organizational culture fosters the emergence and persistence of ethical blind spots, specifically in the managerial accounting practices of mid-sized manufacturing firms (Stake, 2013; Cousins et al., 2014).

Using a multiple-case study approach and in-depth interviews, this research explores not only how organizational norms and values shape accountants' ethical perceptions, but also how power structures, internal communication, and performance pressure generate ethical gray zones in decision-making. The study is grounded in a conceptual framework that integrates the theories of ethical fading, organizational silence, and cultural cognition, offering a deeper understanding of how unethical behavior becomes internalized and collectively accepted. By deepening our understanding of how organizational culture influences ethical blind spots, this study aims to contribute both theoretically and practically to improving ethical governance in organizations. The findings are expected to serve as a foundation for developing more context-sensitive ethics training, conducting cultural ethics audits, and formulating internal policies that are more responsive to the moral dynamics of managerial accounting environments. The purpose of this research is to investigate how specific elements of organizational culture such as shared beliefs, communication patterns, and authority dynamics contribute to the formation and persistence of ethical blind spots in managerial accounting.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Ethics in Managerial Accounting

Managerial accounting functions not only as a tool for internal recording and reporting but also as a critical instrument in decision-making processes that significantly influence the strategic direction of an organization (Okoro & Ekwueme, 2020; Putri & Triwidatin, 2025). In their role, managerial accountants have access to and authority over sensitive data, cost allocations, and the interpretation of financial information, all of which can shape the perceptions of management and other stakeholders. Therefore, integrity and ethical sensitivity are fundamental pillars of this practice (Karabay et al., 2018; Gallagher

et al., 2023). However, ethical approaches in managerial accounting are often limited to formal compliance with regulations and professional standards, without addressing deeper and more contextual moral dimensions (Heywood et al., 2017; Akpan & Oluwagbade, 2023).

This gap becomes increasingly critical as managerial accountants are frequently involved in complex judgment areas, such as budgeting, cost control, and performance evaluation, where ethical dilemmas may not always be clearly defined by standard rules. The ability to recognize and respond to ethical issues requires more than adherence to codes—it demands professional judgment, moral reasoning, and an awareness of the broader implications of financial decisions (Okoro & Ekwueme, 2020; Ermawati & Suhardianto, 2024). Furthermore, the organizational environment and leadership behavior play a vital role in shaping ethical culture within accounting functions. Without active efforts to embed ethical considerations into everyday practices, there is a risk that accounting decisions may prioritize efficiency or profitability at the expense of transparency and accountability (Bayes et al., 2022: Putri & Triwidatin, 2025). Therefore, cultivating ethical sensitivity through education, training, and leadership example is essential to ensuring managerial accounting supports long-term organizational integrity.

Ethical Blind Spot Concept

The term ethical blind spots refer to an individual's failure to recognize that a situation contains ethical dimensions. This phenomenon typically occurs not due to malicious intent, but because of cognitive and social processes that obscure the moral aspects of a decision (Bandura, 2014; Imam & Kim, 2023). Bazerman dan Gino (2012) explain that ethical blind spots arise from mechanisms such as motivated reasoning, bounded ethicality, and ethical fading, in which individuals do not consciously consider the moral consequences of their actions. In the context of managerial accounting, ethical blind spots can occur when the focus on achieving financial targets overrides integrity and transparency.

These blind spots are especially dangerous because they allow unethical behavior to persist under the guise of rational business practices. Managerial accountants may unknowingly rationalize questionable decisions, such as manipulating cost allocations or selectively presenting financial data, as necessary for organizational performance (Tenbrunsel & Messick, 2004; Bazerman & Gino, 2012). Over time, repeated exposure to such decisions can normalize unethical conduct, particularly in high-pressure environments where success is measured primarily through financial indicators (Ashforth & Anand, 2003; Collier, 2015). This normalization process is often reinforced by organizational silence and implicit rules that discourage ethical voice (Detert & Edmondson, 2011; Ozer et al., 2024). It highlights the need for ethical awareness training and the cultivation of a reflective mindset that encourages professionals to consistently

evaluate the ethical implications of their actions (Trevino & Nelson, 2021; Cowton, 2021). Addressing ethical blind spots requires not only individual vigilance but also structural support through ethical leadership and a values-based organizational culture (Ogunfowora et al., 2022; Imam & Kim, 2023).

Organizational Culture and Ethical Formation

Organizational culture is a system of shared values, norms, and beliefs that influences how members of an organization think and behave. A culture that emphasizes outcomes (outcome-oriented culture) often creates pressure to meet targets at the expense of ethical standards. In such contexts, deviant behavior can become normalized, especially when there are no consequences or when leaders set similar examples (Ashforth & Anand, 2003; Nafei, 2016). An organizational culture that is permissive toward ethical compromises tends to facilitate the release of moral responsibility, or moral disengagement, thereby creating space for the emergence of ethical blind spots (Bayes et al., 2020; Jones et al., 2024).

This phenomenon is further exacerbated when psychological safety is lacking, making employees hesitant to voice ethical concerns (Sherer, 2022; Anyamesem-Poku & Parmar, 2024). A culture where silence is rewarded or where dissent is discouraged fosters an environment in which unethical behaviors go unchallenged, contributing to ethical fading (Tenbrunsel & Messick, 2004). Over time, the normalization of such conduct results in widespread moral disengagement and ethical insensitivity (Bandura, 2014; Ogunfowora et al., 2022). The absence of strong ethical norms, combined with performance-driven pressures, weakens the organizational checks that typically prevent unethical decisions. Consequently, organizations with such cultures risk long-term reputational damage, employee disengagement, and regulatory consequences (Treviño et al., 2014; Adler, 2022).

Mechanism for Normalization of Ethical Violations

Normalization of deviance is the process by which unethical actions, initially seen as violations, gradually become accepted practices because they occur frequently without consequences. Within organizations, this process is reinforced by organizational silence, a culture of silence that discourages employees from reporting misconduct due to fear of managerial retaliation, reputational risk, or social exclusion (Sherer, 2022; Ozer, 2024). This dynamic allows ethical violations to become embedded within the system, making ethical blind spots increasingly difficult to detect.

This condition is often rooted in the absence of psychological safety, where employees feel unsafe to express dissenting views or ethical concerns, fearing backlash or exclusion (Joseph & Shetty, 2022; Anyamesem-Poku & Parmar, 2024). Furthermore, as Ashforth and Anand (2003) argue, repeated unethical behavior, when left unpunished, can evolve

into normalized corruption within the organization. In such settings, moral disengagement mechanisms are activated, making individuals justify or minimize their unethical decisions (Bandura, 2014; Guay & Johnston, 2022; Ogunfowora et al., 2022). Additionally, Adler (2022) highlights the need for trustworthiness in organizational systems to counteract these dynamics. Without institutional checks and a culture of integrity, normalization processes can deeply erode ethical standards, making deviance the organizational norm rather than the exception.

Ethical Voice and the Role of Accountants

An individual's ability to express moral concerns within an organization, known as ethical voice, plays a crucial role in preventing the emergence of ethical blind spots. Unfortunately, in many organizational contexts, there is a lack of psychologically safe environments that support open dialogue on ethical issues, often due to structural hierarchies or repressive organizational cultures (Trevino & Nelson, 2021; Anyamesem-Poku & Parmar, 2024). This is particularly evident in managerial accounting, where the pressure to achieve financial targets and maintain loyalty to organizational goals often suppresses ethical expression. As Detert and Edmondson (2011) explain, implicit voice theories—unspoken beliefs about the consequences of speaking up—discourage individuals from voicing ethical concerns, even when they are aware of wrongdoing.

This silencing effect is further amplified when leadership fails to model ethical behavior or provide formal channels for ethical discourse (Joseph & Shetty, 2022; Andriani et al., 2024). In such cases, accountants may experience internal conflict between their professional responsibilities and organizational expectations (Gallagher et al., 2023; Adler, 2022). Moreover, Seshoka (2021) warns that blind loyalty within organizational settings can foster environments where moral disengagement becomes routine. Thus, fostering a culture of ethical voice is not only a matter of individual courage but also of organizational design that prioritizes psychological safety, ethical integrity, and open communication as essential values.

RESEARCH METHOD

This study adopts a qualitative approach with a multiple-case study design to deeply explore how organizational culture shapes and influences the emergence of ethical blind spots in managerial accounting practices. The case study method was selected for its capacity to investigate complex organizational phenomena within real-world settings, particularly those involving the lived experiences of accountants. Research was conducted in three mid-sized manufacturing firms in Indonesia, each possessing formal managerial accounting systems and hierarchical structures. These companies were purposefully selected to reflect diverse organizational cultures, industry characteristics, and a willingness to participate. Key informants included managerial accountants, financial

controllers, and unit managers engaged in accounting-based decision-making. Data collection relied on in-depth semi-structured interviews with 12 informants, focusing on ethical dilemmas, perceptions of organizational values, managerial pressures, and communication dynamics. This approach allowed for the exploration of both explicit and tacit knowledge related to ethical behavior and organizational culture. It was complemented by non-participatory observation of work environments and informal interactions to capture spontaneous expressions, day-to-day routines, and ethical attitudes that might not surface in formal interviews. Additionally, the analysis of internal documents such as codes of ethics, financial reporting policies, audit reports, and internal communication materials provided important contextual data and served as a foundation for triangulation.

Thematic analysis was used to identify meaningful patterns from interview transcripts, observation notes, and documents. The analytical process involved several stages, including data familiarization, open coding, theme generation—such as ethical fading, organizational silence, and cultural reinforcement—and thematic interpretation aligned with broader ethical and organizational behavior frameworks. To ensure validity and robustness of findings, the study applied both source and method triangulation and incorporated member checking to verify whether the interpretations accurately reflected participants' perspectives. In terms of methodological rigor, credibility was enhanced through prolonged engagement, triangulation, and feedback loops. Transferability was addressed by providing thick descriptions of the organizational context and participant narratives. Dependability and confirmability were ensured by maintaining a transparent audit trail of decisions and conducting critical self-reflection throughout the research process to minimize bias and enhance interpretive clarity.

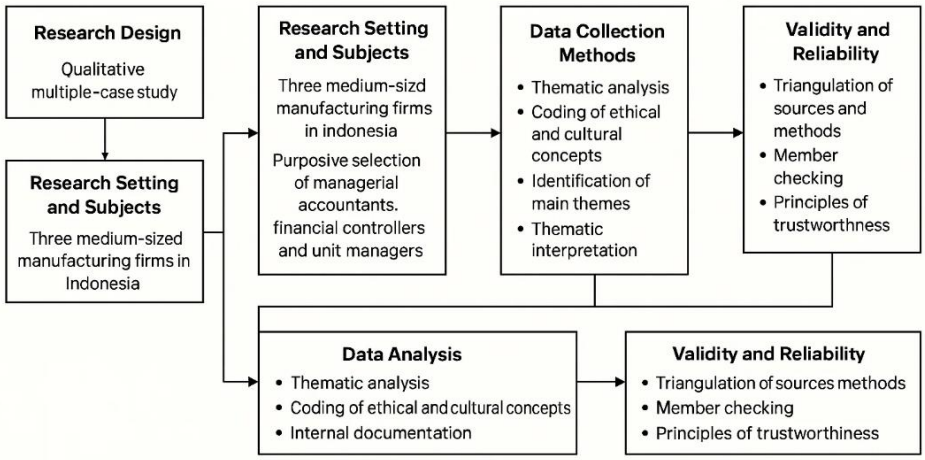

Figure 1. Research Methodology Flowchart

The Figure 1 illustrates the methodological framework of a qualitative multiple-case study focused on ethical blind spots in managerial accounting. The research design employs a qualitative approach involving three purposively selected medium-sized manufacturing firms in Indonesia. Participants include managerial accountants, financial controllers, and unit managers. Data collection involves thematic analysis, coding of ethical and cultural concepts, identification of key themes, and thematic interpretation. These methods inform the data analysis, which reiterates the use of thematic analysis, concept coding, and internal documentation review. To ensure validity and reliability, the study applies triangulation of sources and methods, member checking, and adherence to principles of trustworthiness, which are integrated at both the data collection and analysis stages.

RESULTS

Table 1. Thematic Analysis Matrix on Ethical Blind Spots within Organizational Culture

Main Theme	Sub-Theme	Indicator Empiris
Organizational Culture	Target-oriented culture	Pressure of number achievement, performance-based bonuses, short-term achievement
	Hierarchy and control	Managerial dominance in decisions, limited criticism space
	Norma informal	The culture of "the origin of the satisfied leader", loyalty to the boss
Blind Spot Etis	Ethical fading	Unaware of the moral dimension of action
	Bounded ethicality	Not considering moral values due to pressure or bias of the system
	Normalization of deviation	Deviant practices that become routine
Organizational Silence	Fear of speaking	Fear of the consequences of disclosing the violation
	No discussion room	There is no forum or time to talk about ethics
Moral Justification	Collective rationalization	Mutual justification for unethical behavior
	Redefining integrity	Adjusting the meaning of integrity for organizational convenience

Solutions and Expectations	The need for contextual ethics training	Hope there is training adapted to the reality of work

Table 1 presents the results of a thematic analysis on ethical blind spots within organizational culture. This matrix outlines the main themes, sub-themes, and empirical indicators that reflect how certain cultural patterns—such as target orientation, hierarchical control, and informal norms—contribute to ethical fading, bounded ethicality, and organizational silence. It also highlights moral justification mechanisms and proposed solutions, including ethics training and cultural audits, as critical steps toward addressing deeply embedded ethical vulnerabilities in organizational settings.

Organizational Culture That Encourages Ethical "Blind Spots"

Interview and field observation results reveal that an organizational culture heavily oriented toward achieving financial targets and short-term performance is the primary trigger for the emergence of ethical blind spots in managerial accounting practices. The three companies studied exhibited a consistent cultural pattern: a strong focus on numerical outputs, pressure to report positive unit performance, and an incentive system based on quantitative achievements. In this context, financial figures are no longer merely reflections of performance but have become managerial legitimacy symbols that must not "fail" in the eyes of top management and stakeholders. This creates a condition where managerial accountants serve not only as data reporters but also as "narrative managers" through the manipulation of numbers. Several informants mentioned that, although they technically recognize that report adjustments could be unethical, structural pressures and leadership expectations render these practices "silent obligations." In many cases, data inaccuracies or minor manipulations of performance reports are regarded as loyal contributions to the team and organization. This indicates a distortion in ethical perception, where collective success is defined by the ability to maintain the company's positive image, even at the expense of accuracy and transparency.

"Good numbers are considered important, especially for monthly meetings. Sometimes, if they are not aligned, they have to be 'tidied up'. Otherwise, the team is perceived as underperforming." (Informant A, Controller)

This statement highlights how a performance-driven culture can lead to internal justifications for unethical behavior. Actions like "tidying up the numbers" are seen not as violations but as strategic responses to unrealistic expectations. In such environments, ethical considerations become blurred as individuals focus more on meeting targets than on upholding moral standards. Organizational cultures that emphasize performance without ethical balance tend to foster climates that enable moral disengagement, where success is measured by compliance rather than integrity. In high-power distance contexts

like Indonesia, employees are less likely to question directives from superiors, which increases the likelihood of following ethically questionable instructions that appear socially acceptable. Over time, this dynamic contributes to a systemic shift in ethical perception, shaped by organizational norms rather than professional values. Ethical blind spots, therefore, are not merely personal failures but the result of cultural distortions within organizations that discourage ethical reflection, suppress transparency, and undermine critical moral judgment.

Normalization of Deviance and Collective Rationalization

Ethical blind spots in managerial accounting do not only arise from structural pressures or result-oriented organizational cultures but also develop gradually through collective rationalization mechanisms that institutionalize deviant behavior as part of "operational routine." Interview data indicate that practices such as number adjustments, delaying expense recognition, or reallocating costs are not seen as violations but as adaptive strategies considered reasonable for maintaining financial performance stability in the eyes of management. In other words, there is a transformation in the meaning of manipulative actions—from something normatively unethical to "technical wisdom" or even "professional cleverness.

"It is not considered lying, but more about arranging the time and presentation of numbers which is commonly done by many people." (Informant B, Managerial Accountant)

This statement highlights how individuals justify unethical actions by aligning them with group norms, leading to the collective acceptance of deviance. When such behaviors go unpunished and are subtly approved by leaders or peers, they become normalized and integrated into daily work practices. Small violations no longer trigger ethical concerns and are instead seen as necessary or harmless parts of professional life. Common justifications like "everyone does it" or "it's for the good of the organization" help reinforce these actions as acceptable. This normalization occurs not only through personal reasoning but also through shared organizational narratives that reframe manipulation as loyalty or contribution, allowing individuals to detach their behavior from moral responsibility.

In organizational cultures that emphasize harmony and avoid conflict, such as in many Indonesian companies, challenging unethical practices is often discouraged. Individuals who speak out risk being labeled uncooperative. As rationalizations become normalized, they are woven into daily operations and informal governance, making them difficult to dismantle. Ethical fading, in this context, is not always unconscious—it can be intentional. Managerial accountants may recognize the ethical implications of their actions but justify them through organizational cues, incentives, or peer approval. Over time, these behaviors stop triggering moral concern. Ethical blind spots formed this way reflect not personal

flaws but deeply rooted cultural norms, requiring structural reform that goes beyond education to challenge the collective narratives enabling deviance.

Organizational Silence and the Inhibition of Ethical Voice

This study also found that one of the key factors reinforcing the presence of ethical blind spots in managerial accounting practices is organizational silence. Organizational silence refers to a condition where members of an organization are reluctant to voice opinions, criticisms, or objections to practices deemed deviant, primarily due to social pressure, rigid hierarchical structures, or fear of negative consequences. In the three organizations studied, most informants stated that although they recognized ethical discrepancies in reporting or decision-making practices, they chose to remain silent because they felt there was no safe space to speak up.

"If you are too vocal, you're seen as troublesome. But sometimes we just want to remind so things don't get overlooked." (Informant C, Accounting Supervisor)

The barrier to raising ethical concerns in some organizations is cultural rather than technical. In environments where loyalty to superiors is seen as the highest virtue, speaking out about potential wrongdoing is often discouraged or viewed negatively. This leads to the suppression of ethical dialogue and reinforces unchecked authority. Even when unethical behavior is noticed, it often goes unreported due to the absence of supportive mechanisms and fear of being labeled a troublemaker. Employees prefer to conform socially rather than risk professional or social consequences. Ironically, the stronger the culture of loyalty, the more ethical blind spots emerge, as silence and compliance take precedence over moral accountability.

Furthermore, in many Indonesian companies with hierarchical and conflict-avoidant cultures, organizational silence becomes deeply ingrained. Subordinates' input is often viewed as disobedience rather than valuable feedback, rendering ethical voice ineffective. A "please the boss" mindset overrides principles like transparency and accountability, institutionalizing silence and allowing ethical violations to persist. This has serious implications for managerial accounting. Accountants, pressured by professional loyalty and organizational culture, may suppress doubts, adjust financial reports, and ignore unethical practices. Over time, this behavior weakens the ethical integrity of the organization and leads to a financial information system prone to distortion and manipulation.

Thus, organizational silence is not merely the absence of voice but an active representation of organizational failure to create safe spaces for ethical oversight. To address this, it is insufficient to merely establish formal reporting systems like whistleblowing—which are often underutilized due to low trust. More importantly, there must be a cultivation of a work culture that encourages openness, moral courage, and two-way dialogue at all organizational levels.

Redefinition of Ethical Values in an Organizational Context

One of the most interesting and worrying findings in this study is the existence of systemic tendencies in which moral concepts such as "integrity" and "professionalism" undergo contextual reinterpretation in the organizational environment. Based on interviews with informants, it appears that these two terms, which should be principled, have undergone a shift in meaning and are given pragmatic content by the expectations of superiors, internal power dynamics, and organizational operational needs. Integrity is no longer interpreted as a commitment to truth and accuracy, but rather as the ability to maintain internal harmony and loyalty to the command structure. Professionalism is no longer a reflection of ethical standards and objectivity, but is synonymous with flexibility and loyalty to the interests of the institution.

"The important thing is to be loyal and be able to maintain the good name of the team. When it comes to right and wrong, sometimes it can be negotiated as long as it doesn't interfere with the system." (Informant D, Financial Manager)

This statement reflects that formal ethical framework are often subordinated by the socio-cultural realities of the organization. In this context, individuals tend to avoid moral judgments based on universal principles and replace them with pragmatic calculations: whether an action will embarrass the team, interfere with the interests of the leadership, or disrupt the "smooth running of the system". As a result, ethical judgments become relative and dependent on position, power relations, and internal political dynamics. This phenomenon leads to cultural cognition, a concept introduced by Kahan (2015), which explains how moral beliefs and perceptions of "truth" are shaped by the dominant values in a particular social group, rather than by objective moral logic.

In organizational cultures that prioritize loyalty, harmony, and stability, moral values are reshaped by internal consensus rather than objective principles. Integrity is often redefined as conformity to group interests, making ethical courage appear disruptive. Faced with dilemmas, managerial accountants tend to choose politically safe options, even if morally unclear. This leads to ethical blind spots not just from ignorance, but from altered perceptions of right and wrong shaped by the organization’s social norms. Ethical values are adjusted to align with managerial expectations, turning questionable actions into acceptable adaptations. Over time, this creates a pseudo-ethical environment where moral language remains, but its true meaning is lost.

Furthermore, in many organizations, moral values are reinterpreted through internal consensus rather than objective ethical principles. Integrity becomes defined by loyalty and conformity to group interests, while ethical courage is seen as disruptive. This leads individuals, particularly managerial accountants, to make morally ambiguous decisions that are politically safe and socially acceptable. Over time, questionable actions are normalized, turning into adaptive behaviors supported by internal narratives. This process

creates ethical blind spots, not from ignorance, but from value distortions shaped by organizational norms. The phenomenon is reinforced by moral licensing, where individuals justify unethical behavior based on past contributions or symbolic roles, such as "working hard for the team." As a result, moral transgressions go undetected, free from guilt or self-correction. Addressing this issue requires more than ethical training—it demands a cultural shift through regular values audits that critically assess how integrity, accountability, and professionalism are defined and practiced. Without this, ethics risk becoming symbolic tools that legitimize systemic misconduct.

Redefinition of Ethical Values in an Organizational Context

Although many ethical blind spots were identified, almost all informants stated that change is still possible, particularly through real-world work context-based ethics training and organizational culture audits. They expect the training to be no longer normative, but to address real dilemmas and how to manage them ethically. This shows that to overcome ethical blind spots, organizations not only need to improve reporting or compliance systems, but also transform organizational culture, emphasizing transparency, psychological safety, and ethical voice empowerment at all levels.

DISCUSSION

This study concludes that ethical blind spots in managerial accounting are not simply the result of individual mistakes or moral failures, but are rooted in the interplay of structural pressures, cultural rationalizations, and inadequate ethical oversight. These findings echo previous research by Sims (2003) and Burchell (2020) that highlights how an overemphasis on target achievement often marginalizes ethical considerations. However, this study goes further by showing that these blind spots are institutionalized through shared narratives that redefine loyalty and professionalism in ways that undermine moral autonomy. Building on the work of Ashforth and Anand (2003), this study supports the idea that normalization of deviance occurs when minor violations become routine and go unpunished. Unlike previous research that often emphasizes regulatory or external controls such as those presented by Payne et al. (2020) and Cowton (2021), this study highlights how informal organizational cultures and hierarchical structures facilitate the silencing of persistent ethical concerns. This echoes the findings of Joseph and Shetty (2022), who describe how hierarchical and authoritarian leadership stifles ethical voice. Furthermore, as Detert and Edmondson (2011) have argued, organizational silence—when reinforced by fear and lack of psychological safety—significantly increases ethical risk. Our findings confirm that this silence is not passive, but socially constructed and maintained by collective fear of reputational or career-related consequences.

Compared to Bazerman and Gino's (2012) behavioral ethics framework, this study reinforces the view that moral disengagement is often context-driven and reinforced by the organizational system itself. This phenomenon is exacerbated in cultures with high power distance, such as Indonesia, where dissent is discouraged, and ethical issues are viewed as distractions rather than constructive input. This extends Bandura's (2014) theory of moral reasoning by illustrating how moral reasoning is manipulated through collective reframing, transforming potentially unethical actions into perceived contributions to organizational success. In this regard, our study contributes by conceptualizing ethical blind spots not as a failure to know what is right, but as a failure to act on that knowledge due to cultural reinterpretation and peer reinforcement.

Practically, this study offers significant implications for organizational ethics management. Consistent with Anyamesem-Poku and Parmar (2024), psychological safety must be institutionalized as part of an organization's ethics infrastructure. This requires a shift from a punitive approach to a reflective approach that emphasizes dialogue, trust, and collective responsibility. While previous recommendations have often focused on compliance measures and ethics training, as Payne et al. (2020) and Gallagher et al. (2023) both argue, our findings advocate for more contextually grounded interventions: embedding ethics into performance metrics, reconfiguring incentives, and promoting narrative change around what constitutes "professional success."

In addition, drawing on Adler's (2022) emphasis on credibility and trustworthiness in qualitative inquiry, this study underscores the importance of creating internal mechanisms that ensure transparency and shared accountability. Ethics audits, values-based performance appraisals, and participatory forums for ethical reflection can shift ethics from symbolic rhetoric to active practice. As supported by Braun and Clarke's (2024) thematic approach, this structural reinforcement must be informed by a context-specific interpretation of moral values that acknowledges employees' lived experiences.

This study contributes to the growing discourse on accounting ethics by framing ethical blind spots as systemic and culturally embedded phenomena rather than isolated lapses. It calls for a transformation of organizational consciousness—moving from a rigid performance paradigm to a culture that supports ethical courage, narrative transparency, and collective moral reasoning. In line with insights from Ermawati and Suhardianto (2024), such a transformation is key to fostering ethical resilience and sustainability in managerial accounting practices.

CONCLUSION

This study finds that ethical blind spots in managerial accounting are not merely individual moral failings but are systemic outcomes shaped by organizational structures, performance pressures, and cultural rationalizations. In work environments where achieving targets is prioritized over ethical reflection, minor deviations become

normalized and are gradually accepted as legitimate practices. Even professionals with good intentions may be absorbed into a culture that subtly redefines integrity as loyalty to authority rather than adherence to ethical standards. The study identifies three primary mechanisms sustaining ethical blind spots: ethical fading, organizational silence, and cognitive distortion through cultural consensus.

The practical implication of this finding is the urgent need for transformational change in organizational ethics management. Addressing ethical vulnerabilities requires more than strengthening internal control systems; it necessitates embedding ethical awareness into daily routines. This includes implementing organizational culture audits focused on values such as integrity, transparency, and accountability, reformulating incentive structures that reward ethical behavior, and developing ethics training rooted in real-world dilemmas faced by managerial accountants.

Theoretically, this research contributes to a deeper understanding of how organizational culture interacts with behavioral ethics. It confirms and extends prior work on ethical fading and moral disengagement by demonstrating that blind spots are not passive omissions, but active reinterpretations shaped by group norms and leadership models. This supports the view that ethics must be treated as a dynamic, context-sensitive process rather than a fixed individual trait.

However, this study has limitations in scope and sample size, focusing primarily on mid-sized Indonesian companies. Future research could explore cross-cultural comparisons or sectoral variations to generalize findings more broadly. Longitudinal studies are also recommended to examine how ethical perceptions evolve over time in response to organizational reforms or crises.

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Organizational Culture and Ethical Blind Spots in Managerial Accounting

ABSTRACT

In recent years, ethical concerns in managerial accounting have become more prominent, especially in light of corporate scandals. While traditional ethics frameworks emphasize individual responsibility and legal compliance, they often overlook how organizational culture shapes ethical decision-making. One crucial but often neglected factor is the presence of ethical blind spots—moral oversights influenced by cognitive biases and cultural norms within organizations. This study explores how such blind spots emerge and persist in managerial accounting, using a qualitative multiple-case approach. Interviews with managerial accountants and financial controllers from three mid-sized manufacturing firms revealed patterns of ethical reasoning shaped by internal culture. Findings suggest that organizations focused heavily on performance targets and rule compliance—while discouraging ethical dialogue—are especially prone to ethical blind spots. Concepts like ethical fading and organizational silence explain how unethical behavior can become normalized over time, even among well-meaning professionals. These moral lapses are not merely personal shortcomings but reflect deeper cultural dynamics. Addressing them requires more than strict rules; it involves cultivating a culture that promotes ethical reflection, open communication, and psychological safety. The study highlights the need for ethical culture assessments and calls for ethics training to be embedded in accounting education to foster long-term integrity and resilience within organizations.

***Keywords**: Ethical Blind Spots, Managerial Accounting, Organizational Culture, Ethics in Accounting, Moral Disengagement.*

ABSTRAK

Dalam beberapa tahun terakhir, isu etika dalam akuntansi manajerial semakin mendapat perhatian, terutama setelah berbagai skandal korporat besar. Kerangka etika tradisional umumnya menekankan tanggung jawab individu dan kepatuhan hukum, namun sering mengabaikan pengaruh budaya organisasi terhadap pengambilan keputusan etis. Salah satu faktor penting yang sering diabaikan adalah ethical blind spots—yaitu area kelalaian moral yang dipengaruhi oleh bias kognitif dan norma budaya dalam organisasi. Studi ini meneliti bagaimana blind spot etis muncul dan bertahan dalam praktik akuntansi manajerial melalui pendekatan studi kasus kualitatif. Wawancara dengan akuntan manajerial dan pengendali keuangan dari tiga perusahaan manufaktur menengah menunjukkan pola penalaran etis yang dibentuk oleh budaya internal. Temuan menunjukkan bahwa organisasi yang sangat berfokus pada target kinerja dan kepatuhan aturan—namun tidak mendorong diskusi etis—lebih rentan terhadap blind spot etis. Konsep seperti ethical fading dan organizational silence menjelaskan bagaimana perilaku tidak etis dapat menjadi kebiasaan, bahkan bagi profesional yang bermaksud baik. Kegagalan moral ini bukan semata

kesalahan individu, tetapi mencerminkan dinamika budaya yang lebih dalam. Oleh karena itu, perlu adanya perubahan budaya yang mendorong refleksi etis, komunikasi terbuka, dan rasa aman secara psikologis. Pendidikan etika dalam pelatihan akuntansi juga menjadi langkah penting untuk membangun ketahanan etis jangka panjang.

***Kata kunci**: Ethical Blind Spots, Akuntansi Manajerial, Budaya Organisasi, Etika dalam Akuntansi, Pelepasan Moral.*

INTRODUCTION

Managerial accounting plays a vital role in supporting strategic and operational decision-making within organizations. However, over the past decade, several cases involving cost manipulation, financial risk concealment, and internal budget misappropriation have highlighted critical ethical weaknesses in managerial accounting practices (Leeming, 2018; Kirana & Novita, 2021; DeTienne et al., 2021). High-profile corporate scandals such as Enron, Toshiba, and, in the Indonesian context, Jiwasraya and Asabri, have demonstrated that although accounting systems are technically designed to promote transparency and accountability, ethical integrity often remains a neglected dimension (Cowton, 2021). Traditional approaches to accounting ethics typically emphasize compliance with professional codes of conduct, external regulation, and individual responsibility. While these elements are important, they fall short in explaining why individuals who understand ethical principles and legal boundaries still engage in unethical behavior. This phenomenon leads to the concept of ethical blind spots areas in decision-making where moral considerations become blurred or completely overlooked, often due to social and cultural influences within the organization (Bazerman & Gino, 2012; Payne et al., 2020).

Ethical blind spots do not occur in a vacuum, they emerge within the context of organizational culture, which shapes how accounting professionals think, behave, and interpret ethical situations. Organizational cultures that prioritize performance, efficiency, and loyalty to superiors without providing space for critical dialogue or ethical reflection significantly contribute to the collective justification of deviant practices. In such environments, small transgressions are likely to be normalized and may evolve into systemic misconduct (Rooij & Fine, 2018; Seshoka, 2021; Dodgson, 2021). Recent research has shown that organizational culture plays a crucial role in shaping ethical awareness and ethical decision-making in accounting. Cultures that promote openness, dialogue, and moral courage, commonly referred to as ethical voice, have been proven to help prevent ethical violations. In contrast, cultures that rely on rigid hierarchies and results-driven pressure, without ethical deliberation, tend to reinforce moral disengagement (Treviño et al., 2014; Lewis, 2021; Victoria, 2025).

This gap indicates a need for a new perspective that views ethical violations not merely as individual failings but as the result of complex interactions between individuals and organizational culture. This becomes especially relevant in managerial accounting, where practitioners serve as key actors in bridging financial information, business strategy, and day-to-day operations. Their responsibilities extend beyond data presentation to include the construction and framing of narratives that influence managerial decisions (Collier, 2015; Duckett, 2021). Nevertheless, empirical literature on ethical blind spots in managerial accounting remains limited particularly within the context of organizational culture in the Indonesian private sector. Most studies focus on normative ethics or post-scandal analyses, leaving a gap in our understanding of the internal mechanisms that create and sustain moral insensitivity in organizations. This study seeks to fill that gap by qualitatively analyzing how organizational culture fosters the emergence and persistence of ethical blind spots, specifically in the managerial accounting practices of mid-sized manufacturing firms (Stake, 2013; Cousins et al., 2014).

Using a multiple-case study approach and in-depth interviews, this research explores not only how organizational norms and values shape accountants' ethical perceptions, but also how power structures, internal communication, and performance pressure generate ethical gray zones in decision-making. The study is grounded in a conceptual framework that integrates the theories of ethical fading, organizational silence, and cultural cognition, offering a deeper understanding of how unethical behavior becomes internalized and collectively accepted. By deepening our understanding of how organizational culture influences ethical blind spots, this study aims to contribute both theoretically and practically to improving ethical governance in organizations. The findings are expected to serve as a foundation for developing more context-sensitive ethics training, conducting cultural ethics audits, and formulating internal policies that are more responsive to the moral dynamics of managerial accounting environments. The purpose of this research is to investigate how specific elements of organizational culture such as shared beliefs, communication patterns, and authority dynamics contribute to the formation and persistence of ethical blind spots in managerial accounting.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Ethics in Managerial Accounting

Managerial accounting functions not only as a tool for internal recording and reporting but also as a critical instrument in decision-making processes that significantly influence the strategic direction of an organization (Okoro & Ekwueme, 2020; Putri & Triwidatin, 2025). In their role, managerial accountants have access to and authority over sensitive data, cost allocations, and the interpretation of financial information, all of which can shape the perceptions of management and other stakeholders. Therefore, integrity and ethical sensitivity are fundamental pillars of this practice (Karabay et al., 2018; Gallagher

et al., 2023). However, ethical approaches in managerial accounting are often limited to formal compliance with regulations and professional standards, without addressing deeper and more contextual moral dimensions (Heywood et al., 2017; Akpan & Oluwagbade, 2023).

This gap becomes increasingly critical as managerial accountants are frequently involved in complex judgment areas, such as budgeting, cost control, and performance evaluation, where ethical dilemmas may not always be clearly defined by standard rules. The ability to recognize and respond to ethical issues requires more than adherence to codes—it demands professional judgment, moral reasoning, and an awareness of the broader implications of financial decisions (Okoro & Ekwueme, 2020; Ermawati & Suhardianto, 2024). Furthermore, the organizational environment and leadership behavior play a vital role in shaping ethical culture within accounting functions. Without active efforts to embed ethical considerations into everyday practices, there is a risk that accounting decisions may prioritize efficiency or profitability at the expense of transparency and accountability (Bayes et al., 2022: Putri & Triwidatin, 2025). Therefore, cultivating ethical sensitivity through education, training, and leadership example is essential to ensuring managerial accounting supports long-term organizational integrity.

Ethical Blind Spot Concept

The term ethical blind spots refer to an individual's failure to recognize that a situation contains ethical dimensions. This phenomenon typically occurs not due to malicious intent, but because of cognitive and social processes that obscure the moral aspects of a decision (Bandura, 2014; Imam & Kim, 2023). Bazerman dan Gino (2012) explain that ethical blind spots arise from mechanisms such as motivated reasoning, bounded ethicality, and ethical fading, in which individuals do not consciously consider the moral consequences of their actions. In the context of managerial accounting, ethical blind spots can occur when the focus on achieving financial targets overrides integrity and transparency.

These blind spots are especially dangerous because they allow unethical behavior to persist under the guise of rational business practices. Managerial accountants may unknowingly rationalize questionable decisions, such as manipulating cost allocations or selectively presenting financial data, as necessary for organizational performance (Tenbrunsel & Messick, 2004; Bazerman & Gino, 2012). Over time, repeated exposure to such decisions can normalize unethical conduct, particularly in high-pressure environments where success is measured primarily through financial indicators (Ashforth & Anand, 2003; Collier, 2015). This normalization process is often reinforced by organizational silence and implicit rules that discourage ethical voice (Detert & Edmondson, 2011; Ozer et al., 2024). It highlights the need for ethical awareness training and the cultivation of a reflective mindset that encourages professionals to consistently

evaluate the ethical implications of their actions (Trevino & Nelson, 2021; Cowton, 2021). Addressing ethical blind spots requires not only individual vigilance but also structural support through ethical leadership and a values-based organizational culture (Ogunfowora et al., 2022; Imam & Kim, 2023).

Organizational Culture and Ethical Formation

Organizational culture is a system of shared values, norms, and beliefs that influences how members of an organization think and behave. A culture that emphasizes outcomes (outcome-oriented culture) often creates pressure to meet targets at the expense of ethical standards. In such contexts, deviant behavior can become normalized, especially when there are no consequences or when leaders set similar examples (Ashforth & Anand, 2003; Nafei, 2016). An organizational culture that is permissive toward ethical compromises tends to facilitate the release of moral responsibility, or moral disengagement, thereby creating space for the emergence of ethical blind spots (Bayes et al., 2020; Jones et al., 2024).

This phenomenon is further exacerbated when psychological safety is lacking, making employees hesitant to voice ethical concerns (Sherer, 2022; Anyamesem-Poku & Parmar, 2024). A culture where silence is rewarded or where dissent is discouraged fosters an environment in which unethical behaviors go unchallenged, contributing to ethical fading (Tenbrunsel & Messick, 2004). Over time, the normalization of such conduct results in widespread moral disengagement and ethical insensitivity (Bandura, 2014; Ogunfowora et al., 2022). The absence of strong ethical norms, combined with performance-driven pressures, weakens the organizational checks that typically prevent unethical decisions. Consequently, organizations with such cultures risk long-term reputational damage, employee disengagement, and regulatory consequences (Treviño et al., 2014; Adler, 2022).

Mechanism for Normalization of Ethical Violations

Normalization of deviance is the process by which unethical actions, initially seen as violations, gradually become accepted practices because they occur frequently without consequences. Within organizations, this process is reinforced by organizational silence, a culture of silence that discourages employees from reporting misconduct due to fear of managerial retaliation, reputational risk, or social exclusion (Sherer, 2022; Ozer, 2024). This dynamic allows ethical violations to become embedded within the system, making ethical blind spots increasingly difficult to detect.

This condition is often rooted in the absence of psychological safety, where employees feel unsafe to express dissenting views or ethical concerns, fearing backlash or exclusion (Joseph & Shetty, 2022; Anyamesem-Poku & Parmar, 2024). Furthermore, as Ashforth and Anand (2003) argue, repeated unethical behavior, when left unpunished, can evolve

into normalized corruption within the organization. In such settings, moral disengagement mechanisms are activated, making individuals justify or minimize their unethical decisions (Bandura, 2014; Guay & Johnston, 2022; Ogunfowora et al., 2022). Additionally, Adler (2022) highlights the need for trustworthiness in organizational systems to counteract these dynamics. Without institutional checks and a culture of integrity, normalization processes can deeply erode ethical standards, making deviance the organizational norm rather than the exception.

Ethical Voice and the Role of Accountants

An individual's ability to express moral concerns within an organization, known as ethical voice, plays a crucial role in preventing the emergence of ethical blind spots. Unfortunately, in many organizational contexts, there is a lack of psychologically safe environments that support open dialogue on ethical issues, often due to structural hierarchies or repressive organizational cultures (Trevino & Nelson, 2021; Anyamesem-Poku & Parmar, 2024). This is particularly evident in managerial accounting, where the pressure to achieve financial targets and maintain loyalty to organizational goals often suppresses ethical expression. As Detert and Edmondson (2011) explain, implicit voice theories—unspoken beliefs about the consequences of speaking up—discourage individuals from voicing ethical concerns, even when they are aware of wrongdoing.

This silencing effect is further amplified when leadership fails to model ethical behavior or provide formal channels for ethical discourse (Joseph & Shetty, 2022; Andriani et al., 2024). In such cases, accountants may experience internal conflict between their professional responsibilities and organizational expectations (Gallagher et al., 2023; Adler, 2022). Moreover, Seshoka (2021) warns that blind loyalty within organizational settings can foster environments where moral disengagement becomes routine. Thus, fostering a culture of ethical voice is not only a matter of individual courage but also of organizational design that prioritizes psychological safety, ethical integrity, and open communication as essential values.

RESEARCH METHOD

This study adopts a qualitative approach with a multiple-case study design to deeply explore how organizational culture shapes and influences the emergence of ethical blind spots in managerial accounting practices. The case study method was selected for its capacity to investigate complex organizational phenomena within real-world settings, particularly those involving the lived experiences of accountants. Research was conducted in three mid-sized manufacturing firms in Indonesia, each possessing formal managerial accounting systems and hierarchical structures. These companies were purposefully selected to reflect diverse organizational cultures, industry characteristics, and a willingness to participate. Key informants included managerial accountants, financial

controllers, and unit managers engaged in accounting-based decision-making. Data collection relied on in-depth semi-structured interviews with 12 informants, focusing on ethical dilemmas, perceptions of organizational values, managerial pressures, and communication dynamics. This approach allowed for the exploration of both explicit and tacit knowledge related to ethical behavior and organizational culture. It was complemented by non-participatory observation of work environments and informal interactions to capture spontaneous expressions, day-to-day routines, and ethical attitudes that might not surface in formal interviews. Additionally, the analysis of internal documents such as codes of ethics, financial reporting policies, audit reports, and internal communication materials provided important contextual data and served as a foundation for triangulation.

Thematic analysis was used to identify meaningful patterns from interview transcripts, observation notes, and documents. The analytical process involved several stages, including data familiarization, open coding, theme generation—such as ethical fading, organizational silence, and cultural reinforcement—and thematic interpretation aligned with broader ethical and organizational behavior frameworks. To ensure validity and robustness of findings, the study applied both source and method triangulation and incorporated member checking to verify whether the interpretations accurately reflected participants' perspectives. In terms of methodological rigor, credibility was enhanced through prolonged engagement, triangulation, and feedback loops. Transferability was addressed by providing thick descriptions of the organizational context and participant narratives. Dependability and confirmability were ensured by maintaining a transparent audit trail of decisions and conducting critical self-reflection throughout the research process to minimize bias and enhance interpretive clarity.

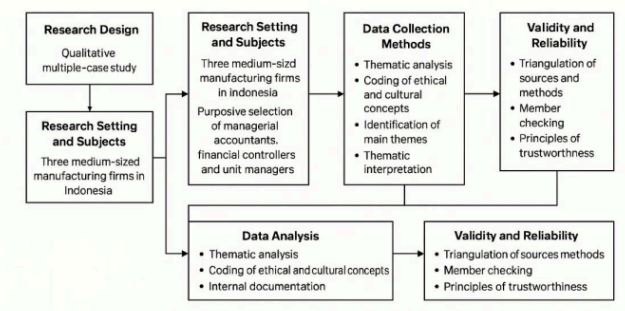

Figure 1. Research Methodology Flowchart

The Figure 1 illustrates the methodological framework of a qualitative multiple-case study focused on ethical blind spots in managerial accounting. The research design employs a qualitative approach involving three purposively selected medium-sized manufacturing firms in Indonesia. Participants include managerial accountants, financial controllers, and unit managers. Data collection involves thematic analysis, coding of ethical and cultural concepts, identification of key themes, and thematic interpretation. These methods inform the data analysis, which reiterates the use of thematic analysis, concept coding, and internal documentation review. To ensure validity and reliability, the study applies triangulation of sources and methods, member checking, and adherence to principles of trustworthiness, which are integrated at both the data collection and analysis stages.

RESULTS

Table 1. Thematic Analysis Matrix on Ethical Blind Spots within Organizational Culture

Main Theme	Sub-Theme	Indicator Empiris
Organizational Culture	Target-oriented culture	Pressure of number achievement, performance-based bonuses, short-term achievement
	Hierarchy and control	Managerial dominance in decisions, limited criticism space
	Norma informal	The culture of "the origin of the satisfied leader", loyalty to the boss
Blind Spot Etis	Ethical fading	Unaware of the moral dimension of action
	Bounded ethicality	Not considering moral values due to pressure or bias of the system
	Normalization of deviation	Deviant practices that become routine
Organizational Silence	Fear of speaking	Fear of the consequences of disclosing the violation
	No discussion room	There is no forum or time to talk about ethics
Moral Justification	Collective rationalization	Mutual justification for unethical behavior
	Redefining integrity	Adjusting the meaning of integrity for organizational convenience

Solutions and Expectations	The need for contextual ethics training	Hope there is training adapted to the reality of work

Table 1 presents the results of a thematic analysis on ethical blind spots within organizational culture. This matrix outlines the main themes, sub-themes, and empirical indicators that reflect how certain cultural patterns—such as target orientation, hierarchical control, and informal norms—contribute to ethical fading, bounded ethicality, and organizational silence. It also highlights moral justification mechanisms and proposed solutions, including ethics training and cultural audits, as critical steps toward addressing deeply embedded ethical vulnerabilities in organizational settings.

Organizational Culture That Encourages Ethical "Blind Spots"

Interview and field observation results reveal that an organizational culture heavily oriented toward achieving financial targets and short-term performance is the primary trigger for the emergence of ethical blind spots in managerial accounting practices. The three companies studied exhibited a consistent cultural pattern: a strong focus on numerical outputs, pressure to report positive unit performance, and an incentive system based on quantitative achievements. In this context, financial figures are no longer merely reflections of performance but have become managerial legitimacy symbols that must not "fail" in the eyes of top management and stakeholders. This creates a condition where managerial accountants serve not only as data reporters but also as "narrative managers" through the manipulation of numbers. Several informants mentioned that, although they technically recognize that report adjustments could be unethical, structural pressures and leadership expectations render these practices "silent obligations." In many cases, data inaccuracies or minor manipulations of performance reports are regarded as loyal contributions to the team and organization. This indicates a distortion in ethical perception, where collective success is defined by the ability to maintain the company's positive image, even at the expense of accuracy and transparency.

"Good numbers are considered important, especially for monthly meetings. Sometimes, if they are not aligned, they have to be 'tidied up'. Otherwise, the team is perceived as underperforming." (Informant A, Controller)

This statement highlights how a performance-driven culture can lead to internal justifications for unethical behavior. Actions like "tidying up the numbers" are seen not as violations but as strategic responses to unrealistic expectations. In such environments, ethical considerations become blurred as individuals focus more on meeting targets than on upholding moral standards. Organizational cultures that emphasize performance without ethical balance tend to foster climates that enable moral disengagement, where success is measured by compliance rather than integrity. In high-power distance contexts

like Indonesia, employees are less likely to question directives from superiors, which increases the likelihood of following ethically questionable instructions that appear socially acceptable. Over time, this dynamic contributes to a systemic shift in ethical perception, shaped by organizational norms rather than professional values. Ethical blind spots, therefore, are not merely personal failures but the result of cultural distortions within organizations that discourage ethical reflection, suppress transparency, and undermine critical moral judgment.

Normalization of Deviance and Collective Rationalization

Ethical blind spots in managerial accounting do not only arise from structural pressures or result-oriented organizational cultures but also develop gradually through collective rationalization mechanisms that institutionalize deviant behavior as part of "operational routine." Interview data indicate that practices such as number adjustments, delaying expense recognition, or reallocating costs are not seen as violations but as adaptive strategies considered reasonable for maintaining financial performance stability in the eyes of management. In other words, there is a transformation in the meaning of manipulative actions—from something normatively unethical to "technical wisdom" or even "professional cleverness.

"It is not considered lying, but more about arranging the time and presentation of numbers which is commonly done by many people." (Informant B, Managerial Accountant)

This statement highlights how individuals justify unethical actions by aligning them with group norms, leading to the collective acceptance of deviance. When such behaviors go unpunished and are subtly approved by leaders or peers, they become normalized and integrated into daily work practices. Small violations no longer trigger ethical concerns and are instead seen as necessary or harmless parts of professional life. Common justifications like "everyone does it" or "it's for the good of the organization" help reinforce these actions as acceptable. This normalization occurs not only through personal reasoning but also through shared organizational narratives that reframe manipulation as loyalty or contribution, allowing individuals to detach their behavior from moral responsibility.

In organizational cultures that emphasize harmony and avoid conflict, such as in many Indonesian companies, challenging unethical practices is often discouraged. Individuals who speak out risk being labeled uncooperative. As rationalizations become normalized, they are woven into daily operations and informal governance, making them difficult to dismantle. Ethical fading, in this context, is not always unconscious—it can be intentional. Managerial accountants may recognize the ethical implications of their actions but justify them through organizational cues, incentives, or peer approval. Over time, these behaviors stop triggering moral concern. Ethical blind spots formed this way reflect not personal

flaws but deeply rooted cultural norms, requiring structural reform that goes beyond education to challenge the collective narratives enabling deviance.

Organizational Silence and the Inhibition of Ethical Voice

This study also found that one of the key factors reinforcing the presence of ethical blind spots in managerial accounting practices is organizational silence. Organizational silence refers to a condition where members of an organization are reluctant to voice opinions, criticisms, or objections to practices deemed deviant, primarily due to social pressure, rigid hierarchical structures, or fear of negative consequences. In the three organizations studied, most informants stated that although they recognized ethical discrepancies in reporting or decision-making practices, they chose to remain silent because they felt there was no safe space to speak up.

"If you are too vocal, you're seen as troublesome. But sometimes we just want to remind so things don't get overlooked." (Informant C, Accounting Supervisor)

The barrier to raising ethical concerns in some organizations is cultural rather than technical. In environments where loyalty to superiors is seen as the highest virtue, speaking out about potential wrongdoing is often discouraged or viewed negatively. This leads to the suppression of ethical dialogue and reinforces unchecked authority. Even when unethical behavior is noticed, it often goes unreported due to the absence of supportive mechanisms and fear of being labeled a troublemaker. Employees prefer to conform socially rather than risk professional or social consequences. Ironically, the stronger the culture of loyalty, the more ethical blind spots emerge, as silence and compliance take precedence over moral accountability.

Furthermore, in many Indonesian companies with hierarchical and conflict-avoidant cultures, organizational silence becomes deeply ingrained. Subordinates' input is often viewed as disobedience rather than valuable feedback, rendering ethical voice ineffective. A "please the boss" mindset overrides principles like transparency and accountability, institutionalizing silence and allowing ethical violations to persist. This has serious implications for managerial accounting. Accountants, pressured by professional loyalty and organizational culture, may suppress doubts, adjust financial reports, and ignore unethical practices. Over time, this behavior weakens the ethical integrity of the organization and leads to a financial information system prone to distortion and manipulation.

Thus, organizational silence is not merely the absence of voice but an active representation of organizational failure to create safe spaces for ethical oversight. To address this, it is insufficient to merely establish formal reporting systems like whistleblowing—which are often underutilized due to low trust. More importantly, there must be a cultivation of a work culture that encourages openness, moral courage, and two-way dialogue at all organizational levels.

Redefinition of Ethical Values in an Organizational Context

One of the most interesting and worrying findings in this study is the existence of systemic tendencies in which moral concepts such as "integrity" and "professionalism" undergo contextual reinterpretation in the organizational environment. Based on interviews with informants, it appears that these two terms, which should be principled, have undergone a shift in meaning and are given pragmatic content by the expectations of superiors, internal power dynamics, and organizational operational needs. Integrity is no longer interpreted as a commitment to truth and accuracy, but rather as the ability to maintain internal harmony and loyalty to the command structure. Professionalism is no longer a reflection of ethical standards and objectivity, but is synonymous with flexibility and loyalty to the interests of the institution.

"The important thing is to be loyal and be able to maintain the good name of the team. When it comes to right and wrong, sometimes it can be negotiated as long as it doesn't interfere with the system." (Informant D, Financial Manager)

This statement reflects that formal ethical framework are often subordinated by the socio-cultural realities of the organization. In this context, individuals tend to avoid moral judgments based on universal principles and replace them with pragmatic calculations: whether an action will embarrass the team, interfere with the interests of the leadership, or disrupt the "smooth running of the system". As a result, ethical judgments become relative and dependent on position, power relations, and internal political dynamics. This phenomenon leads to cultural cognition, a concept introduced by Kahan (2015), which explains how moral beliefs and perceptions of "truth" are shaped by the dominant values in a particular social group, rather than by objective moral logic.

In organizational cultures that prioritize loyalty, harmony, and stability, moral values are reshaped by internal consensus rather than objective principles. Integrity is often redefined as conformity to group interests, making ethical courage appear disruptive. Faced with dilemmas, managerial accountants tend to choose politically safe options, even if morally unclear. This leads to ethical blind spots not just from ignorance, but from altered perceptions of right and wrong shaped by the organization's social norms. Ethical values are adjusted to align with managerial expectations, turning questionable actions into acceptable adaptations. Over time, this creates a pseudo-ethical environment where moral language remains, but its true meaning is lost.

Furthermore, in many organizations, moral values are reinterpreted through internal consensus rather than objective ethical principles. Integrity becomes defined by loyalty and conformity to group interests, while ethical courage is seen as disruptive. This leads individuals, particularly managerial accountants, to make morally ambiguous decisions that are politically safe and socially acceptable. Over time, questionable actions are normalized, turning into adaptive behaviors supported by internal narratives. This process

creates ethical blind spots, not from ignorance, but from value distortions shaped by organizational norms. The phenomenon is reinforced by moral licensing, where individuals justify unethical behavior based on past contributions or symbolic roles, such as "working hard for the team." As a result, moral transgressions go undetected, free from guilt or self-correction. Addressing this issue requires more than ethical training—it demands a cultural shift through regular values audits that critically assess how integrity, accountability, and professionalism are defined and practiced. Without this, ethics risk becoming symbolic tools that legitimize systemic misconduct.

Redefinition of Ethical Values in an Organizational Context

Although many ethical blind spots were identified, almost all informants stated that change is still possible, particularly through real-world work context-based ethics training and organizational culture audits. They expect the training to be no longer normative, but to address real dilemmas and how to manage them ethically. This shows that to overcome ethical blind spots, organizations not only need to improve reporting or compliance systems, but also transform organizational culture, emphasizing transparency, psychological safety, and ethical voice empowerment at all levels.

DISCUSSION

This study concludes that ethical blind spots in managerial accounting are not simply the result of individual mistakes or moral failures, but are rooted in the interplay of structural pressures, cultural rationalizations, and inadequate ethical oversight. These findings echo previous research by Sims (2003) and Burchell (2020) that highlights how an overemphasis on target achievement often marginalizes ethical considerations. However, this study goes further by showing that these blind spots are institutionalized through shared narratives that redefine loyalty and professionalism in ways that undermine moral autonomy. Building on the work of Ashforth and Anand (2003), this study supports the idea that normalization of deviance occurs when minor violations become routine and go unpunished. Unlike previous research that often emphasizes regulatory or external controls such as those presented by Payne et al. (2020) and Cowton (2021), this study highlights how informal organizational cultures and hierarchical structures facilitate the silencing of persistent ethical concerns. This echoes the findings of Joseph and Shetty (2022), who describe how hierarchical and authoritarian leadership stifles ethical voice. Furthermore, as Detert and Edmondson (2011) have argued, organizational silence—when reinforced by fear and lack of psychological safety—significantly increases ethical risk. Our findings confirm that this silence is not passive, but socially constructed and maintained by collective fear of reputational or career-related consequences.

Compared to Bazerman and Gino's (2012) behavioral ethics framework, this study reinforces the view that moral disengagement is often context-driven and reinforced by the organizational system itself. This phenomenon is exacerbated in cultures with high power distance, such as Indonesia, where dissent is discouraged, and ethical issues are viewed as distractions rather than constructive input. This extends Bandura's (2014) theory of moral reasoning by illustrating how moral reasoning is manipulated through collective reframing, transforming potentially unethical actions into perceived contributions to organizational success. In this regard, our study contributes by conceptualizing ethical blind spots not as a failure to know what is right, but as a failure to act on that knowledge due to cultural reinterpretation and peer reinforcement.

Practically, this study offers significant implications for organizational ethics management. Consistent with Anyamesem-Poku and Parmar (2024), psychological safety must be institutionalized as part of an organization's ethics infrastructure. This requires a shift from a punitive approach to a reflective approach that emphasizes dialogue, trust, and collective responsibility. While previous recommendations have often focused on compliance measures and ethics training, as Payne et al. (2020) and Gallagher et al. (2023) both argue, our findings advocate for more contextually grounded interventions: embedding ethics into performance metrics, reconfiguring incentives, and promoting narrative change around what constitutes "professional success."

In addition, drawing on Adler's (2022) emphasis on credibility and trustworthiness in qualitative inquiry, this study underscores the importance of creating internal mechanisms that ensure transparency and shared accountability. Ethics audits, values-based performance appraisals, and participatory forums for ethical reflection can shift ethics from symbolic rhetoric to active practice. As supported by Braun and Clarke's (2024) thematic approach, this structural reinforcement must be informed by a context-specific interpretation of moral values that acknowledges employees' lived experiences.

This study contributes to the growing discourse on accounting ethics by framing ethical blind spots as systemic and culturally embedded phenomena rather than isolated lapses. It calls for a transformation of organizational consciousness—moving from a rigid performance paradigm to a culture that supports ethical courage, narrative transparency, and collective moral reasoning. In line with insights from Ermawati and Suhardianto (2024), such a transformation is key to fostering ethical resilience and sustainability in managerial accounting practices.

CONCLUSION

This study finds that ethical blind spots in managerial accounting are not merely individual moral failings but are systemic outcomes shaped by organizational structures, performance pressures, and cultural rationalizations. In work environments where achieving targets is prioritized over ethical reflection, minor deviations become

normalized and are gradually accepted as legitimate practices. Even professionals with good intentions may be absorbed into a culture that subtly redefines integrity as loyalty to authority rather than adherence to ethical standards. The study identifies three primary mechanisms sustaining ethical blind spots: ethical fading, organizational silence, and cognitive distortion through cultural consensus.

The practical implication of this finding is the urgent need for transformational change in organizational ethics management. Addressing ethical vulnerabilities requires more than strengthening internal control systems; it necessitates embedding ethical awareness into daily routines. This includes implementing organizational culture audits focused on values such as integrity, transparency, and accountability, reformulating incentive structures that reward ethical behavior, and developing ethics training rooted in real-world dilemmas faced by managerial accountants.

Theoretically, this research contributes to a deeper understanding of how organizational culture interacts with behavioral ethics. It confirms and extends prior work on ethical fading and moral disengagement by demonstrating that blind spots are not passive omissions, but active reinterpretations shaped by group norms and leadership models. This supports the view that ethics must be treated as a dynamic, context-sensitive process rather than a fixed individual trait.

However, this study has limitations in scope and sample size, focusing primarily on mid-sized Indonesian companies. Future research could explore cross-cultural comparisons or sectoral variations to generalize findings more broadly. Longitudinal studies are also recommended to examine how ethical perceptions evolve over time in response to organizational reforms or crises.

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Organizational Culture and Ethical Blind Spots in Managerial Accounting

Gilbert Rely
Universitas Bhayangkara Jakarta Raya; Bekasi, Indonesia
E-Mail: gilbert.rely@dsn.ubharajaya.ac.id

ABSTRACT

In recent years, ethical concerns in managerial accounting have become more prominent, especially in light of corporate scandals. While traditional ethics frameworks emphasize individual responsibility and legal compliance, they often overlook how organizational culture shapes ethical decision-making. One crucial but often neglected factor is the presence of ethical blind spots, moral oversights influenced by cognitive biases and cultural norms within organizations. This study explores how such blind spots emerge and persist in managerial accounting, using a qualitative multiple-case approach. Interviews with managerial accountants and financial controllers from three mid-sized manufacturing firms revealed patterns of ethical reasoning shaped by internal culture. Findings suggest that organizations focused heavily on performance targets and rule compliance, while discouraging ethical dialogue, are especially prone to ethical blind spots. Concepts like ethical fading and organizational silence explain how unethical behavior can become normalized over time, even among well-meaning professionals. These moral lapses are not merely personal shortcomings but reflect deeper cultural dynamics. Addressing them requires more than strict rules; it involves cultivating a culture that promotes ethical reflection, open communication, and psychological safety. The study highlights the need for ethical culture assessments and calls for ethics training to be embedded in accounting education to foster long-term integrity and resilience within organizations.

***Keywords**: Ethical Blind Spots, Managerial Accounting, Organizational Culture, Ethics in Accounting, Moral Disengagement.*

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ABSTRAK

Dalam beberapa tahun terakhir, isu etika dalam akuntansi manajerial semakin mendapat perhatian, terutama setelah berbagai skandal korporat besar. Kerangka etika tradisional umumnya menekankan tanggung jawab individu dan kepatuhan hukum, namun sering mengabaikan pengaruh budaya organisasi terhadap pengambilan keputusan etis. Salah satu faktor penting yang sering diabaikan adalah ethical blind spots—yaitu area kelalaian moral yang dipengaruhi oleh bias kognitif dan norma budaya dalam organisasi. Studi ini meneliti bagaimana blind spot etis muncul dan bertahan dalam praktik akuntansi manajerial melalui pendekatan studi kasus kualitatif. Wawancara dengan akuntan manajerial dan pengendali keuangan dari tiga perusahaan manufaktur menengah menunjukkan pola penalaran etis yang dibentuk oleh budaya internal. Temuan menunjukkan bahwa organisasi yang sangat berfokus pada target kinerja dan kepatuhan aturan—namun tidak mendorong diskusi etis—lebih rentan terhadap blind spot etis. Konsep seperti ethical fading dan organizational silence menjelaskan bagaimana perilaku tidak etis dapat menjadi kebiasaan, bahkan bagi profesional yang bermaksud baik. Kegagalan moral ini bukan semata kesalahan individu, tetapi mencerminkan dinamika budaya yang lebih dalam. Oleh karena itu, perlu adanya perubahan budaya yang mendorong refleksi etis, komunikasi terbuka, dan rasa aman secara psikologis. Pendidikan etika dalam pelatihan akuntansi juga menjadi langkah penting untuk membangun ketahanan etis jangka panjang.

***Kata kunci**: Ethical Blind Spots, Akuntansi Manajerial, Budaya Organisasi, Etika dalam Akuntansi, Pelepasan Moral.*

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INTRODUCTION

Managerial accounting plays a vital role in supporting strategic and operational decision-making within organizations. However, over the past decade, several cases involving cost manipulation, financial risk concealment, and internal budget misappropriation have highlighted critical ethical weaknesses in managerial accounting practices (Leeming, 2018; Kirana & Novita, 2021; DeTienne et al., 2021). High-profile corporate scandals such as Enron, Toshiba, and, in the Indonesian context, Jiwasraya and Asabri, have demonstrated that although accounting systems are technically designed to promote transparency and accountability, ethical integrity often remains a neglected dimension (Cowton, 2021). Traditional approaches to accounting ethics typically emphasize compliance with professional codes of conduct, external regulation, and individual responsibility. While these elements are important, they fall short in explaining why individuals who understand ethical principles and legal boundaries still engage in unethical behavior. This phenomenon leads to the concept of ethical blind spots areas in decision-making where moral considerations become blurred or completely overlooked, often due to social and cultural influences within the organization (Bazerman & Gino, 2012; Payne et al., 2020).

Ethical blind spots do not occur in a vacuum, they emerge within the context of organizational culture, which shapes how accounting professionals think, behave, and interpret ethical situations. Organizational cultures that prioritize performance, efficiency, and loyalty to superiors without providing space for critical dialogue or ethical reflection significantly contribute to the collective justification of deviant practices. In such environments, small transgressions are likely to be normalized and may evolve into systemic misconduct (Rooij & Fine, 2018; Seshoka, 2021; Dodgson, 2021). Recent research has shown that organizational culture plays a crucial role in shaping ethical awareness and ethical decision-making in accounting. Cultures that promote openness, dialogue, and moral courage, commonly referred to as ethical voice, have been proven to help prevent ethical violations. In contrast, cultures that rely on rigid hierarchies and results-driven pressure, without ethical deliberation, tend to reinforce moral disengagement (Treviño et al., 2014; Lewis, 2021; Victoria, 2025).

This gap indicates a need for a new perspective that views ethical violations not merely as individual failings but as the result of complex interactions between individuals and organizational culture. This becomes especially relevant in managerial accounting, where practitioners serve as key actors in bridging financial information, business strategy, and day-to-day operations. Their responsibilities extend beyond data presentation to include the construction and framing of narratives that influence managerial decisions (Collier, 2015; Duckett, 2021). Nevertheless, empirical literature on ethical blind spots in managerial accounting remains limited particularly within the context of organizational culture in the Indonesian private sector. Most studies focus on normative ethics or post-scandal analyses, leaving a gap in our understanding of the internal mechanisms that create and sustain moral insensitivity in organizations. This study seeks to fill that gap by qualitatively analyzing how organizational culture fosters the emergence and persistence of ethical blind spots, specifically in the managerial accounting practices of mid-sized manufacturing firms (Stake, 2013; Cousins et al., 2014).

Using a multiple-case study approach and in-depth interviews, this research explores not only how organizational norms and values shape accountants' ethical perceptions, but also how power structures, internal communication, and performance pressure generate ethical gray zones in decision-making. The study is grounded in a conceptual framework that integrates the theories of ethical fading, organizational silence, and cultural cognition, offering a deeper understanding of how unethical behavior becomes internalized and collectively accepted. By deepening our understanding of how organizational culture influences ethical blind spots, this study aims to contribute both theoretically and practically to improving ethical governance in organizations. The findings are expected to serve as a foundation for developing more context-sensitive ethics training, conducting cultural ethics audits, and formulating internal policies that are more

responsive to the moral dynamics of managerial accounting environments. The purpose of this research is to investigate how specific elements of organizational culture such as shared beliefs, communication patterns, and authority dynamics contribute to the formation and persistence of ethical blind spots in managerial accounting.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Ethics in Managerial Accounting

Managerial accounting functions not only as a tool for internal recording and reporting but also as a critical instrument in decision-making processes that significantly influence the strategic direction of an organization (Okoro & Ekwueme, 2020; Putri & Triwidatin, 2025). In their role, managerial accountants have access to and authority over sensitive data, cost allocations, and the interpretation of financial information, all of which can shape the perceptions of management and other stakeholders. Therefore, integrity and ethical sensitivity are fundamental pillars of this practice (Karabay et al., 2018; Gallagher et al., 2023). However, ethical approaches in managerial accounting are often limited to formal compliance with regulations and professional standards, without addressing deeper and more contextual moral dimensions (Heywood et al., 2017; Akpan & Oluwagbade, 2023).

This gap becomes increasingly critical as managerial accountants are frequently involved in complex judgment areas, such as budgeting, cost control, and performance evaluation, where ethical dilemmas may not always be clearly defined by standard rules. The ability to recognize and respond to ethical issues requires more than adherence to codes—it demands professional judgment, moral reasoning, and an awareness of the broader implications of financial decisions (Okoro & Ekwueme, 2020; Ermawati & Suhardianto, 2024). Furthermore, the organizational environment and leadership behavior play a vital role in shaping ethical culture within accounting functions. Without active efforts to embed ethical considerations into everyday practices, there is a risk that accounting decisions may prioritize efficiency or profitability at the expense of transparency and accountability (Bayes et al., 2022: Putri & Triwidatin, 2025). Therefore, cultivating ethical sensitivity through education, training, and leadership example is essential to ensuring managerial accounting supports long-term organizational integrity.

Ethical Blind Spot Concept

The term ethical blind spots refer to an individual's failure to recognize that a situation contains ethical dimensions. This phenomenon typically occurs not due to malicious intent, but because of cognitive and social processes that obscure the moral aspects of a decision (Bandura, 2014; Imam & Kim, 2023). Bazerman and Gino (2012) explain that ethical blind spots arise from mechanisms such as motivated reasoning, bounded ethicality, and ethical fading, in which individuals do not consciously consider the moral consequences of their actions. In the context of managerial accounting, ethical blind spots can occur when the focus on achieving financial targets overrides integrity and transparency.

These blind spots are especially dangerous because they allow unethical behavior to persist under the guise of rational business practices. Managerial accountants may unknowingly rationalize questionable decisions, such as manipulating cost allocations or selectively presenting financial data, as necessary for organizational performance (Tenbrunsel & Messick, 2004; Bazerman & Gino, 2012). Over time, repeated exposure to such decisions can normalize unethical conduct, particularly in high-pressure environments where success is measured primarily through financial indicators (Ashforth & Anand, 2003; Collier, 2015). This normalization process is often reinforced by organizational silence and implicit rules that discourage ethical voice (Detert & Edmondson, 2011; Ozer et al., 2024). It highlights the need for ethical awareness training and the cultivation of a reflective mindset that encourages professionals to consistently evaluate the ethical implications of their actions (Trevino & Nelson, 2021; Cowton, 2021). Addressing ethical blind spots requires not only individual vigilance but also structural

support through ethical leadership and a values-based organizational culture (Ogunfowora et al., 2022; Imam & Kim, 2023).

Organizational Culture and Ethical Formation

Organizational culture is a system of shared values, norms, and beliefs that influences how members of an organization think and behave. A culture that emphasizes outcomes (outcome-oriented culture) often creates pressure to meet targets at the expense of ethical standards. In such contexts, deviant behavior can become normalized, especially when there are no consequences or when leaders set similar examples (Ashforth & Anand, 2003; Nafei, 2016). An organizational culture that is permissive toward ethical compromises tends to facilitate the release of moral responsibility, or moral disengagement, thereby creating space for the emergence of ethical blind spots (Bayes et al., 2020; Jones et al., 2024).

This phenomenon is further exacerbated when psychological safety is lacking, making employees hesitant to voice ethical concerns (Sherer, 2022; Anyamesem-Poku & Parmar, 2024). A culture where silence is rewarded or where dissent is discouraged fosters an environment in which unethical behaviors go unchallenged, contributing to ethical fading (Tenbrunsel & Messick, 2004). Over time, the normalization of such conduct results in widespread moral disengagement and ethical insensitivity (Bandura, 2014; Ogunfowora et al., 2022). The absence of strong ethical norms, combined with performance-driven pressures, weakens the organizational checks that typically prevent unethical decisions. Consequently, organizations with such cultures risk long-term reputational damage, employee disengagement, and regulatory consequences (Treviño et al., 2014; Adler, 2022).

Mechanism for Normalization of Ethical Violations

Normalization of deviance is the process by which unethical actions, initially seen as violations, gradually become accepted practices because they occur frequently without consequences. Within organizations, this process is reinforced by organizational silence, a culture of silence that discourages employees from reporting misconduct due to fear of managerial retaliation, reputational risk, or social exclusion (Sherer, 2022; Ozer, 2024). This dynamic allows ethical violations to become embedded within the system, making ethical blind spots increasingly difficult to detect.

This condition is often rooted in the absence of psychological safety, where employees feel unsafe to express dissenting views or ethical concerns, fearing backlash or exclusion (Joseph & Shetty, 2022; Anyamesem-Poku & Parmar, 2024). Furthermore, as Ashforth and Anand (2003) argue, repeated unethical behavior, when left unpunished, can evolve into normalized corruption within the organization. In such settings, moral disengagement mechanisms are activated, making individuals justify or minimize their unethical decisions (Bandura, 2014; Guay & Johnston, 2022; Ogunfowora et al., 2022). Additionally, Adler (2022) highlights the need for trustworthiness in organizational systems to counteract these dynamics. Without institutional checks and a culture of integrity, normalization processes can deeply erode ethical standards, making deviance the organizational norm rather than the exception.

Ethical Voice and the Role of Accountants

An individual's ability to express moral concerns within an organization, known as ethical voice, plays a crucial role in preventing the emergence of ethical blind spots. Unfortunately, in many organizational contexts, there is a lack of psychologically safe environments that support open dialogue on ethical issues, often due to structural hierarchies or repressive organizational cultures (Trevino & Nelson, 2021; Anyamesem-Poku & Parmar, 2024). This is particularly evident in managerial accounting, where the pressure to achieve financial targets and maintain loyalty to organizational goals often suppresses ethical expression. As Detert and Edmondson (2011) explain, implicit voice

theories—unspoken beliefs about the consequences of speaking up—discourage individuals from voicing ethical concerns, even when they are aware of wrongdoing.

This silencing effect is further amplified when leadership fails to model ethical behavior or provide formal channels for ethical discourse (Joseph & Shetty, 2022; Andriani et al., 2024). In such cases, accountants may experience internal conflict between their professional responsibilities and organizational expectations (Gallagher et al., 2023; Adler, 2022). Moreover, Seshoka (2021) warns that blind loyalty within organizational settings can foster environments where moral disengagement becomes routine. Thus, fostering a culture of ethical voice is not only a matter of individual courage but also of organizational design that prioritizes psychological safety, ethical integrity, and open communication as essential values.

RESEARCH METHOD

This study adopts a qualitative approach with a multiple-case study design to deeply explore how organizational culture shapes and influences the emergence of ethical blind spots in managerial accounting practices. The case study method was selected for its capacity to investigate complex organizational phenomena within real-world settings, particularly those involving the lived experiences of accountants. Research was conducted in three mid-sized manufacturing firms in Indonesia, each possessing formal managerial accounting systems and hierarchical structures. These companies were purposefully selected to reflect diverse organizational cultures, industry characteristics, and a willingness to participate. Key informants included managerial accountants, financial controllers, and unit managers engaged in accounting-based decision-making. Data collection relied on in-depth semi-structured interviews with 12 informants, focusing on ethical dilemmas, perceptions of organizational values, managerial pressures, and communication dynamics. This approach allowed for the exploration of both explicit and tacit knowledge related to ethical behavior and organizational culture. It was complemented by non-participatory observation of work environments and informal interactions to capture spontaneous expressions, day-to-day routines, and ethical attitudes that might not surface in formal interviews. Additionally, the analysis of internal documents such as codes of ethics, financial reporting policies, audit reports, and internal communication materials provided important contextual data and served as a foundation for triangulation.

Thematic analysis was used to identify meaningful patterns from interview transcripts, observation notes, and documents. The analytical process involved several stages, including data familiarization, open coding, theme generation—such as ethical fading, organizational silence, and cultural reinforcement—and thematic interpretation aligned with broader ethical and organizational behavior frameworks. To ensure validity and robustness of findings, the study applied both source and method triangulation and incorporated member checking to verify whether the interpretations accurately reflected participants' perspectives. In terms of methodological rigor, credibility was enhanced through prolonged engagement, triangulation, and feedback loops. Transferability was addressed by providing thick descriptions of the organizational context and participant narratives. Dependability and confirmability were ensured by maintaining a transparent audit trail of decisions and conducting critical self-reflection throughout the research process to minimize bias and enhance interpretive clarity.

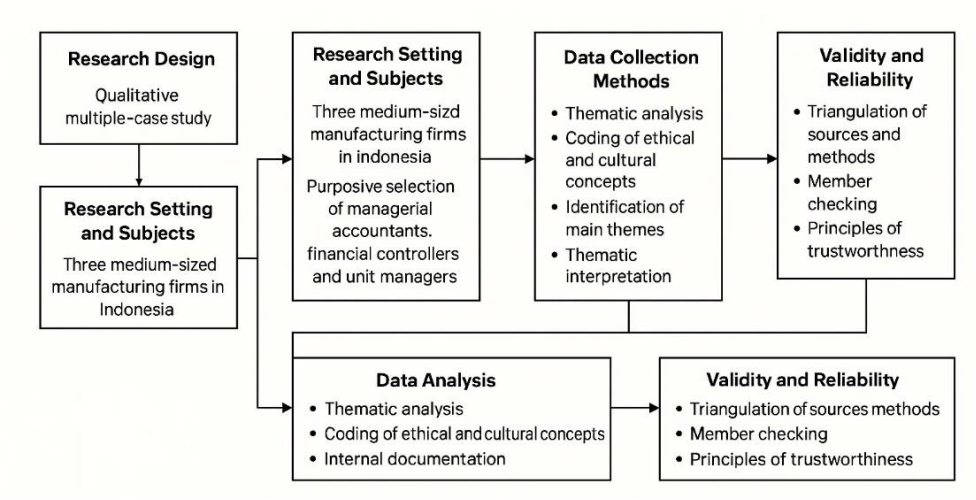

Figure 1. Research Methodology Flowchart

The Figure 1 illustrates the methodological framework of a qualitative multiple-case study focused on ethical blind spots in managerial accounting. The research design employs a qualitative approach involving three purposively selected medium-sized manufacturing firms in Indonesia. Participants include managerial accountants, financial controllers, and unit managers. Data collection involves thematic analysis, coding of ethical and cultural concepts, identification of key themes, and thematic interpretation. These methods inform the data analysis, which reiterates the use of thematic analysis, concept coding, and internal documentation review. To ensure validity and reliability, the study applies triangulation of sources and methods, member checking, and adherence to principles of trustworthiness, which are integrated at both the data collection and analysis stages.

RESULTS

Table 1. Thematic Analysis Matrix on Ethical Blind Spots within Organizational Culture

Main Theme	Sub-Theme	Indicator Empiris
Organizational Culture	Target-oriented culture	Pressure of number achievement, performance-based bonuses, short-term achievement
	Hierarchy and control	Managerial dominance in decisions, limited criticism space
	Norma informal	The culture of "the origin of the satisfied leader", loyalty to the boss
Blind Spot Etis	Ethical fading	Unaware of the moral dimension of action
	Bounded ethicality	Not considering moral values due to pressure or bias of the system
	Normalization of deviation	Deviant practices that become routine
Organizational Silence	Fear of speaking	Fear of the consequences of disclosing the violation
	No discussion room	There is no forum or time to talk about ethics
Moral Justification	Collective rationalization	Mutual justification for unethical behavior
	Redefining integrity	Adjusting the meaning of integrity for organizational convenience
Solutions and Expectations	The need for contextual ethics training	Hope there is training adapted to the reality of work

Table 1 presents the results of a thematic analysis on ethical blind spots within organizational culture. This matrix outlines the main themes, sub-themes, and empirical indicators that reflect how certain cultural patterns—such as target orientation, hierarchical control, and informal norms—contribute to ethical fading, bounded ethicality, and organizational silence. It also highlights moral justification mechanisms

and proposed solutions, including ethics training and cultural audits, as critical steps toward addressing deeply embedded ethical vulnerabilities in organizational settings.

Organizational Culture That Encourages Ethical "Blind Spots"

Interview and field observations reveal that an organizational culture focused heavily on financial targets and short-term performance triggers ethical blind spots in managerial accounting. The three companies studied shared a culture emphasizing numerical results, pressure to report positive outcomes, and incentives tied to quantitative achievements. In such settings, financial figures are seen not just as performance indicators but as symbols of managerial legitimacy that must not "fail" in the eyes of leadership. This leads managerial accountants to act as "narrative managers," adjusting numbers to align with expectations. Although informants admitted such actions could be unethical, structural pressure and leadership demands make these manipulations feel like silent obligations. Inaccuracies are often viewed as loyalty rather than misconduct. As Informant A (Controller) noted, figures are sometimes "tidied up" to avoid negative perceptions during monthly meetings. This reflects how performance-driven cultures can justify unethical behavior as strategic compliance. In high power-distance contexts like Indonesia, subordinates are less likely to challenge superiors, reinforcing this pattern. Ethical blind spots thus emerge not from individual flaws but from systemic cultural distortions that prioritize appearance over integrity. Over time, this erodes ethical judgment and fosters environments where moral disengagement becomes normalized.

Normalization of Deviance and Collective Rationalization

Ethical blind spots in managerial accounting do not only arise from structural pressures or result-oriented organizational cultures but also develop gradually through collective rationalization mechanisms that institutionalize deviant behavior as part of "operational routine." Interview data indicate that practices such as number adjustments, delaying expense recognition, or reallocating costs are not seen as violations but as adaptive strategies considered reasonable for maintaining financial performance stability in the eyes of management. In other words, there is a transformation of the meaning of manipulative actions—from something normatively unethical to "technical wisdom" or even "professional intelligence". Informant B, a Managerial Accountant, stated that the right is not considered lying, but rather the timing and presentation of numbers that are commonly done by many people.

This statement highlights how individuals justify unethical actions by aligning them with group norms, leading to the collective acceptance of deviance. When such behaviors go unpunished and are subtly approved by leaders or peers, they become normalized and integrated into daily work practices. Small violations no longer trigger ethical concerns and are instead seen as necessary or harmless parts of professional life. Common justifications like "everyone does it" or "it's for the good of the organization" help reinforce these actions as acceptable. This normalization occurs not only through personal reasoning but also through shared organizational narratives that reframe manipulation as loyalty or contribution, allowing individuals to detach their behavior from moral responsibility.

In organizational cultures that emphasize harmony and avoid conflict, such as in many Indonesian companies, challenging unethical practices is often discouraged. Individuals who speak out risk being labeled uncooperative. As rationalizations become normalized, they are woven into daily operations and informal governance, making them difficult to dismantle. Ethical fading, in this context, is not always unconscious—it can be intentional. Managerial accountants may recognize the ethical implications of their actions but justify them through organizational cues, incentives, or peer approval. Over time, these behaviors stop triggering moral concern. Ethical blind spots formed this way reflect not personal flaws but deeply rooted cultural norms, requiring structural reform that goes beyond education to challenge the collective narratives enabling deviance.

Organizational Silence and the Inhibition of Ethical Voice

This study also found that one of the key factors reinforcing the presence of ethical blind spots in managerial accounting practices is organizational silence. Organizational silence refers to a condition where members of an organization are reluctant to voice opinions, criticisms, or objections to practices deemed deviant, primarily due to social pressure, rigid hierarchical structures, or fear of negative consequences. Informant C (Accounting Supervisor) if too vocal, someone will be considered a troublemaker. Even though sometimes they just want to give a reminder so that nothing is missed.

The barrier to raising ethical concerns in some organizations is cultural rather than technical. In environments where loyalty to superiors is seen as the highest virtue, speaking out about potential wrongdoing is often discouraged or viewed negatively. This leads to the suppression of ethical dialogue and reinforces unchecked authority. Even when unethical behavior is noticed, it often goes unreported due to the absence of supportive mechanisms and fear of being labeled a troublemaker. Employees prefer to conform socially rather than risk professional or social consequences. Ironically, the stronger the culture of loyalty, the more ethical blind spots emerge, as silence and compliance take precedence over moral accountability.

Furthermore, in many Indonesian companies with hierarchical and conflict-avoidant cultures, organizational silence becomes deeply ingrained. Subordinates' input is often viewed as disobedience rather than valuable feedback, rendering ethical voice ineffective. A "please the boss" mindset overrides principles like transparency and accountability, institutionalizing silence and allowing ethical violations to persist. This has serious implications for managerial accounting. Accountants, pressured by professional loyalty and organizational culture, may suppress doubts, adjust financial reports, and ignore unethical practices. Over time, this behavior weakens the ethical integrity of the organization and leads to a financial information system prone to distortion and manipulation.

Thus, organizational silence is not merely the absence of voice but an active representation of organizational failure to create safe spaces for ethical oversight. To address this, it is insufficient to merely establish formal reporting systems like whistleblowing—which are often underutilized due to low trust. More importantly, there must be a cultivation of a work culture that encourages openness, moral courage, and two-way dialogue at all organizational levels.

Redefinition of Ethical Values in an Organizational Context

One of the most interesting and worrying findings in this study is the existence of systemic tendencies in which moral concepts such as "integrity" and "professionalism" undergo contextual reinterpretation in the organizational environment. Based on interviews with informants, it appears that these two terms, which should be principled, have undergone a shift in meaning and are given pragmatic content by the expectations of superiors, internal power dynamics, and organizational operational needs. Integrity is no longer interpreted as a commitment to truth and accuracy, but rather as the ability to maintain internal harmony and loyalty to the command structure. Professionalism is no longer a reflection of ethical standards and objectivity, but is synonymous with flexibility and loyalty to the interests of the institution.

"The important thing is to be loyal and be able to maintain the good name of the team. When it comes to right and wrong, sometimes it can be negotiated as long as it doesn't interfere with the system." (Informant D, Financial Manager)

This statement reflects that formal ethical framework are often subordinated by the socio-cultural realities of the organization. In this context, individuals tend to avoid moral judgments based on universal principles and replace them with pragmatic calculations: whether an action will embarrass the team, interfere with the interests of the leadership, or disrupt the "smooth running of the system". As a result, ethical judgments become relative and dependent on position, power relations, and internal political dynamics. This phenomenon leads to cultural cognition, a concept introduced by Kahan (2015), which

explains how moral beliefs and perceptions of "truth" are shaped by the dominant values in a particular social group, rather than by objective moral logic.

In organizational cultures that prioritize loyalty, harmony, and stability, moral values are reshaped by internal consensus rather than objective principles. Integrity is often redefined as conformity to group interests, making ethical courage appear disruptive. Faced with dilemmas, managerial accountants tend to choose politically safe options, even if morally unclear. This leads to ethical blind spots not just from ignorance, but from altered perceptions of right and wrong shaped by the organization's social norms. Ethical values are adjusted to align with managerial expectations, turning questionable actions into acceptable adaptations. Over time, this creates a pseudo-ethical environment where moral language remains, but its true meaning is lost.

Furthermore, in many organizations, moral values are reinterpreted through internal consensus rather than objective ethical principles. Integrity becomes defined by loyalty and conformity to group interests, while ethical courage is seen as disruptive. This leads individuals, particularly managerial accountants, to make morally ambiguous decisions that are politically safe and socially acceptable. Over time, questionable actions are normalized, turning into adaptive behaviors supported by internal narratives. This process creates ethical blind spots, not from ignorance, but from value distortions shaped by organizational norms. The phenomenon is reinforced by moral licensing, where individuals justify unethical behavior based on past contributions or symbolic roles, such as "working hard for the team." As a result, moral transgressions go undetected, free from guilt or self-correction. Addressing this issue requires more than ethical training—it demands a cultural shift through regular values audits that critically assess how integrity, accountability, and professionalism are defined and practiced. Without this, ethics risk becoming symbolic tools that legitimize systemic misconduct. Although many ethical blind spots were identified, almost all informants stated that change is still possible, particularly through real-world work context-based ethics training and organizational culture audits. They expect the training to be no longer normative, but to address real dilemmas and how to manage them ethically. This shows that to overcome ethical blind spots, organizations not only need to improve reporting or compliance systems, but also transform organizational culture, emphasizing transparency, psychological safety, and ethical voice empowerment at all levels.

DISCUSSION

This study concludes that ethical blind spots in managerial accounting are not simply the result of individual mistakes or moral failures, but are rooted in the interplay of structural pressures, cultural rationalizations, and inadequate ethical oversight. These findings echo previous research by Sims (2003) and Burchell (2020) that highlights how an overemphasis on target achievement often marginalizes ethical considerations. However, this study goes further by showing that these blind spots are institutionalized through shared narratives that redefine loyalty and professionalism in ways that undermine moral autonomy. Building on the work of Ashforth and Anand (2003), this study supports the idea that normalization of deviance occurs when minor violations become routine and go unpunished. Unlike previous research that often emphasizes regulatory or external controls such as those presented by Payne et al. (2020) and Cowton (2021), this study highlights how informal organizational cultures and hierarchical structures facilitate the silencing of persistent ethical concerns. This echoes the findings of Joseph and Shetty (2022), who describe how hierarchical and authoritarian leadership stifles ethical voice. Furthermore, as Detert and Edmondson (2011) have argued, organizational silence—when reinforced by fear and lack of psychological safety—significantly increases ethical risk. Our findings confirm that this silence is not passive, but socially constructed and maintained by collective fear of reputational or career-related consequences.

Compared to Bazerman and Gino's (2012) behavioral ethics framework, this study reinforces the view that moral disengagement is often context-driven and reinforced by

the organizational system itself. This phenomenon is exacerbated in cultures with high power distance, such as Indonesia, where dissent is discouraged, and ethical issues are viewed as distractions rather than constructive input. This extends Bandura's (2014) theory of moral reasoning by illustrating how moral reasoning is manipulated through collective reframing, transforming potentially unethical actions into perceived contributions to organizational success. In this regard, our study contributes by conceptualizing ethical blind spots not as a failure to know what is right, but as a failure to act on that knowledge due to cultural reinterpretation and peer reinforcement.

Practically, this study offers significant implications for organizational ethics management. Consistent with Anyamesem-Poku and Parmar (2024), psychological safety must be institutionalized as part of an organization's ethics infrastructure. This requires a shift from a punitive approach to a reflective approach that emphasizes dialogue, trust, and collective responsibility. While previous recommendations have often focused on compliance measures and ethics training, as Payne et al. (2020) and Gallagher et al. (2023) both argue, our findings advocate for more contextually grounded interventions: embedding ethics into performance metrics, reconfiguring incentives, and promoting narrative change around what constitutes "professional success."

In addition, drawing on Adler's (2022) emphasis on credibility and trustworthiness in qualitative inquiry, this study underscores the importance of creating internal mechanisms that ensure transparency and shared accountability. Ethics audits, values-based performance appraisals, and participatory forums for ethical reflection can shift ethics from symbolic rhetoric to active practice. As supported by Braun and Clarke's (2024) thematic approach, this structural reinforcement must be informed by a context-specific interpretation of moral values that acknowledges employees' lived experiences.

This study contributes to the growing discourse on accounting ethics by framing ethical blind spots as systemic and culturally embedded phenomena rather than isolated lapses. It calls for a transformation of organizational consciousness—moving from a rigid performance paradigm to a culture that supports ethical courage, narrative transparency, and collective moral reasoning. In line with insights from Ermawati and Suhardianto (2024), such a transformation is key to fostering ethical resilience and sustainability in managerial accounting practices.

CONCLUSION

This study finds that ethical blind spots in managerial accounting are not merely individual moral failings but are systemic outcomes shaped by organizational structures, performance pressures, and cultural rationalizations. In work environments where achieving targets is prioritized over ethical reflection, minor deviations become normalized and are gradually accepted as legitimate practices. Even professionals with good intentions may be absorbed into a culture that subtly redefines integrity as loyalty to authority rather than adherence to ethical standards. The study identifies three primary mechanisms sustaining ethical blind spots: ethical fading, organizational silence, and cognitive distortion through cultural consensus.

The practical implication of this finding is the urgent need for transformational change in organizational ethics management. Addressing ethical vulnerabilities requires more than strengthening internal control systems; it necessitates embedding ethical awareness into daily routines. This includes implementing organizational culture audits focused on values such as integrity, transparency, and accountability, reformulating incentive structures that reward ethical behavior, and developing ethics training rooted in real-world dilemmas faced by managerial accountants.

Theoretically, this research contributes to a deeper understanding of how organizational culture interacts with behavioral ethics. It confirms and extends prior work on ethical fading and moral disengagement by demonstrating that blind spots are not passive omissions, but active reinterpretations shaped by group norms and leadership models. This supports the view that ethics must be treated as a dynamic, context-sensitive process rather than a fixed individual trait.

However, this study has limitations in scope and sample size, focusing primarily on mid-sized Indonesian companies. Future research could explore cross-cultural comparisons or sectoral variations to generalize findings more broadly. Longitudinal studies are also recommended to examine how ethical perceptions evolve over time in response to organizational reforms or crises.

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Organizational Culture and Ethical Blind Spots in Managerial Accounting

Gilbert Rely
Universitas Bhayangkara Jakarta Raya; Bekasi, Indonesia
E-Mail: gilbert.rely@dsn.ubharajaya.ac.id

ABSTRACT

In recent years, ethical concerns in managerial accounting have become more prominent, especially in light of corporate scandals. While traditional ethics frameworks emphasize individual responsibility and legal compliance, they often overlook how organizational culture shapes ethical decision-making. One crucial but often neglected factor is the presence of ethical blind spots, moral oversights influenced by cognitive biases and cultural norms within organizations. This study explores how such blind spots emerge and persist in managerial accounting, using a qualitative multiple-case approach. Interviews with managerial accountants and financial controllers from three mid-sized manufacturing firms revealed patterns of ethical reasoning shaped by internal culture. Findings suggest that organizations focused heavily on performance targets and rule compliance, while discouraging ethical dialogue, are especially prone to ethical blind spots. Concepts like ethical fading and organizational silence explain how unethical behavior can become normalized over time, even among well-meaning professionals. These moral lapses are not merely personal shortcomings but reflect deeper cultural dynamics. Addressing them requires more than strict rules; it involves cultivating a culture that promotes ethical reflection, open communication, and psychological safety. The study highlights the need for ethical culture assessments and calls for ethics training to be embedded in accounting education to foster long-term integrity and resilience within organizations.

***Keywords**: Ethical Blind Spots, Ethics in Accounting, Managerial Accounting, Moral Disengagement, Organizational Culture.*

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ABSTRAK

Dalam beberapa tahun terakhir, isu etika dalam akuntansi manajerial semakin mendapat perhatian, terutama setelah berbagai skandal korporat besar. Kerangka etika tradisional umumnya menekankan tanggung jawab individu dan kepatuhan hukum, namun sering mengabaikan pengaruh budaya organisasi terhadap pengambilan keputusan etis. Salah satu faktor penting yang sering diabaikan adalah ethical blind spots—yaitu area kelalaian moral yang dipengaruhi oleh bias kognitif dan norma budaya dalam organisasi. Studi ini meneliti bagaimana blind spot etis muncul dan bertahan dalam praktik akuntansi manajerial melalui pendekatan studi kasus kualitatif. Wawancara dengan akuntan manajerial dan pengendali keuangan dari tiga perusahaan manufaktur menengah menunjukkan pola penalaran etis yang dibentuk oleh budaya internal. Temuan menunjukkan bahwa organisasi yang sangat berfokus pada target kinerja dan kepatuhan aturan—namun tidak mendorong diskusi etis—lebih rentan terhadap blind spot etis. Konsep seperti ethical fading dan organizational silence menjelaskan bagaimana perilaku tidak etis dapat menjadi kebiasaan, bahkan bagi profesional yang bermaksud baik. Kegagalan moral ini bukan semata kesalahan individu, tetapi mencerminkan dinamika budaya yang lebih dalam. Oleh karena itu, perlu adanya perubahan budaya yang mendorong refleksi etis, komunikasi terbuka, dan rasa aman secara psikologis. Pendidikan etika dalam pelatihan akuntansi juga menjadi langkah penting untuk membangun ketahanan etis jangka panjang.

***Kata kunci**: Ethical Blind Spots, Etika dalam Akuntansi, Akuntansi Manajemen, Keterlepasan Moral, Budaya Organisasi.*

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INTRODUCTION

Managerial accounting plays a vital role in supporting strategic and operational decision-making within organizations. However, over the past decade, several cases involving cost manipulation, financial risk concealment, and internal budget misappropriation have highlighted critical ethical weaknesses in managerial accounting practices (Leeming, 2018; Kirana & Novita, 2021; DeTienne et al., 2021). High-profile corporate scandals such as Enron, Toshiba, and, in the Indonesian context, Jiwasraya and Asabri, have demonstrated that although accounting systems are technically designed to promote transparency and accountability, ethical integrity often remains a neglected dimension (Cowton, 2021). Traditional approaches to accounting ethics typically emphasize compliance with professional codes of conduct, external regulation, and individual responsibility. While these elements are important, they fall short in explaining why individuals who understand ethical principles and legal boundaries still engage in unethical behavior. This phenomenon leads to the concept of ethical blind spots areas in decision-making where moral considerations become blurred or completely overlooked, often due to social and cultural influences within the organization (Bazerman & Gino, 2012; Payne et al., 2020).

Ethical blind spots do not occur in a vacuum, they emerge within the context of organizational culture, which shapes how accounting professionals think, behave, and interpret ethical situations. Organizational cultures that prioritize performance, efficiency, and loyalty to superiors without providing space for critical dialogue or ethical reflection significantly contribute to the collective justification of deviant practices. In such environments, small transgressions are likely to be normalized and may evolve into systemic misconduct (Rooij & Fine, 2018; Seshoka, 2021; Dodgson, 2021). Recent research has shown that organizational culture plays a crucial role in shaping ethical awareness and ethical decision-making in accounting. Cultures that promote openness, dialogue, and moral courage, commonly referred to as ethical voice, have been proven to help prevent ethical violations. In contrast, cultures that rely on rigid hierarchies and results-driven pressure, without ethical deliberation, tend to reinforce moral disengagement (Treviño et al., 2014; Lewis, 2021; Victoria, 2025).

This gap indicates a need for a new perspective that views ethical violations not merely as individual failings but as the result of complex interactions between individuals and organizational culture. This becomes especially relevant in managerial accounting, where practitioners serve as key actors in bridging financial information, business strategy, and day-to-day operations. Their responsibilities extend beyond data presentation to include the construction and framing of narratives that influence managerial decisions (Collier, 2015; Duckett, 2021). Nevertheless, empirical literature on ethical blind spots in managerial accounting remains limited particularly within the context of organizational culture in the Indonesian private sector. Most studies focus on normative ethics or post-scandal analyses, leaving a gap in our understanding of the internal mechanisms that create and sustain moral insensitivity in organizations. This study seeks to fill that gap by qualitatively analyzing how organizational culture fosters the emergence and persistence of ethical blind spots, specifically in the managerial accounting practices of mid-sized manufacturing firms (Stake, 2013; Cousins et al., 2014).

Using a multiple-case study approach and in-depth interviews, this research explores not only how organizational norms and values shape accountants' ethical perceptions, but also how power structures, internal communication, and performance pressure generate ethical gray zones in decision-making. The study is grounded in a conceptual framework that integrates the theories of ethical fading, organizational silence, and cultural cognition, offering a deeper understanding of how unethical behavior becomes internalized and collectively accepted. By deepening our understanding of how organizational culture influences ethical blind spots, this study aims to contribute both theoretically and practically to improving ethical governance in organizations. The findings are expected to serve as a foundation for developing more context-sensitive ethics training, conducting cultural ethics audits, and formulating internal policies that are more

responsive to the moral dynamics of managerial accounting environments. The purpose of this research is to investigate how specific elements of organizational culture such as shared beliefs, communication patterns, and authority dynamics contribute to the formation and persistence of ethical blind spots in managerial accounting.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Ethics in Managerial Accounting

Managerial accounting functions not only as a tool for internal recording and reporting but also as a critical instrument in decision-making processes that significantly influence the strategic direction of an organization (Okoro & Ekwueme, 2020; Putri & Triwidatin, 2025). In their role, managerial accountants have access to and authority over sensitive data, cost allocations, and the interpretation of financial information, all of which can shape the perceptions of management and other stakeholders. Therefore, integrity and ethical sensitivity are fundamental pillars of this practice (Karabay et al., 2018; Gallagher et al., 2023). However, ethical approaches in managerial accounting are often limited to formal compliance with regulations and professional standards, without addressing deeper and more contextual moral dimensions (Heywood et al., 2017; Akpan & Oluwagbade, 2023).

This gap becomes increasingly critical as managerial accountants are frequently involved in complex judgment areas, such as budgeting, cost control, and performance evaluation, where ethical dilemmas may not always be clearly defined by standard rules. The ability to recognize and respond to ethical issues requires more than adherence to codes—it demands professional judgment, moral reasoning, and an awareness of the broader implications of financial decisions (Okoro & Ekwueme, 2020; Ermawati & Suhardianto, 2024). Furthermore, the organizational environment and leadership behavior play a vital role in shaping ethical culture within accounting functions. Without active efforts to embed ethical considerations into everyday practices, there is a risk that accounting decisions may prioritize efficiency or profitability at the expense of transparency and accountability (Bayes et al., 2022: Putri & Triwidatin, 2025). Therefore, cultivating ethical sensitivity through education, training, and leadership example is essential to ensuring managerial accounting supports long-term organizational integrity.

Ethical Blind Spot Concept

The term ethical blind spots refer to an individual's failure to recognize that a situation contains ethical dimensions. This phenomenon typically occurs not due to malicious intent, but because of cognitive and social processes that obscure the moral aspects of a decision (Bandura, 2014; Imam & Kim, 2023). Bazerman and Gino (2012) explain that ethical blind spots arise from mechanisms such as motivated reasoning, bounded ethicality, and ethical fading, in which individuals do not consciously consider the moral consequences of their actions. In the context of managerial accounting, ethical blind spots can occur when the focus on achieving financial targets overrides integrity and transparency.

These blind spots are especially dangerous because they allow unethical behavior to persist under the guise of rational business practices. Managerial accountants may unknowingly rationalize questionable decisions, such as manipulating cost allocations or selectively presenting financial data, as necessary for organizational performance (Tenbrunsel & Messick, 2004; Bazerman & Gino, 2012). Over time, repeated exposure to such decisions can normalize unethical conduct, particularly in high-pressure environments where success is measured primarily through financial indicators (Ashforth & Anand, 2003; Collier, 2015). This normalization process is often reinforced by organizational silence and implicit rules that discourage ethical voice (Detert & Edmondson, 2011; Ozer et al., 2024). It highlights the need for ethical awareness training and the cultivation of a reflective mindset that encourages professionals to consistently evaluate the ethical implications of their actions (Trevino & Nelson, 2021; Cowton, 2021). Addressing ethical blind spots requires not only individual vigilance but also structural

support through ethical leadership and a values-based organizational culture (Ogunfowora et al., 2022; Imam & Kim, 2023).

Organizational Culture and Ethical Formation

Organizational culture is a system of shared values, norms, and beliefs that influences how members of an organization think and behave. A culture that emphasizes outcomes (outcome-oriented culture) often creates pressure to meet targets at the expense of ethical standards. In such contexts, deviant behavior can become normalized, especially when there are no consequences or when leaders set similar examples (Ashforth & Anand, 2003; Nafei, 2016). An organizational culture that is permissive toward ethical compromises tends to facilitate the release of moral responsibility, or moral disengagement, thereby creating space for the emergence of ethical blind spots (Bayes et al., 2020; Jones et al., 2024).

This phenomenon is further exacerbated when psychological safety is lacking, making employees hesitant to voice ethical concerns (Sherer, 2022; Anyamesem-Poku & Parmar, 2024). A culture where silence is rewarded or where dissent is discouraged fosters an environment in which unethical behaviors go unchallenged, contributing to ethical fading (Tenbrunsel & Messick, 2004). Over time, the normalization of such conduct results in widespread moral disengagement and ethical insensitivity (Bandura, 2014; Ogunfowora et al., 2022). The absence of strong ethical norms, combined with performance-driven pressures, weakens the organizational checks that typically prevent unethical decisions. Consequently, organizations with such cultures risk long-term reputational damage, employee disengagement, and regulatory consequences (Treviño et al., 2014; Adler, 2022).

Mechanism for Normalization of Ethical Violations

Normalization of deviance is the process by which unethical actions, initially seen as violations, gradually become accepted practices because they occur frequently without consequences. Within organizations, this process is reinforced by organizational silence, a culture of silence that discourages employees from reporting misconduct due to fear of managerial retaliation, reputational risk, or social exclusion (Sherer, 2022; Ozer, 2024). This dynamic allows ethical violations to become embedded within the system, making ethical blind spots increasingly difficult to detect.

This condition is often rooted in the absence of psychological safety, where employees feel unsafe to express dissenting views or ethical concerns, fearing backlash or exclusion (Joseph & Shetty, 2022; Anyamesem-Poku & Parmar, 2024). Furthermore, as Ashforth and Anand (2003) argue, repeated unethical behavior, when left unpunished, can evolve into normalized corruption within the organization. In such settings, moral disengagement mechanisms are activated, making individuals justify or minimize their unethical decisions (Bandura, 2014; Guay & Johnston, 2022; Ogunfowora et al., 2022). Additionally, Adler (2022) highlights the need for trustworthiness in organizational systems to counteract these dynamics. Without institutional checks and a culture of integrity, normalization processes can deeply erode ethical standards, making deviance the organizational norm rather than the exception.

Ethical Voice and the Role of Accountants

An individual's ability to express moral concerns within an organization, known as ethical voice, plays a crucial role in preventing the emergence of ethical blind spots. Unfortunately, in many organizational contexts, there is a lack of psychologically safe environments that support open dialogue on ethical issues, often due to structural hierarchies or repressive organizational cultures (Trevino & Nelson, 2021; Anyamesem-Poku & Parmar, 2024). This is particularly evident in managerial accounting, where the pressure to achieve financial targets and maintain loyalty to organizational goals often suppresses ethical expression. As Detert and Edmondson (2011) explain, implicit voice

theories—unspoken beliefs about the consequences of speaking up—discourage individuals from voicing ethical concerns, even when they are aware of wrongdoing.

This silencing effect is further amplified when leadership fails to model ethical behavior or provide formal channels for ethical discourse (Joseph & Shetty, 2022; Andriani et al., 2024). In such cases, accountants may experience internal conflict between their professional responsibilities and organizational expectations (Gallagher et al., 2023; Adler, 2022). Moreover, Seshoka (2021) warns that blind loyalty within organizational settings can foster environments where moral disengagement becomes routine. Thus, fostering a culture of ethical voice is not only a matter of individual courage but also of organizational design that prioritizes psychological safety, ethical integrity, and open communication as essential values.

RESEARCH METHOD

This study adopts a qualitative approach with a multiple-case study design to deeply explore how organizational culture shapes and influences the emergence of ethical blind spots in managerial accounting practices. The case study method was selected for its capacity to investigate complex organizational phenomena within real-world settings, particularly those involving the lived experiences of accountants. Research was conducted in three mid-sized manufacturing firms in Indonesia, each possessing formal managerial accounting systems and hierarchical structures. These companies were purposefully selected to reflect diverse organizational cultures, industry characteristics, and a willingness to participate. Key informants included managerial accountants, financial controllers, and unit managers engaged in accounting-based decision-making. Data collection relied on in-depth semi-structured interviews with 12 informants, focusing on ethical dilemmas, perceptions of organizational values, managerial pressures, and communication dynamics. This approach allowed for the exploration of both explicit and tacit knowledge related to ethical behavior and organizational culture. It was complemented by non-participatory observation of work environments and informal interactions to capture spontaneous expressions, day-to-day routines, and ethical attitudes that might not surface in formal interviews. Additionally, the analysis of internal documents such as codes of ethics, financial reporting policies, audit reports, and internal communication materials provided important contextual data and served as a foundation for triangulation.

Thematic analysis was used to identify meaningful patterns from interview transcripts, observation notes, and documents. The analytical process involved several stages, including data familiarization, open coding, theme generation—such as ethical fading, organizational silence, and cultural reinforcement—and thematic interpretation aligned with broader ethical and organizational behavior frameworks. To ensure validity and robustness of findings, the study applied both source and method triangulation and incorporated member checking to verify whether the interpretations accurately reflected participants' perspectives. In terms of methodological rigor, credibility was enhanced through prolonged engagement, triangulation, and feedback loops. Transferability was addressed by providing thick descriptions of the organizational context and participant narratives. Dependability and confirmability were ensured by maintaining a transparent audit trail of decisions and conducting critical self-reflection throughout the research process to minimize bias and enhance interpretive clarity.

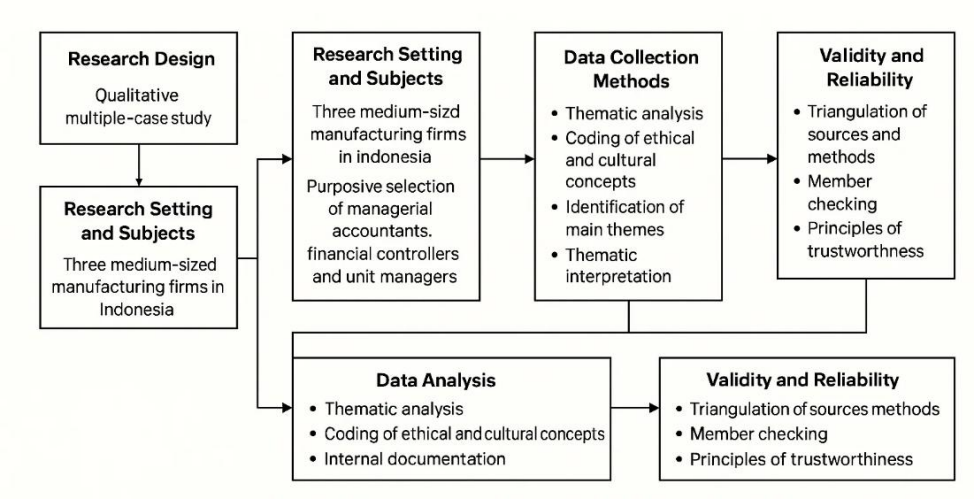

Figure 1. Research Methodology Flowchart

The Figure 1 illustrates the methodological framework of a qualitative multiple-case study focused on ethical blind spots in managerial accounting. The research design employs a qualitative approach involving three purposively selected medium-sized manufacturing firms in Indonesia. Participants include managerial accountants, financial controllers, and unit managers. Data collection involves thematic analysis, coding of ethical and cultural concepts, identification of key themes, and thematic interpretation. These methods inform the data analysis, which reiterates the use of thematic analysis, concept coding, and internal documentation review. To ensure validity and reliability, the study applies triangulation of sources and methods, member checking, and adherence to principles of trustworthiness, which are integrated at both the data collection and analysis stages.

RESULTS

Table 1. Thematic Analysis Matrix on Ethical Blind Spots within Organizational Culture

Main Theme	Sub-Theme	Indicator Empiris
Organizational Culture	Target-oriented culture	Pressure of number achievement, performance-based bonuses, short-term achievement
	Hierarchy and control	Managerial dominance in decisions, limited criticism space
	Norma informal	The culture of "the origin of the satisfied leader", loyalty to the boss
Blind Spot Etis	Ethical fading	Unaware of the moral dimension of action
	Bounded ethicality	Not considering moral values due to pressure or bias of the system
	Normalization of deviation	Deviant practices that become routine
Organizational Silence	Fear of speaking	Fear of the consequences of disclosing the violation
	No discussion room	There is no forum or time to talk about ethics
Moral Justification	Collective rationalization	Mutual justification for unethical behavior
	Redefining integrity	Adjusting the meaning of integrity for organizational convenience
Solutions and Expectations	The need for contextual ethics training	Hope there is training adapted to the reality of work

Table 1 presents the results of a thematic analysis on ethical blind spots within organizational culture. This matrix outlines the main themes, sub-themes, and empirical indicators that reflect how certain cultural patterns—such as target orientation, hierarchical control, and informal norms—contribute to ethical fading, bounded ethicality, and organizational silence. It also highlights moral justification mechanisms

and proposed solutions, including ethics training and cultural audits, as critical steps toward addressing deeply embedded ethical vulnerabilities in organizational settings.

Organizational Culture That Encourages Ethical "Blind Spots"

Interview and field observations reveal that an organizational culture focused heavily on financial targets and short-term performance triggers ethical blind spots in managerial accounting. The three companies studied shared a culture emphasizing numerical results, pressure to report positive outcomes, and incentives tied to quantitative achievements. In such settings, financial figures are seen not just as performance indicators but as symbols of managerial legitimacy that must not "fail" in the eyes of leadership. This leads managerial accountants to act as "narrative managers," adjusting numbers to align with expectations. Although informants admitted such actions could be unethical, structural pressure and leadership demands make these manipulations feel like silent obligations. Inaccuracies are often viewed as loyalty rather than misconduct. As Informant A (Controller) noted, figures are sometimes "tidied up" to avoid negative perceptions during monthly meetings. This reflects how performance-driven cultures can justify unethical behavior as strategic compliance. In high power-distance contexts like Indonesia, subordinates are less likely to challenge superiors, reinforcing this pattern. Ethical blind spots thus emerge not from individual flaws but from systemic cultural distortions that prioritize appearance over integrity. Over time, this erodes ethical judgment and fosters environments where moral disengagement becomes normalized.

Normalization of Deviance and Collective Rationalization

Ethical blind spots in managerial accounting do not only arise from structural pressures or result-oriented organizational cultures but also develop gradually through collective rationalization mechanisms that institutionalize deviant behavior as part of "operational routine." Interview data indicate that practices such as number adjustments, delaying expense recognition, or reallocating costs are not seen as violations but as adaptive strategies considered reasonable for maintaining financial performance stability in the eyes of management. In other words, there is a transformation of the meaning of manipulative actions—from something normatively unethical to "technical wisdom" or even "professional intelligence". Informant B, a Managerial Accountant, stated that the right is not considered lying, but rather the timing and presentation of numbers that are commonly done by many people.

This statement highlights how individuals justify unethical actions by aligning them with group norms, leading to the collective acceptance of deviance. When such behaviors go unpunished and are subtly approved by leaders or peers, they become normalized and integrated into daily work practices. Small violations no longer trigger ethical concerns and are instead seen as necessary or harmless parts of professional life. Common justifications like "everyone does it" or "it's for the good of the organization" help reinforce these actions as acceptable. This normalization occurs not only through personal reasoning but also through shared organizational narratives that reframe manipulation as loyalty or contribution, allowing individuals to detach their behavior from moral responsibility.

In organizational cultures that emphasize harmony and avoid conflict, such as in many Indonesian companies, challenging unethical practices is often discouraged. Individuals who speak out risk being labeled uncooperative. As rationalizations become normalized, they are woven into daily operations and informal governance, making them difficult to dismantle. Ethical fading, in this context, is not always unconscious—it can be intentional. Managerial accountants may recognize the ethical implications of their actions but justify them through organizational cues, incentives, or peer approval. Over time, these behaviors stop triggering moral concern. Ethical blind spots formed this way reflect not personal flaws but deeply rooted cultural norms, requiring structural reform that goes beyond education to challenge the collective narratives enabling deviance.

Organizational Silence and the Inhibition of Ethical Voice

This study also found that one of the key factors reinforcing the presence of ethical blind spots in managerial accounting practices is organizational silence. Organizational silence refers to a condition where members of an organization are reluctant to voice opinions, criticisms, or objections to practices deemed deviant, primarily due to social pressure, rigid hierarchical structures, or fear of negative consequences. Informant C (Accounting Supervisor) if too vocal, someone will be considered a troublemaker. Even though sometimes they just want to give a reminder so that nothing is missed.

The barrier to raising ethical concerns in some organizations is cultural rather than technical. In environments where loyalty to superiors is seen as the highest virtue, speaking out about potential wrongdoing is often discouraged or viewed negatively. This leads to the suppression of ethical dialogue and reinforces unchecked authority. Even when unethical behavior is noticed, it often goes unreported due to the absence of supportive mechanisms and fear of being labeled a troublemaker. Employees prefer to conform socially rather than risk professional or social consequences. Ironically, the stronger the culture of loyalty, the more ethical blind spots emerge, as silence and compliance take precedence over moral accountability.

Furthermore, in many Indonesian companies with hierarchical and conflict-avoidant cultures, organizational silence becomes deeply ingrained. Subordinates' input is often viewed as disobedience rather than valuable feedback, rendering ethical voice ineffective. A "please the boss" mindset overrides principles like transparency and accountability, institutionalizing silence and allowing ethical violations to persist. This has serious implications for managerial accounting. Accountants, pressured by professional loyalty and organizational culture, may suppress doubts, adjust financial reports, and ignore unethical practices. Over time, this behavior weakens the ethical integrity of the organization and leads to a financial information system prone to distortion and manipulation.

Thus, organizational silence is not merely the absence of voice but an active representation of organizational failure to create safe spaces for ethical oversight. To address this, it is insufficient to merely establish formal reporting systems like whistleblowing—which are often underutilized due to low trust. More importantly, there must be a cultivation of a work culture that encourages openness, moral courage, and two-way dialogue at all organizational levels.

Redefinition of Ethical Values in an Organizational Context

One of the most interesting and worrying findings in this study is the existence of systemic tendencies in which moral concepts such as "integrity" and "professionalism" undergo contextual reinterpretation in the organizational environment. Based on interviews with informants, it appears that these two terms, which should be principled, have undergone a shift in meaning and are given pragmatic content by the expectations of superiors, internal power dynamics, and organizational operational needs. Integrity is no longer interpreted as a commitment to truth and accuracy, but rather as the ability to maintain internal harmony and loyalty to the command structure. Professionalism is no longer a reflection of ethical standards and objectivity, but is synonymous with flexibility and loyalty to the interests of the institution.

"The important thing is to be loyal and be able to maintain the good name of the team. When it comes to right and wrong, sometimes it can be negotiated as long as it doesn't interfere with the system." (Informant D, Financial Manager)

This statement reflects that formal ethical framework are often subordinated by the socio-cultural realities of the organization. In this context, individuals tend to avoid moral judgments based on universal principles and replace them with pragmatic calculations: whether an action will embarrass the team, interfere with the interests of the leadership, or disrupt the "smooth running of the system". As a result, ethical judgments become relative and dependent on position, power relations, and internal political dynamics. This phenomenon leads to cultural cognition, a concept introduced by Kahan (2015), which

explains how moral beliefs and perceptions of "truth" are shaped by the dominant values in a particular social group, rather than by objective moral logic.

In organizational cultures that prioritize loyalty, harmony, and stability, moral values are reshaped by internal consensus rather than objective principles. Integrity is often redefined as conformity to group interests, making ethical courage appear disruptive. Faced with dilemmas, managerial accountants tend to choose politically safe options, even if morally unclear. This leads to ethical blind spots not just from ignorance, but from altered perceptions of right and wrong shaped by the organization's social norms. Ethical values are adjusted to align with managerial expectations, turning questionable actions into acceptable adaptations. Over time, this creates a pseudo-ethical environment where moral language remains, but its true meaning is lost.

Furthermore, in many organizations, moral values are reinterpreted through internal consensus rather than objective ethical principles. Integrity becomes defined by loyalty and conformity to group interests, while ethical courage is seen as disruptive. This leads individuals, particularly managerial accountants, to make morally ambiguous decisions that are politically safe and socially acceptable. Over time, questionable actions are normalized, turning into adaptive behaviors supported by internal narratives. This process creates ethical blind spots, not from ignorance, but from value distortions shaped by organizational norms. The phenomenon is reinforced by moral licensing, where individuals justify unethical behavior based on past contributions or symbolic roles, such as "working hard for the team." As a result, moral transgressions go undetected, free from guilt or self-correction. Addressing this issue requires more than ethical training—it demands a cultural shift through regular values audits that critically assess how integrity, accountability, and professionalism are defined and practiced. Without this, ethics risk becoming symbolic tools that legitimize systemic misconduct. Although many ethical blind spots were identified, almost all informants stated that change is still possible, particularly through real-world work context-based ethics training and organizational culture audits. They expect the training to be no longer normative, but to address real dilemmas and how to manage them ethically. This shows that to overcome ethical blind spots, organizations not only need to improve reporting or compliance systems, but also transform organizational culture, emphasizing transparency, psychological safety, and ethical voice empowerment at all levels.

DISCUSSION

This study concludes that ethical blind spots in managerial accounting are not simply the result of individual mistakes or moral failures, but are rooted in the interplay of structural pressures, cultural rationalizations, and inadequate ethical oversight. These findings echo previous research by Sims (2003) and Burchell (2020) that highlights how an overemphasis on target achievement often marginalizes ethical considerations. However, this study goes further by showing that these blind spots are institutionalized through shared narratives that redefine loyalty and professionalism in ways that undermine moral autonomy. Building on the work of Ashforth and Anand (2003), this study supports the idea that normalization of deviance occurs when minor violations become routine and go unpunished. Unlike previous research that often emphasizes regulatory or external controls such as those presented by Payne et al. (2020) and Cowton (2021), this study highlights how informal organizational cultures and hierarchical structures facilitate the silencing of persistent ethical concerns. This echoes the findings of Joseph and Shetty (2022), who describe how hierarchical and authoritarian leadership stifles ethical voice. Furthermore, as Detert and Edmondson (2011) have argued, organizational silence—when reinforced by fear and lack of psychological safety—significantly increases ethical risk. Our findings confirm that this silence is not passive, but socially constructed and maintained by collective fear of reputational or career-related consequences.

Compared to Bazerman and Gino's (2012) behavioral ethics framework, this study reinforces the view that moral disengagement is often context-driven and reinforced by

the organizational system itself. This phenomenon is exacerbated in cultures with high power distance, such as Indonesia, where dissent is discouraged, and ethical issues are viewed as distractions rather than constructive input. This extends Bandura's (2014) theory of moral reasoning by illustrating how moral reasoning is manipulated through collective reframing, transforming potentially unethical actions into perceived contributions to organizational success. In this regard, our study contributes by conceptualizing ethical blind spots not as a failure to know what is right, but as a failure to act on that knowledge due to cultural reinterpretation and peer reinforcement.

Practically, this study offers significant implications for organizational ethics management. Consistent with Anyamesem-Poku and Parmar (2024), psychological safety must be institutionalized as part of an organization's ethics infrastructure. This requires a shift from a punitive approach to a reflective approach that emphasizes dialogue, trust, and collective responsibility. While previous recommendations have often focused on compliance measures and ethics training, as Payne et al. (2020) and Gallagher et al. (2023) both argue, our findings advocate for more contextually grounded interventions: embedding ethics into performance metrics, reconfiguring incentives, and promoting narrative change around what constitutes "professional success."

In addition, drawing on Adler's (2022) emphasis on credibility and trustworthiness in qualitative inquiry, this study underscores the importance of creating internal mechanisms that ensure transparency and shared accountability. Ethics audits, values-based performance appraisals, and participatory forums for ethical reflection can shift ethics from symbolic rhetoric to active practice. As supported by Braun and Clarke's (2024) thematic approach, this structural reinforcement must be informed by a context-specific interpretation of moral values that acknowledges employees' lived experiences.

This study contributes to the growing discourse on accounting ethics by framing ethical blind spots as systemic and culturally embedded phenomena rather than isolated lapses. It calls for a transformation of organizational consciousness—moving from a rigid performance paradigm to a culture that supports ethical courage, narrative transparency, and collective moral reasoning. In line with insights from Ermawati and Suhardianto (2024), such a transformation is key to fostering ethical resilience and sustainability in managerial accounting practices.

CONCLUSION

This study finds that ethical blind spots in managerial accounting are not merely individual moral failings but are systemic outcomes shaped by organizational structures, performance pressures, and cultural rationalizations. In work environments where achieving targets is prioritized over ethical reflection, minor deviations become normalized and are gradually accepted as legitimate practices. Even professionals with good intentions may be absorbed into a culture that subtly redefines integrity as loyalty to authority rather than adherence to ethical standards. The study identifies three primary mechanisms sustaining ethical blind spots: ethical fading, organizational silence, and cognitive distortion through cultural consensus.

The practical implication of this finding is the urgent need for transformational change in organizational ethics management. Addressing ethical vulnerabilities requires more than strengthening internal control systems; it necessitates embedding ethical awareness into daily routines. This includes implementing organizational culture audits focused on values such as integrity, transparency, and accountability, reformulating incentive structures that reward ethical behavior, and developing ethics training rooted in real-world dilemmas faced by managerial accountants.

Theoretically, this research contributes to a deeper understanding of how organizational culture interacts with behavioral ethics. It confirms and extends prior work on ethical fading and moral disengagement by demonstrating that blind spots are not passive omissions, but active reinterpretations shaped by group norms and leadership models. This supports the view that ethics must be treated as a dynamic, context-sensitive process rather than a fixed individual trait.

However, this study has limitations in scope and sample size, focusing primarily on mid-sized Indonesian companies. Future research could explore cross-cultural comparisons or sectoral variations to generalize findings more broadly. Longitudinal studies are also recommended to examine how ethical perceptions evolve over time in response to organizational reforms or crises.

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