WORKING PAPER

Silence is not Golden: How Team Consensus and Inclusive Climate Affects Junior Auditors' Conformity Behavior and Risk Assessment Sharing

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KEY TAKE-AWAYS

In hierarchical teams, the importance of encouraging individuals to share information is crucial (in particular when authenticity is emphasized)

Solely encouraging juniors to show their true self may not always result in desired effects (more conformity, less info sharing)

Audit firms can cultivate a climate of belongingness, rather than authenticity, via team-building initiatives, regular one-on-one social engagements between junior and senior members, fostering a sense of connection, support, and psychological safety

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Abstract: In hierarchically structured audit teams, it is common that junior auditors gather a large part of the evidence used as the basis for the audit opinion, which makes information sharing critical. However, if a team consensus already exists, individual auditors may conform to the team and thus hesitate to raise important issues they themselves acquired about a client. This study experimentally investigates how the origin of team consensus (i.e. consensus coming from junior members vs. consensus coming from senior members) and the type of the inclusive climate (i.e. authenticity vs. belongingness) impact junior auditors' conformity behavior and their willingness to share their own risk assessment with their team. Drawing on conformity theory, we hypothesize and find that junior auditors are more likely to conform to a team consensus of senior members, and are also less likely to share their risk assessment with the team, particularly within an authenticity climate. These effects of conforming more to senior members, however, are mitigated when firms focus on a climate of belongingness.

Keywords: Conformity, Team Consensus, Inclusive Climate, Fraud Risk Assessment, Information Sharing

1. INTRODUCTION

In the audit process, junior auditors are integral to the collection of crucial audit evidence. Junior auditors are often tasked with visiting a client's premises to collect additional audit evidence to complement the documentary evidence from management. Throughout the audit, the audit team relies on informal information-sharing sessions to arrive at informed and appropriate final assessments (Proell, Ricci, Trotman, and Zhou, 2024). The information gathered by juniors during on-site visits is unique and known only to themselves. Combined with the documentary evidence, this private information may raise red flags indicative of a heightened risk of material misstatements or fraud. However, due to the hierarchical nature of audit teams and the division of tasks in audit engagements, it is plausible that only one or a few members of a team possesses this information. This may result in differing risk assessments between a junior auditor, who possesses unique private information, and other team members who may not perceive a potential risk for fraud.

Although standards of due care stipulate that auditors should incorporate and share all relevant information to ensure high quality audits (ISA 240 of IAASB 2018; ISA 220 §7 and §33-37 of IAASB 2020; AICPA 2015), individual auditors may hesitate to raise potentially important audit issues (Clor-Proell, Kadous, and Proell, 2023; 2022; Gissel and Johnstone, 2018; Griffith, Kadous, and Proell, 2020; Nelson, Proell, and Randel, 2016). Auditors may even disregard their private information, including fraud-related cues, during an audit engagement if the prevailing team consensus suggests a low probability of fraud with the client. Critically, if auditors would conform to such a majority view, fraud may not get detected. Conformity is a social influence where one's belief shifts to align with the beliefs of a group (Cialdini and Goldstein, 2004; Myers and Twenge, 2022). While various studies have examined how different team structures affect the output from fraud brainstorming sessions (e.g., Carpenter, 2007; Chen, Trotman, and Zhou, 2015; McAllister, Blay, and Kadous, 2021), the impact of team

consensus on individual auditors' fraud risk assessments has received scant attention. This study aims to shed light on how and under which conditions learning about team consensus triggers junior auditors to shift to the majority viewpoint of a team when forming their risk assessment. In addition, considering junior auditors' reluctance to step up and stand out, we also examine their willingness to share their own risk assessment with the team.

Building on the theory of conformity, we propose that the impact of team consensus depends on its origin; that is, the hierarchical position of the team members who agree in their view regarding the likelihood of fraud, i.e., establishing the team consensus or majority view of a low likelihood of fraud. Specifically, we expect that junior auditors will be more likely to conform when the low-risk view is expressed by more senior members in the hierarchy (e.g., partner, manager, senior auditor) compared to when it is expressed by only juniors.[1] Senior team members such as partners, managers and senior auditors have more status, knowledge, and experience and are perceived as having more influence on the audit process (Clor-Proell et al., 2023; Gissel and Johnstone, 2018). Related research (Harding and Trotman, 2017; Nelson et al., 2016) suggests that judgments and decisions of junior auditors are often heavily influenced by audit partners' opinions. As such, opinions of more senior members may outweigh junior auditors' initial beliefs. We propose that junior auditors through conformity behavior adhere to a team consensus of senior colleagues, where they get to discount their private information in their final assessment and do not dare to vocalize a different assessment.

Next, we address the question: How can a particular inclusive climate help to mitigate such conformity behavior? In recent years, audit firms have made tremendous steps in embracing an inclusive climate in the workplace. While these inclusive climates are generally intended to create an environment where everyone feels welcome, respected and heard, the type

[1] We recognize that no audit engagement consists of all juniors; however, during an audit engagement, anecdotal finding shows that informal team discussions happen quite often with the aim of information sharing, where not all team members are present. This allows some variation as to whom will be present.

of inclusivity that firms should prioritize remains a topic of debate. Building on the work of Shore, Randel, Chung, Dean, Ehrhart, and Singh (2011), and Jansen, Otten, Van Der Zee, and Jans (2014), we propose two key constructs of an inclusive climate: the fulfillment of the need for *belongingness* and the individual *authenticity* of the team members. Also in audit practice, we observe variations in emphasis on these two dimensions. For example, Deloitte's inclusion statement strongly emphasizes that its culture is focused on authenticity, encouraging its people to be true to themselves (Deloitte, 2024). In contrast, at Ernst & Young, inclusiveness encompasses creating a sense of belonging for everyone (Ernst & Young, 2024).

Some studies seem to indicate that authenticity can potentially reduce conformity, while belongingness can intensify it. That is, belongingness can manifest in groupthink, in which a group coalesces on a single perspective rather than considering multiple ideas or viewpoints as a way to remain in the group's favor (Beasley and Jenkins, 2003; Janis, 1982; Kleinman and Palmon, 2009). Also, to avoid being seen as deviant or troublemaker and to maintain strong and stable relationships with the team (Cialdini and Goldstein, 2004; Cialdini and Trost, 1998), an individual may be reluctant to raise issues. In contrast, individuals in inclusive climates that focus on authenticity feel more appreciated for their unique attributes and perspectives (Jansen et al., 2014; Shore et al., 2011), and therefore may feel more comfortable to deviate from the majority viewpoint and thus this may mitigate the propensity to conform.

However, we argue that, focusing solely on the *presence* of one type of inclusive climate is not sufficient to predict auditors' judgments and decisions. That is, an auditors' tendency to conform may be driven by their *deficit* needs. The state-based perspective on authenticity, as proposed by van den Bosch and Taris (2018, 2014) and Schmader and Sedikides (2018) among others, suggests that aligning oneself with the team members fosters a more authentic self-expression. This perspective emphasizes the necessity for a sense of belonging to facilitate the desired positive impact of an authenticity climate. Another stream of literature suggests that

individuals may adjust their behavior through regulated authenticity or "deep acting" to meet the team's expectations (Jaser, 2019; Pillemer, 2019), out of a desire to fit in. Consequently, merely promoting a climate of authenticity, without addressing the need for belongingness, may lead junior auditors to prioritize actions aimed at enhancing their sense of belonging, seeking approval from others, and conforming to prevailing voices. However, once the need for belonging is satisfied, people can begin fulfilling the other needs, such as being authentic and self-actualization (Maslow, Stephens, and Heil, 1998; see also, Griffith, Holmstrom, and Malone, 2022). Thus, when the firm fosters a belongingness climate, it can encourage junior auditors to bring issues forward, especially in the presence of more senior colleagues, to earn a good reputation. Furthermore, if a climate of belongingness would foster a safe environment to speak up or deviate from the majority view, lower conformity can be expected. Taken together, we hypothesize that (1) junior auditors will display higher conformity to the majority view of senior members compared to a majority view of junior members, and (2) this tendency to conform to seniors is stronger under an authenticity climate than under a belongingness climate.

We conduct an experiment with 127 junior auditors from two Big 4 audit firms in the Netherlands to test our predictions. Participants were instructed to evaluate the fraud risk of a hypothetical case company, where juniors were given private situational cues that indicated a high fraud risk, but the team consensus suggested a low fraud risk due to information asymmetry. We adapted the scenario from Gissel and Johnstone (2018), Holder-Webb and Kohlbeck (2006), and Kohlbeck, Cohen, and Holder-Webb (2009). Between subjects, we manipulated the origin of team consensus on fraud (consensus of junior members vs. senior members) and the type of inclusive climate (authenticity vs. belongingness). To operationalize the firm's inclusive climate, we offered a visualization and description of the audit office team climate emphasizing either authenticity or belongingness (see Appendix). Next, we manipulated the hierarchical team consensus by offering a visualization and description of the

team member participating in an upcoming discussion and from whom the consensus view (majority view) is derived (see Appendix). We measured junior auditors' initial and final fraud risk assessment for the hypothetical case, as well as their self-reported conformity and willingness to share their own private assessment with the team.

In line with expectations, we find that junior auditors conform more to the team's consensus when the consensus originates from a team of more senior members, impacting their final risk assessment. While we do not find that an inclusive climate significantly moderates the effect of the origin of team consensus on junior auditors' conformity behavior, the simple effects suggest that conformity to seniors, compared to juniors, primarily emerges when firms emphasize authenticity. Specifically, we find that the effect of the origin of team consensus on junior auditors' conformity is significant only in an authenticity climate, and not in a belongingness climate. In our additional analyses we do find a significant interaction effect between the origin of team consensus and inclusive climate on auditors' willingness to share their own risk assessment with the team. This result further corroborates junior auditors' conformity by making them less willing to share their own risk assessment when there is already a consensus among more senior members, particularly under an authenticity climate.

Our study contributes to the academic literature and practice in several ways. First, we respond to repeated calls in the literature to better understand how, why, and under what conditions auditors struggle with identifying and properly responding to fraud signals (Brazel, Carpenter, Gimbar, Jenkins and Jones, 2023; Hammersley, 2011; Trompeter, Carpenter, Desai, Jones, and Riley, 2013). Specifically, we provide experimental evidence complementing prior academic work (e.g., McAllister et al., 2021) and practitioner literature (e.g., KPMG survey, 2011) raising awareness on the issue of conformity behavior and groupthink. Our finding that junior auditors tend to conform especially when the majority view stems from more senior members adds to studies on the significant impact of seniors on junior auditor judgment and

decision-making (e.g., Gissel and Johnstone, 2018; Harding and Trotman, 2017; Nelson et al., 2016; Peecher, 1996). By documenting the effect of the origin of consensus, we also contribute to prior research in showing that audit team attributes, including hierarchy, matter for audit quality (e.g., Cameran, Ditillo, and Pettinicchio, 2018; Chen et al., 2015; Proell et al., 2024).

Based on our findings, we advise audit practice to prevent early consensus by arranging information-sharing meetings where the members constructively discuss and evaluate all ideas and critical thoughts before reaching a consensus, especially in a more hierarchically structured team. If that is not possible, we advise that firms carefully think about the values they emphasize and climate they install at their office. In doing so, we add to prior research on the importance of shaping an appropriate climate in audit firms (e.g. Andiola, Downey, and Westermann, 2020). We offer a novel finding that enriches the growing literature on inclusion (e.g., Griffith et al., 2022) and, particularly, authenticity (e.g., van den Bosch and Taris, 2018, 2014; Jaser, 2019; Pillemer, 2019) by showing that solely encouraging authenticity in an attempt to decrease conformity and promote information sharing may not be effective. Inclusivity statements fostering belongingness, however, can help to mitigate conformity towards majority views.

We further contribute to the audit team voice literature (e.g., Clor-Proell et al., 2023; 2022; Proell, Zhou, and Nelson, 2022) by providing evidence that belongingness has positive effects on information-sharing in hierarchical audit teams. This adds to our above recommendation for audit practice to promote belongingness over authenticity. Audit offices can do this through belongingness-oriented value statements, or team-oriented leadership (Gissel and Johnstone, 2018; Nelson et al., 2016). Other ways to improve belongingness among junior and senior team members in an audit team include creating opportunities for them to interact and collaborate on engagements by having junior and senior team members to work together, such as mentorship programs, team-building activities, and regular team meetings.

The remainder of the paper is structured as follows. Section II discusses relevant literature and develops the hypotheses. Section III presents the experimental design and data collection, followed by the analyses and results in Section IV. Section V concludes.

2. LITERATURE AND HYPOTHESIS DEVELOPMENT

2.1. Conformity

Conformity is defined as a social influence where an individual aligns his or her belief with those of a group (Cialdini and Goldstein, 2004; Myers and Twenge, 2022). Typically, conformity arises from a process in which individuals compare their views with those of the prevailing majority, and get to conform to the majority point of view. It is driven by the desire to fit in and to be liked and accepted by the group (normative influence) or to be correct (informational influence) (Cialdini and Goldstein, 2004; Deutsch and Gerard, 1955; Hornsey, Majkut, Terry, and McKimmie, 2003; Myers and Twenge, 2022; Quinn and Schlenker, 2002). Other studies suggest that when an observer is aware of the unanimity of beliefs and/or judgments of those preceding them, they will disregard their own private signals that contradict the perceived consensus and conform (Banerjee, 1992; Bikhchandani, Hirshleifer, and Welch, 1992; Raafat, Chater, and Frith, 2009).

Many scholars have shed light on why people conform (e.g., Allen and Levine, 1971; Asch, 1956, 1951; Bond and Smith, 1996; Deutsch and Gerard, 1955; Hewlin, 2009; Myers and Twenge, 2022). Specifically, Chatman (1991, 1989) has explored conformity in the context of how a person tries to fit into the organizational culture. The extent to which conformity happens, however, depends on how secure an individual feels within the team, their own feelings of inferiority, and their hierarchical position within the team (Ashforth and Mael, 1989; Hewlin, 2009, 2003; Hogg and Terry, 2000).

In audit settings, conformity is likely to occur since each auditor performs part of the audit process in which they learn private information. For example, when a junior auditor is assigned to work at the client site, the information obtained from closely working on-site is unique and only known to themselves. In a fraud context, on which we will focus, it is plausible that only a junior auditor or a minority of members in a team possesses information indicative of a high fraud risk (i.e., privately-known fraud-relevant information), as fraud is often rare and firms carefully plan and execute fraudulent actions. The information a junior obtains can be valuable and, if taken together with documentary evidence, may raise red flags indicating material misstatements or fraud. Yet, there can be information asymmetry and differing beliefs among auditors with private fraud-related information and the rest of the team who assess fraud risk as low. As a result, fraud might not get detected in audit engagements where individual auditors have important fraud-relevant information, but the team's consensus suggests that likelihood of fraud is low.

To address such information asymmetry, audit standard setters state the importance of bringing all issues to the table (ISA 240 of IAASB, 2018; ISA 220 §7 and §33-37 of IAASB, 2020) during periodic team discussions, where auditors should share relevant information. While McAllister, Blay, and Kadous (2021) show that a high-skeptic team member can persuasively influence a majority of low-skeptic team members, it would require the minority member with a different opinion to avoid conforming to the majority view and speak up. Unfortunately, in practice, this does not always happen. While listening to the other members, the junior with private information experiences a mental process when observing the opinion of the others and tries to make sense of how to combine it with one's own initial opinion. If all other views align, the junior auditor may disregard his/her private information and adopt the majority viewpoint.

2.2. The impact of the origin of team consensus on junior auditors' conformity

We argue that one of the factors influencing conformity is the origin of the consensus; that is, whether the consensus comes from a team of more senior members or a team of all juniors. Audit engagement teams are composed hierarchically, consisting of partner, (senior) manager, senior auditors, and/or junior auditors where every job position has different roles and status in the team (Bamber, 1983; Clor-Proell et al., 2023; Proell et al., 2022; Rich, Solomon, and Trotman, 1997). The higher-level members, such as partners and managers are responsible for directing, supervising, and reviewing an audit engagement. They further verify whether the audit evidence is sufficient to form an opinion on the financial statements (ISA 220). Depending on the stage of the project, fraud risk assessment can happen in earlier stages or at later stages when seniors enter the process. We predict that conformity will be stronger when the others who share the belief that the likelihood of fraud is low are more seniors (i.e., partner, manager, and senior auditors) than when the others are all at the same level (i.e., all juniors).

The influence of consensus information on the junior auditor's belief could result from a rational appraisal of the consensus. That is, if majority belief ensues from the more senior team members who believe that the client company is doing well with a low likelihood of fraud, then it is reasonable for the junior to think that their appraisal is correct. As such, the junior adopts this opinion and conforms to others whom s/he believes to be right based on their knowledge or expertise.

Existing studies documented process losses in audit brainstorming sessions when experiences among team members differ, resulting in social loafing of less knowledgeable auditors (Chen et al., 2015; Gissel and Johnstone, 2018). Also, because auditing tasks are judgmental in nature, junior auditors may hesitate to share ambiguous cues that lack clarity on the right or wrong answers (Kennedy, Kleinmuntz, and Peecher, 1997; Kadous, Proell, Rich, and Zhou, 2019). They also fear the supervisor's negative reaction when sharing information that could result in additional work or potential budget overruns (Nelson et al., 2016; Nelson

and Proell, 2018). In such teams, auditors with private knowledge may fear challenging the majority views. Juniors will be reluctant to raise issues unless they have sufficient confidence to voice their independent views (McAllister et al., 2021) and are sure that they are correct to minimize the risk of reputation damage (Blum, Hatfield, and Houston, 2022; Brazel, Jackson Schaefer, and Stewart, 2016). We expect these concerns to be especially relevant when voicing issues to more senior members and less so when voicing issues to junior members. As juniors all have similar knowledge, the risk of reputational damage, or negative consequence for performance evaluation are smaller.

Moreover, prior studies examine the impact of a partner's and/or direct supervisor's attitude, views, and tones on individual judgements and the likelihood of communicating any privately known information or distinct opinion. Peecher (1996) provides evidence of a partner alignment effect, where audit judgments are biased toward the known view of the more senior partner. Along the same lines, Harding and Trotman (2017) expect auditors' professional skepticism to decrease when the partner's views are already known. Gissel and Johnstone (2018) examine the partner's attitude that transpires to juniors' psychological safety in deciding to share privately known fraud-relevant information. Nelson et al. (2016) further show that auditors search for cues which their leaders would value to assess whether certain issues are worth bringing to the table. In sum, senior members thus seem to play a significant role in influencing junior auditors' judgment and decision-making.

Taken together, as a way for junior auditors to compensate for the lack of knowledge, hierarchical position difference, overcome uncertainty, and avoid the reputational cost, the consensus opinion from the more senior members is likely to outweigh their individual initial belief. In our setting, this would result in conforming to the low-risk majority view, which is more likely to occur if hierarchical differences are present than when such differences are absent. Thus, we predict that the consensus among the senior members will hamper junior

auditors' independent judgment whereby they, instead, adapt their opinion to be in line with the majority (consensus) view through conformity. That is, we predict an indirect relationship between the origin of team consensus and junior auditors' final risk assessment operating via conformity.

Formally, we write:

H1: Junior auditors who learn about the low-risk consensus view of more senior team members, relative to junior team members, are more likely to conform to this view, resulting in a lower final risk assessment.

2.3. Mitigating junior auditors' conformity through installing an inclusive climate

In recent years, academic researchers and accounting firms have stressed the importance of installing an inclusive climate in the workplace (see for example, Griffith et al. 2022). Shore et al. (2011) define inclusion as "the degree to which individuals experience treatment from the group that satisfies their need for belongingness and uniqueness". Jansen et al. (2014) further highlight *belongingness* and *authenticity* as two dimensions of inclusion. These dimensions are interrelated yet distinct concepts. The fundamental need for belongingness motivates people to affiliate themselves with the group (Baumeister and Leary, 1995; Cialdini and Goldstein, 2004; Cialdini and Trost, 1998). Authenticity, in its fundamental definition, denotes the extent to which a team member is allowed and appreciated by the group to remain true to oneself (Kernis and Goldman, 2006; Jansen et al. 2014). It motivates the team members to show their own self-concepts, such as defining oneself in terms of their distinct traits and opinions (Turner, Hogg, Oakes, Reicher, and Wetherell, 1987).

Although, ideally, the presence of both dimensions makes the complete representation of an inclusive climate, firms often emphasize one dimension more than the other. For example, Deloitte's (2024) inclusion statement emphasizes the authenticity aspect ("…we want everyone

to feel they can be themselves…. We are committed to supporting and empowering all of our people in achieving their full potential. … we know how important it is that all our people can be their true, authentic selves at work…"). Ernst & Young (2024) puts more emphasis on the belongingness aspect ("We hold a collective commitment to foster an environment where… everyone experiences a sense of belonging – where people are inspired to team and lead inclusively in their interactions everyday").

Based on the above, one may expect that greater conformity towards a consensus view of senior members relative to a consensus view of junior members happens more strongly when the audit office emphasizes a belongingness climate. As explicated above, majority influence and the associated conformity behavior is, essentially, driven by an individual's desire to belong to the majority (see also, McAllister et al., 2021). If the firm installs a climate focusing on belongingness and group affiliation, this motivates the group to form and maintain strong and stable relationships among the members (Baumeister and Leary, 1995; Cialdini and Goldstein, 2004; Cialdini and Trost, 1998). In such a climate, individuals are treated as 'insiders' and accepted by the team when they conform to the dominant norms and expectations (Shore et al., 2011). This may make them reluctant to raise potential issues and be seen as deviant or troublemaker. A strong focus on belongingness may also result in groupthink, whereby a group coalesces on a single perspective rather than considering multiple ideas or points of view to engage in concurrence seeking (Beasley and Jenkins, 2003; Janis, 1982; Kleinman and Palmon, 2009).[2] In contrast, an authenticity climate motivates team members to show their own self-concepts, such as defining oneself in terms of their distinct traits and opinions (Turner et al., 1987). Under this climate, a team member is encouraged by the group to remain true to oneself (Kernis and Goldman, 2006; Jansen et al., 2014). In such a climate, unique characteristics are

[2] A survey done by KPMG (2011) shows that one-third of audit committee members believe that unhealthy groupthink influences their meetings, resulting in early consensus and quick compromise.

seen as valuable and required for group or organization success (Shore et al., 2011). When the team values authenticity, actively questioning majority beliefs and voicing different opinions may not considered to be a threat but rather a valued practice. Thus, authenticity can potentially mitigate the propensity to conform to the majority. However, while the above arguments would suggest less (more) conformity in an authenticity (belongingness) climate, we argue the opposite. Specifically, we propose that focusing solely on the *presence* of a particular inclusive climate is not sufficient to predict auditors' judgments and decisions. That is, auditors' tendency to conform may be driven by their *deficit* needs.

According to the hierarchy of needs, individuals must first satisfy lower-level deficit needs before trying to meet higher-level growth needs (Maslow et al., 1998; see also, Griffith et al., 2022). Self-actualization represents the highest-order motivation, which helps individuals to realize their full potential and their "ideal self". Being the authentic self is the beginning of self-actualization. However, if there is a deficit need for belonging that is yet to be fulfilled, the expected positive impact of authenticity may not materialize. Instead, junior auditors will be more likely to engage in actions that can enhance their belongingness, gain approval from others, and thus conform to the majority. In other words, we theorize a potential adverse effect of an authenticity climate which is not driven by the *presence* of the authenticity climate itself, but by the lower-level *deficit* that is still unfulfilled.

Importantly, state-based conceptions of authenticity argue that an individual's sense of authenticity depends on how much they and their surroundings, such as other team members, agree (van den Bosch and Taris, 2014). The degree of agreement between the environment and the individual (i.e., their experienced authenticity) will fluctuate as a result of changes in the environment. In many organizational settings, including auditing, there is a conundrum between encouraging employees to express their true selves while there are also clear organizational expectations for particular desired behaviors. Employees may anticipate adverse effects when

they are truly themselves at work (Jaser, 2019; Pillemer, 2019). Thus, employees may engage in "deep acting" where they try to balance authenticity with what is actually appropriate for the job, resulting in a regulated or bounded authenticity. A related phenomenon is "social tuning", where people adjust their behavior toward the presumed expectancies, attitudes, or opinions of others (Schmader and Sedikides, 2018). In other words, individuals tune their self-concept to fit the social expectancies. Research on impression management has, relatedly, shown that individuals use impression management tactics such as opinion conformity to influence others in power (Hewlin, 2003; 2009) and, specifically, to gain approval from superiors.

In the audit context, these notions pertain to the extent to which juniors acknowledge external influences and engage in behaviors to meet the expectations set by the seniors, rather than prioritizing actions aligned with their own intrinsic values, and critically evaluating the validity of the majority's viewpoint. That is, juniors might attempt to regulate their action through deep acting by showing a different version of their authentic self, and more so in front of the more senior team members than when facing the equally positioned junior members. Hence, it suggests that solely advocating for authenticity can backfire, resulting in increased conformity through regulated authenticity. As a result, junior auditors would be more likely to adjust their final risk assessment to be similar to the majority view of senior team members.

However, state-based conceptions of authenticity also suggest that if a team member (i.e., junior auditor) can affiliate oneself with the work environment (i.e., other team members), they will be able to show their more authentic self (van den Bosch and Taris, 2018). In other words, belonging needs to be fulfilled first before the expected positive impact of authenticity materializes. Thus, if the audit firm has a clear indication that belongingness is established in their climate, it allows junior auditors to fulfill their need for belonging and to be more authentic, as well as to fulfill their need for esteem. Fulfilling the need of self-esteem includes accomplishment and the desire to gain reputation and respect from others (Maslow et al., 1998).

Consequently, this might encourage the junior auditors to bring issues forward and to share their private information to show their capabilities, as they are already feeling comfortable and safe within the team. This would lead to less conformity behavior. Given that juniors' need to belong is more satisfied when audit firms emphasize a climate of belonging, we expect them to be less inclined to conform and feel less fear of speaking up even when facing more senior members in the hierarchical team. In sum, we expect an inclusive climate to moderate the effect of the origin of team consensus on juniors' conformity, such that the tendency to conform more to the majority (consensus) view of senior members, as opposed to junior members, will be stronger under an authenticity climate, but weaker under a belongingness climate.

Accordingly, we hypothesize:

H2: The tendency to conform to more senior, compared to junior team members, is stronger under an authenticity climate than under a belongingness climate, resulting in a lower final risk assessment.

Figure 1 displays the theoretical model.

[Insert Figure 1 here]

3. EXPERIMENTAL DESIGN AND METHOD

Our case study is adapted from existing studies by Gissel and Johnstone (2018), Holder-Webb and Kohlbeck (2006), and Kohlbeck, Cohen, and Holder-Webb (2009). The participants were asked to assess the fraud risk of a hypothetical company in the Food and Beverage (F&B) industry.[3] We created a scenario where the participant was assigned to gather audit evidence at the client's site and provided information on the client's background, a summary of financial statements, industry, audit and management background, and situational cues that, if taken

[3] We obtained ethical clearance from the relevant university to conduct this experiment.

together, would indicate high fraud risk. However, due to information asymmetry, the team consensus suggested that the likelihood of fraud was low.

We used a two-by-two between-subjects design, manipulating the origin of team consensus (more senior members vs. junior members) and the firm's type of inclusive climate (authenticity vs. belongingness). To operationalize the firm's inclusive climate, we provided a visualization and description of how a team discussion is typically accomplished by respecting a particular climate, emphasizing authenticity or belongingness. Next, to manipulate the origin of the team consensus, we provided a visualization and description of the team members who would join an upcoming discussion and from whom the consensus view is derived, reflecting the different hierarchical structures. Several informal discussions could take place during an audit engagement to share relevant information. Due to the nature of the audit engagement, it is plausible that not all members participate in every discussion, allowing for some variations. The case context and manipulations are explained in more detail in the next sections.

3.1. Participants and procedures

The participants in this experiment were junior auditors from two Big 4 firms in the Netherlands. The experiment was conducted online and accomplished in two different sessions for each firm: 16 September – 19 October 2021 and 1 – 26 November 2021.

The initial sample comprised 171 participants.[4] To assess the effectiveness of our manipulations, we provided four different statements in which participants needed to indicate whether the team consensus came from juniors versus more senior auditors or whether the inclusive climate was characterized by belongingness or authenticity. Out of the 171 participants, 127 correctly answered the conditions they were assigned, and we use these 127 observations for our subsequent analysis.[5] We obtain a minimum of 25 and a maximum of 38

[4] A total of 717 junior auditors were invited to participate via email, out of which 171 completed the experiment (23.85% response rate).
[5] For robustness, we also run the analyses using the full sample and the results still hold.

participants in each treatment group.[6] Overall, we obtain a representative pool of junior auditors to test our theoretical model. The average age of our participants was 25.49 years, and 59.84% were male. 82.68% of the participants were from the Netherlands, and 69.05% held a master's degree or higher. On average, the participants had 24.58 months of work experience, and 88.10% had never encountered fraud.

We measured the variables of interest as cleanly as possible, with the key dependent variable being measured first before we collected any other information (e.g., mediators and process variables, demographics, and personality characteristics). In our design, participants were allowed to use the back and next buttons to review the case information before answering any questions. On the last page of the case information, we informed participants that they would not be able to go back after clicking next. Our experiment can be divided into three parts. Part 1 consisted of the case materials, initial fraud assessment, manipulation, and final fraud assessment. Part 2 consisted of process questions related to the underlying factors influencing participants' fraud risk assessment. Part 3 consisted of participants' skepticism trait, personal background information, and the appraisal of the overall case materials. The median duration for completing the experiment was 21.37 minutes.

3.2. Case Materials and Manipulations

Case instructions instructed participants to imagine working as a junior auditor in a described scenario and audit firm climate. In this scenario, their task was to gather information at the client's site for the year 2020. The company was well-known to the audit firm, as the firm had issued unqualified reports since the company became publicly traded in 2016. Additionally, we provided a brief summary of consolidated financial statements from the years 2017-2019

[6] Despite unequal sample sizes per condition (see Table 4 reported below), the assumption of homogeneity of variances holds. Brown-Forsythe test shows that the variances for Conformity are equal ($p>0.10$). Equality of variance test results for all other dependent variables in our models are insignificant ($p>0.10$). Therefore, there is no significant difference in variances across groups.

(three years), the company's recent strategy, and management report that contained some seeded cues. These cues, if taken together with other public and private information as shown in Table 1, should be an indicator of higher fraud risk in the current year of audit.

[Insert Table 1 here]

To increase external validity, we developed and validated the case materials based on interviews with a senior auditor, and these materials were also reviewed by two audit managers at one of the Big 4 firms in the Netherlands.

3.2.1. Inclusive Climate Manipulation

In all treatment conditions, participants learned that a discussion with some of the team members was going to take place as they were reaching the final stage of engagement, and as such, a conclusion had to be formulated. We also provided information that the discussions in the firm were conducted by respecting the firm's climate, which we manipulated as follows. In the *belongingness* climate, it was described that "…everyone feels **connected** to their colleagues at work. This means that, as an auditor, you are **part of one big family with strong stable bonds** among colleagues. It is in this atmosphere – characterized by a strong sense of **belongingness** and **team spirit** – that we work together to fulfill all our assignments." In the *authenticity* climate, it was described that "everyone is encouraged to be their **unique** selves at work. This means that, as an auditor, you are **true to your own personality, values, and spirit**. It is in this atmosphere – characterized by **authenticity** and **respect for individual differences** – that we work together to fulfill all our assignments". We also visualized the climate for each condition to clarify and elicit a stronger effect (see Appendix).

3.2.2. The Origin of Team Consensus Manipulation

As indicated above, participants are informed that, in the hypothetical scenario, they would have an informal discussion with some team members. Informal discussion is different from brainstorming discussion that has been studied extensively in the literature (e.g., Brazel,

Carpenter, and Jenkins, 2010; Carpenter, 2007; Chen et al., 2015). Anecdotal findings and interviews with auditors suggest that informal discussions happen periodically throughout the audit engagement, aiming at information sharing. As such, not all team members need to be present in such a discussion, allowing some variations in the hierarchical structure, such as whether the team members are all junior auditors or include the more senior members.

We created a case where the participant had just finished reviewing the information right before the discussion started. While waiting for the meeting, they learned about the other members' assessment regarding the company's fraud risk. In the junior members scenario, the other team members consisted of four junior auditors, while in the more senior members scenario, the other team members consisted of a partner, a manager, a senior auditor, and a junior auditor. We also provided two different visualizations to clarify to team hierarchical structure (see Appendix). In all treatment conditions, the other team members uniformly agreed that nothing remarkable was found and thus indicated that the probability of fraud at the company was substantially low.

3.3. Key Variables

3.3.1. Initial and Final Risk Assessment

After reviewing the case, participants were asked to give their initial fraud risk assessment (*InitialAssessment*) of the company by answering the following question: Based on the available information, please assess fraud risk for Gardenia Café on a scale of zero to ten, where zero is "low risk" and ten is "high risk" in this case (cf. Hammersley, Bamber, and Carpenter, 2010; Simon, Smith, and Zimbelman, 2018; Wilks and Zimbelman, 2004). Subsequently, we randomly presented one of the inclusive climate and the origin of consensus conditions to the participants before they provided their final fraud risk assessment (*FinalAssessment*). The final fraud risk assessment question was worded exactly the same as the initial fraud risk assessment. We use *FinalAssessment* to measure junior auditors' final risk

assessment following their conformity behavior while also controlling for their *InitialAssessment*.

3.3.2. Conformity

We included three questions as direct indicators of the extent to which participants conform to the majority (consensus) view in providing their final fraud risk assessment. Specifically, the items asked participants to report on whether (i) their assessment was affected by the team's assessment (*AssessmentAffectedByTeam*), (ii) they changed their assessment to be the same as that of the team (*AssessmentSameAsTeam*), and (iii) they followed the team's assessment (*AssessmentFollowedTeam*). We measured the three questions on a Likert scale from 0 (Strongly disagree) to 7 (Strongly agree) and took the average of the three questions to obtain the variable *Conformity* (Cronbach Alpha = 0.82).

3.3.3. Willingness to Share Own Risk Assessment

In addition, we measured the participants' willingness to share their own risk assessment (*ShareOwnRiskAssessment*), adapted from Gissel and Johnstone (2018), via the following question: On a scale of zero to ten, how comfortable are you in sharing your own risk judgment with the team? (0 = Not comfortable; 10 = Extremely comfortable). We use this variable to further examine junior auditors' conformity behavior. A lower willingness to share their own risk assessment upon knowing the majority's view can be seen as another behavioral manifestation of conformity. This is validated by the negative correlation (-0.32) between *ShareOwnRiskAssessment* and *Conformity*.

3.3.4. Skepticism and Subject Demographics

We measured participants' skepticism as this might affect their tendency to conform by utilizing the 30 questions from Hurtt Professional Skepticism Scale (Hurtt, 2010). We also recorded participants' demographic information by asking them to respond to a series of questions related to their personal information, such as age, gender, country of origin, highest

education degree, years of audit experience, industry expertise, fraud brainstorming session experience, and real-life experience with a fraud case.

3.4. Randomization Check

To examine the success of our randomization, we run a MANOVA test to determine whether our participants' demographics and skepticism traits are not statistically different across conditions. There are no significant differences regarding the demographics. The results, however, indicate that the following trait skepticisms of the manipulated factors have p-values<0.10: Search_for_Knowledge (p=0.0830), Questioning_Mind (p=0.0218), Self_Esteem (p=0.0646), and Suspension_of_Judgment (p=0.0957). Therefore, we verify the robustness of our findings upon controlling for these traits in the subsequent analyses.

4. RESULTS AND DISCUSSION

4.1. Test of Hypothesis

Hypothesis 1: Effect of the origin of team consensus on (i) junior auditor's conformity; and subsequently, (ii) their final risk assessment

To test for H1, we examine the indirect effect of the origin of team consensus on junior auditors' final risk assessment operating *via* conformity, as shown in Figure 1, after controlling for junior auditors' *InitialAssessment.*[7] To do so, we use the Hayes PROCESS macro (Hayes, 2022, model 4).[8] The results are displayed in Table 2. In line with expectations, results in Panel A show a significant positive association between *OriginOfTeamConsensus* and *Conformity* (t=2.7660; p<0.01), and a significant negative association between *Conformity* and juniors' *FinalAssessment* (t=-3.2238; p<0.01). We further find, as reported in Panel B, that the indirect

[7] Controlling for other highly correlated and unsuccessful randomization variables (i.e., *Search_for_Knowledge*, *Questioning_Mind*, *Self_Esteem*, *Suspension_of_Judgment, Autonomy*, *Interpersonal_Understanding*, and *Firm_ID)* provides similar results.

[8] Following Hayes, we utilize confidence intervals from bootstrapped sampling distributions (based on 10,000 bootstrap samples) to test the significance of indirect effects.

effect of the *OriginOfTeamConsensus* and the junior auditors' *FinalAssessment* via *Conformity* is negative and significant (-0.1424; 95% CI [-0.2854, -0.0330]), in support for H1.

[Insert Table 2 here]

Hypothesis 2: Moderating effect of inclusive climate on (i) the effect of origin of team consensus on junior auditor's conformity; and, subsequently, (ii) their final risk assessment

To test H2, we test the full moderated mediation model shown in Figure 1, using the Hayes PROCESS macro (Hayes 2022, model 7).[9] Table 3 Panel A shows an insignificant interaction effect between *OriginOfTeamConsensus* and *InclusiveClimate* on *Conformity* (t=-0.5891, p=0.5569). Yet, according to Hayes (2022), a non-significant interaction in the above analysis does not imply that the indirect effect of *OriginOfTeamConsensus* on *FinalAssessment* cannot be moderated by *InclusiveClimate*. We, therefore, proceed with a formal test of moderated mediation, as postulated in H2. The conditional indirect effects and inferential tests using bootstrapped confidence intervals are reported in Table 3 Panel B. The indirect effect of *OriginOfTeamConsensus* on *FinalAssessment* through *Conformity* is negative and significant in an authenticity climate (-0.1742; 95% CI [-0.3746, -0.0306]), but not in a belongingness climate (-0.1141; 95% CI [-0.2840, 0.0380]). Thus, juniors' conformity towards the more senior members seems to lower their final risk assessment, particularly in an authenticity climate, as opposed to a belongingness climate. However, as the index of moderated mediation reports a confidence interval straddling zero (0.0601; 95% CI [-0.1328, 0.3018]), we cannot conclude that these indirect effects are significantly different from each other.

[Insert Table 3 here]

[9] Following Hayes, we utilize confidence intervals from bootstrapped sampling distributions (based on 10,000 bootstrap samples) to test the significance of indirect effects.

The descriptive statistics and ANOVA results in Table 4 – Panel A and B confirm the effects of the origin of consensus and inclusive climate on junior auditors' tendency to conform. As predicted, we find that junior auditors conform more when the origin of the consensus is from the more senior team members relative to junior members (mean=2.91 *vs.* 2.26, p<0.01). While results show an insignificant interaction effect between *OriginOfTeamConsensus* and *InclusiveClimate* on *Conformity* (F=0.35; p=0.5569), we observe that the simple effect (Table 4 – Panel C) of the *OriginOfTeamConsensus* is significant (F=5.92; p=0.0164) under the authenticity climate, whereas it is not under the belongingness climate (F=2.41; p=0.1233).[10] Given the ordinal nature of our prediction, where we expect the origin of the consensus to have an effect in the authenticity climate, but less so in belongingness climate, we use contrast analyses, as indicated in Guggenmos, Piercey, and Agoglia (2018). We use weights of {-1, -1, 3, -1} for the contrast test which is significant (F = 7.31; p<0.01), confirming our theoretical prediction.

[Insert Table 4 here]

In sum, our results provide support for the notion that junior auditors' assessments are influenced by the team consensus view, especially when the consensus stems from more senior audit team members. We do not find these effects to be significantly moderated by the inclusive climate. Yet, the results do show particularly high conformity when the team consensus comes from the more senior members in an inclusive climate that emphasizes authenticity (as evidenced by the significant simple effect and contrast testing), which flows on to impact their final risk assessment (as evidenced by the significant negative indirect effect). In a

[10] Controlling for the covariates (see footnote 7), the simple effect of *InclusiveClimate* also becomes significant at the 10% level when the team consensus comes from a team of more senior members (F=3.23; p=0.0749) but not when the team consensus comes from junior members (F=0.38; p=0.5373).

belongingness climate these effects are not significant, suggesting that such a climate mitigates the tendency to conform.

4.2. Additional analysis

We use *ShareOwnRiskAssessment* as an alternative outcome variable. While the *Conformity* variable captures the extent to which junior auditors adjusted their final judgments towards the team's consensus, the *ShareOwnRiskAssessment* variable reflects junior auditors' actions on whether they would be willing to speak up about their own fraud risk assessment to the rest of the team. We consider this as a behavioral manifestation of conformity, where a *higher* (*lower*) willingness to share one's own risk assessment aligns with a *lower* (*higher*) tendency to conform. The results are reported in Table 5.

[Insert Table 5 here]

Table 5 – Panel A shows that the mean of *ShareOwnRiskAssessment* is lower in the More Senior Members condition than in the Junior Members condition under an authenticity inclusive climate (6.45 *vs.* 7.66), whereas no such difference is observed under a belongingness inclusive climate (7.91 *vs.* 7.63). Table 5 – Panel B displays a significant interaction effect between *OriginOfTeamConsensus* and *InclusiveClimate* on *ShareOwnRiskAssessment* ($F=4.82$; $p=0.03$). This significant interaction effect indicates that inclusive climate moderates the effect of the origin of team consensus on junior auditors' willingness to share their own risk assessment with the other team members. Contrast testing {1, 1, -3, 1} indicative of the ordinal interaction effect is also statistically significant ($F=11.74$; $p<0.01$). The simple effect tests (Table 5 – Panel C) further show that the effect of *OriginOfTeamConsensus* is significant ($F=6.47$; $p=0.0122$) under authenticity inclusive climate, whereas under belongingness inclusive climate, the effect is not significant ($F=0.32$; $p=0.5699$). In addition, within the More Senior Members condition, junior auditors are less willing to share their own risk assessment

when operating under an authenticity inclusive climate than under a belongingness inclusive climate (F=10.97; p=0.0012). Within the Junior Members condition, there is no significant effect of inclusive climate (F=0.00; p=0.9648). These results provide corroboration of junior auditors' conformity under authenticity as they are less willing to share their own risk assessment with the more senior members, relative to when the team consists of all juniors. Yet, when a belongingness climate is promoted, they are equally willing to share their own risk assessment with the more senior members as when the team is all juniors.

Combined, the above results provide an indication of a higher tendency to conform to the team consensus stemming from senior members as opposed to junior members. The results further suggest that the predicted conformity effect materializes under an authenticity climate, but not under a belongingness climate. Moreover, our additional analysis further suggests that an authenticity climate might not always have desired effects, as it holds junior auditors back from voicing their opinion in a team of more senior members. In contrast, installing a belongingness climate seems to reduce auditors' tendency to conform towards senior members, where they show to be more comfortable in speaking up.

5. CONCLUSION

In this study, we examine how learning about the team's consensus influences junior auditors' tendency to rely on their own private information in forming their risk assessment and their willingness to share this assessment with the other team members. We particularly investigate how the origin of the team consensus along with the inclusive climate determines junior auditors' tendency to conform. Consistent with conformity theory, which posits that individuals adjust their beliefs to align with the majority due to social influence, we find that an early vocalization of consensus suggesting low fraud risk can result in junior auditors conforming to this majority viewpoint when it stems from more senior members. This conformity flows on to impact their final risk assessment. Accordingly, we underscore the

significance of audit team dynamics, including hierarchy, in shaping audit quality (e.g., Cameran et al., 2018; Chen et al., 2015; Proell et al. 2024). More specifically, extending prior auditing research on this topic (McAllister et al., 2021), we provide evidence that majority influence, if stemming from senior members, can invoke conversion of one's individual viewpoint to that of the low-risk majority.

We further examine the impact of inclusive climate on junior auditors' conformity, in response to recent calls for more research on audit firm climate (e.g., Andiola et al., 2020), especially in the context of diversity and inclusion (e.g., Griffith et al., 2022). To our knowledge, our study is the first to experimentally test the different dimensions of inclusion. Our results indicate that the origin of team consensus only affects auditors' conformity, and their subsequent risk assessment, in the case of authenticity, not belongingness. With this, we highlight two important theoretical contributions. First, this result contributes to a novel theoretical understanding of *authenticity*, revealing that solely encouraging juniors to be true to themselves and their values does not always lead to the desired outcomes. The finding aligns with the growing literature on the paradox of authenticity paradigm, with regulated authenticity as a response (Jaser, 2019; Pillemer, 2019) as well as with the concept of authenticity as a state that depends on the environment (van den Bosch and Taris, 2018; 2014). Second, despite suggestions in existing literature that *belongingness* enhances groupthink and thus increases conformity behavior (Beasley and Jenkins, 2003; Janis, 1982; Kleinman and Palmon, 2009), we challenge this notion. In fact, cultivating a sense of belongingness seems to mitigate, rather than increase, junior auditors' tendency to conform to the majority view.

In addition, when it comes to comfortability in sharing one's own risk assessment, we find that an authenticity climate can significantly hinder information sharing compared to a belongingness climate in particular when the team consists of more seniors. By studying auditors' willingness to speak up through the lens of conformity theory, we also contribute to

the emerging literature on information-sharing and voicing within audit practice (Clor-Proell et al., 2023; 2022; Proell et al., 2022).

Our findings provide the following recommendations for audit practice. First, to mitigate the risk of overlooking potential fraud indicators, audit practice should facilitate information-sharing sessions where team members are actively encouraged to engage in constructive discussions and evaluate diverse perspectives before reaching a consensus, particularly within hierarchical team structures. Specifically, senior members should encourage junior auditors to thoroughly assess any relevant information, and allow them to share that with the team, before presenting their own viewpoints.

Second, audit firms are advised to cultivate a climate of belongingness, rather than authenticity, to minimize the tendency to conform and, at the same time, facilitate upward communication. Strengthening belongingness can be achieved through value statements, but also through various team-building initiatives or regular one-on-one social engagements between junior and senior team members, fostering a sense of connection, support, and psychological safety (Gissel and Johnstone, 2018; Nelson et al., 2016), such that auditors become confident and comfortable with adopting and sharing differing opinions.

Our study has a few limitations that provide opportunities for further research. Although, in this study, we do not contrast the results of having both inclusive climates vs. only one climate, it serves as a starting point to further explore and understand how different dimensions have distinctive as well as combined impacts on auditors' judgment and decision-making. Based on our theoretical foundation, we can only conjecture that belongingness needs to exist before the positive effect of authenticity can materialize. Besides, future research may want to investigate other factors that shape a climate of belongingness in audit firms, to mitigate conformity and motivate auditors to carefully consider *and* voice any issues that arise during their audit work.

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Figure 1: Theoretical model

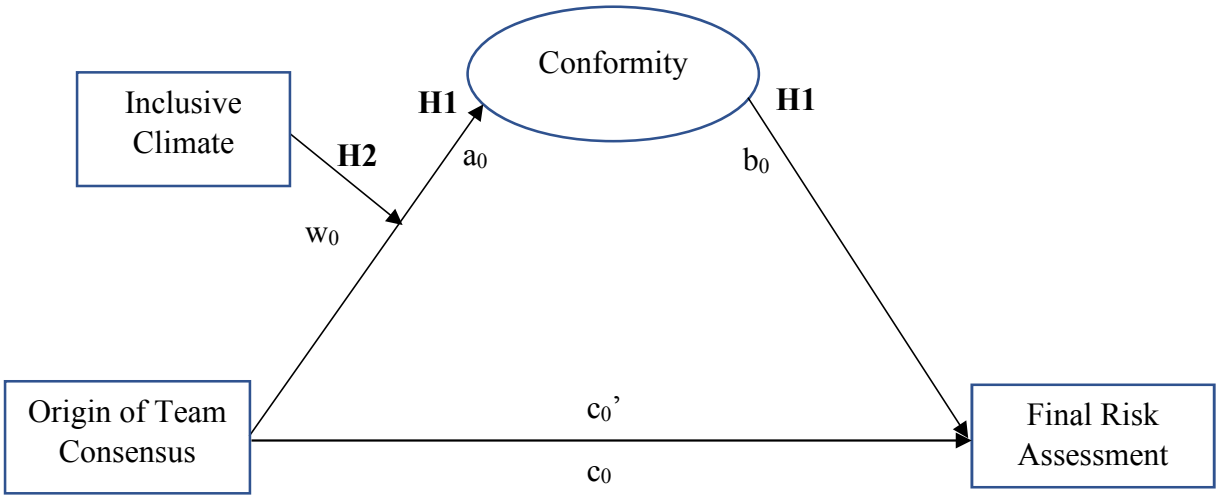


Table 1: The Cues Seeded on the Case Study

Cues	Publicly-known	Privately-known
The company operates in a highly competitive industry.	□	
The CEO expressed concern about the company's ability to meet financial goals for the fourth quarter and fiscal year.		□
The CEO has personal financial problems		□
The CEO constantly pressures the accounting manager about company's ability to meet financial targets		□
The previous CFO resigned after having some disagreements with the CEO.		□
The CEO was upset about company's ability to meet financial goals for the fourth quarter and fiscal year. He demanded a detailed explanation, arguing that the current situation was unacceptable, and further insisted upon an immediate action plan for turning things around.		□
The CEO constantly asks the accounting manager about key financial performance indicators, often looking for daily updates.		□
The CEO managed to achieve the company's quarterly EPS forecast to beat the analyst consensus by €0.01 in nine of ten recent quarters and equaled in the most recent quarter.	□	

Table 2: Results of the mediation model for testing Hypothesis 1

Panel A1: Path 1: Outcome Variable: *Conformity (M)*

		Coeff.	s_e	t-stat.	p-value
constant		4.8469	0.6595	7.3498	0.0000***
OriginOfTeamConsensus	(a_0)	0.6405	0.2316	2.7660	0.0065***
InitialJudgment		-0.3526	0.0901	-3.9119	0.0002***

Panel A2: Path 2: Outcome Variable: *FinalAssessment (Y)*

		Coeff.	s_e	t-stat.	p-value
constant		0.9805	0.6068	1.6158	0.1087
Conformity	(b_0)	-0.2223	0.0690	-3.2238	0.0016***
OriginOfTeamConsensus	(c_0')	0.4247	0.1832	2.3180	0.0221**
InitialJudgment		0.8070	0.0734	10.9980	0.0000***

Panel B: Indirect Effect

Indirect effect of *OriginOfTeamConsensus* on *FinalAssessment*:

OriginOfTeamConsensus (X) → Conformity (M) → FinalAssessment (Y)

Effect	Boot S.E.	Boot LLCI	Boot ULCI [95%]
-0.1424	0.0646	-0.2854	-0.0330

Notes: Panels A to B present the PROCESS results of the mediation model, i.e. model 4 (Hayes 2022), including the unconditional indirect effect. X = independent variable, Y = dependent variable, M = mediator. ***, **, * denote significance at the 1, 5 and 10% level. All reported p-values are two-tailed.

Table 3: Results of the moderated mediation model for testing Hypothesis 2

Panel A1: Path 1: Outcome Variable: *Conformity (M)*

		Coeff.	s_e	t-stat.	p-value
constant		5.0495	0.6941	7.2745	0.0000***
OriginOfTeamConsensus	(a_0)	0.7833	0.3218	2.4337	0.0164**
InclusiveClimate		-0.1129	0.3489	-0.3236	0.7468
OriginOfTeamConsensus*InclusiveClimate	(w_0)	-0.2702	0.4586	-0.5891	0.5569
InitialJudgment		-0.3738	0.0917	-4.0778	0.0001***

Panel A2: Path 2: Outcome Variable: *FinalAssessment (Y)*

		Coeff.	s_e	t-stat.	p-value
constant		0.9805	0.6068	1.6158	0.1087
Conformity	(b_0)	-0.2223	0.0690	-3.2238	0.0016***
OriginOfTeamConsensus	(c_0')	0.4247	0.1832	2.3180	0.0221**
InitialJudgment		0.8070	0.0734	10.9980	0.0000***

Panel B: Indirect Effect

Indirect effect of *OriginOfTeamConsensus* on *FinalAssessment*:

OriginOfTeamConsensus (X) → Conformity (M) → FinalAssessment (Y)

W	Effect	Boot S.E.	Boot LLCI	Boot ULCI [95%]
Authenticity	-0.1742	0.0886	-0.3746	-0.0306
Belongingness	-0.1141	0.0804	-0.2840	0.0380

Index of Moderated Mediation (difference between conditional indirect effects)

Index	Boot S.E.	Boot LLCI	Boot ULCI [95%]
0.0601	0.1089	-0.1328	0.3018

Notes: Panels A to B present the PROCESS results of the moderated mediation model, i.e. model 7 (Hayes 2022), including conditional indirect effects, and the index of moderated mediation. X = independent variable, Y = dependent variable, M = mediator, W = moderator. ***, **, * denote significance at the 1, 5 and 10% level. All reported p-values are two-tailed.

Table 4: How the Origin of Team Consensus and Inclusive Climate Affect Junior Auditors' Conformity

Panel A: Summary statistics of Junior Auditors' *Conformity*: Mean, (St. dev)

		Junior Members	More Senior Members	Total Row
Authenticity	Mean	2.31	3.10	2.75
	(St. dev)	(1.27)	(1.29)	(1.31)
	N	N=28	N=38	N=66
		{-1}	{3}	
Belongingness	Mean	2.20	2.71	2.51
	(St. dev)	(1.28)	(1.27)	(1.31)
	N	N=25	N=36	N=61
		{-1}	{-1}	
Total Column	Mean	2.26	2.91	
	(St. dev)	(1.28)	(1.27)	
	N	N=53	N=74	

Panel B: ANOVA-Results

Source	DF	Mean Square	F-value	p-value
OriginOfTeamConsensus	1	12.5325	7.80	0.0061***
InclusiveClimate	1	1.8611	1.16	0.2839
OriginOfTeamConsensus*InclusiveClimate	1	0.5576	0.35	0.5569
InitialJudgment	1	136.5629	1.36	0.0001***
Error	122	1.6068		

Panel C: Simple Effects

Effect of Inclusive Climate	DF	Mean Square	F-value	Pr > F
Junior Members	1	0.1682	0.10	0.7468
More Senior Members	1	2.6312	1.64	0.2031

Effect of the Origin of Team Consensus	DF	Mean Square	F-value	Pr > F
Authenticity	1	9.5165	5.92	0.0164**
Belongingness	1	3.8691	2.41	0.1233

***, **, * denote significance at the 1, 5 and 10% level. All reported p-values are two-tailed.

OriginOfTeamConsensus = 0 is Junior Members; OriginOfTeamConsensus = 1 is More Senior Members.
InclusiveClimate = 0 is Authenticity; InclusiveClimate = 1 is Belongingness.

Table 5: How the Origin of Team Consensus and Inclusive Climate Affect Junior Auditors' Willingness to Share Fraud Risk Assessment

Panel A: Summary statistics of *ShareOwnRiskAssessment*: Mean, (St. dev)

		Junior Members	More Senior Members	Total Row
Authenticity	Mean	7.66	6.45	6.97
	(St. dev)	(1.88)	(1.91)	(1.92)
	N	N=28	N=38	N=66
		{1}	{-3}	
Belongingness	Mean	7.63	7.91	7.79
	(St. dev)	(1.89)	(1.87)	(1.92)
	N	N=25	N=36	N=61
		{1}	{1}	
Total Column	Mean	7.62	7.17	
	(St. dev)	(1.96)	(1.95)	
	N	N=53	N=74	

Panel B: ANOVA-Results

Source	DF	Mean Square	F-value	p-value
OriginOfTeamConsensus	1	6.4690	1.84	0.1769
InclusiveClimate	1	15.7413	4.49	0.0362**
OriginOfTeamConsensus*InclusiveClimate	1	16.9138	4.82	0.0300**
InitialJudgment	1	9.8906	2.82	0.0957*
Error	122	3.5074		

Panel C: Simple Effects

Effect of Inclusive Climate	DF	Mean Square	F Value	Pr > F
Junior Members	1	0.0068	0.00	0.9648
More Senior Members	1	38.4932	10.97	0.0012***

Effect of the Origin of Team Consensus	DF	Mean Square	F Value	Pr > F
Authenticity	1	22.7001	6.47	0.0122**
Belongingness	1	1.1388	0.32	0.5699

***, **, * denote significance at the 1, 5 and 10% level. All reported p-values are two-tailed.

OriginOfTeamConsensus = 0 is Junior Members; OriginOfTeamConsensus = 1 is More Senior Members.
InclusiveClimate = 0 is Authenticity; InclusiveClimate = 1 is Belongingness.

APPENDIX

Inclusive climate manipulation

- Authenticity

Recall that you are working within a team to conduct the year-end audit of Gardenia Café.

Suppose that a discussion with your team is coming up, as you are reaching the final stage of the audit engagement and a conclusion needs to be formulated.

The discussions in your audit firm are typically carried out by respecting the firm's culture. Specifically, your audit firm has a strong culture of **authenticity** as described below:

We foster a culture where everyone is encouraged to be their **unique** selves at work.
This means that, as an auditor, you are **true to your own personality, values, and spirit**.
It is in this atmosphere – characterized by **authenticity** and **respect for individual differences** – that we work together to fulfill all our assignments.

- Belongingness

Recall that you are working within a team to conduct the year-end audit of Gardenia Café.

Suppose that a discussion with your team is coming up, as you are reaching the final stage of the audit engagement and a conclusion needs to be formulated.

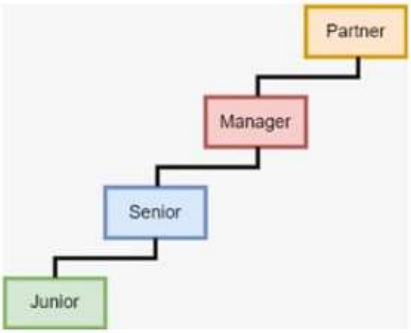
The discussions in your audit firm are typically carried out by respecting the firm's culture. Specifically, your audit firm has a strong culture of **belonging** as described below:

We foster a culture where everyone feels **connected** to their colleagues at work.
This means that, as an auditor, you **are part of one big family with strong stable bonds** among colleagues.
It is in this atmosphere – characterized by a strong sense of **belongingness** and **team spirit** – that we work together to fulfill all our assignments.

Origin of team consensus manipulation

- More senior members

Now suppose you are going to have an informal discussion with your team members, consisting of **a partner, a manager, a senior auditor, and a junior auditor**. You have just finished reviewing and analyzing your data, right before the discussion starts. While waiting for the meeting to start, you ask your team about their analysis and judgments regarding the Company's fraud risk. They told you that nothing remarkable was found from their tasks and analysis. As a result, they **uniformly** indicate that they belief the likelihood of fraud at the Company to be **substantially low**.



- Junior members

Now suppose you are going to have an informal discussion with your team members, consisting of **four junior auditors**. You have just finished reviewing and analyzing your data, right before the discussion starts. While waiting for the meeting to start, you ask your team about their analysis and judgments regarding the Company's fraud risk. They told you that nothing remarkable was found from their tasks and analysis. As a result, they **uniformly** indicate that they belief the likelihood of fraud at the Company to be **substantially low**.